

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF MARION

GRANT COUNTY, INDIANA

January 1, 2020 to December 31, 2020



**FILED**  
03/10/2022



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Julie L. Flores	01-01-20 to 12-31-22
Mayor	Jess Alumbaugh	01-01-20 to 12-31-22
President of the Board of Public Works and Safety	Brian Flynn Alex Huskey	01-01-20 to 12-31-20 01-01-21 to 12-31-22
President of the Common Council	Deborah Cain Brian Cowgill	01-01-20 to 12-31-21 01-01-22 to 12-31-22
Utilities Director	John Binkerd	01-01-20 to 12-31-22
President of the Utility Service Board	Robert Logan	01-01-20 to 12-31-22



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF MARION, GRANT COUNTY, INDIANA

This report is supplemental to our audit report of the City of Marion (City), for the period from January 1, 2020 to December 31, 2020. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statement Audit Report of the City, which provides our opinions on the City's financial statement. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE  
Deputy State Examiner

February 24, 2022

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CITY CONTROLLER  
CITY OF MARION

CITY CONTROLLER  
CITY OF MARION  
AUDIT RESULTS AND COMMENTS

**OVERDRAWN CASH BALANCES**

A similar comment was included in prior Reports B53283 and B56129, entitled *OVERDRAWN CASH BALANCES*.

*Condition and Context*

In the financial statement presented for audit, the Fire Pension fund had an overdrawn cash balance of \$69,826 as of December 31, 2020. Funds with overdrawn cash balances due to the timing of reimbursements for expenditures were not included in this comment.

*Criteria*

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND DISBURSEMENTS**

*Condition and Context*

We identified MVH Restricted fund disbursements totaling \$124,182 that were not used for the construction, reconstruction, and preservation of the City's highways. The disbursements included truck lease payments, the purchase of snow plowing equipment, and other payments for repairs and supplies.

*Criteria*

Indiana Code 8-14-1-5(c) states: "For funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."



## CITY of MARION

OFFICIAL RESPONSE  
CITY OF MARION  
March 4, 2022

### OVERDRAWN CASH BALANCE

We did not receive from the State the total amount needed to cover our pension payments. Our office cuts off payment of bills early in December to ensure all funds are not overdrawn. Because the pension checks were dated 12/31/20, those amounts were not deducted out of the fund until 12/31/20. A transfer needed to be made from the Fire Dept. to the Fire Pension Fund to cover the shortfall, but our office did not re-review the cash balances after 12/31/20 to make sure pension funds were not overdrawn before we closed out the year.

We did review the cash balances in each fund for year ending 2021 before closing, and all funds finished with positive cash balances.

### MOTOR VEHICLE HIGHWAY RESTRICTED FUND DISBURSEMENTS

In June 12, 2017 Memorandum from State Examiner referencing the "Use of MVH Fund pursuant to PL 218-2017 (HEA 1002)", requiring 50% of MVH funds be used for Construction, Reconstruction, and Maintenance, under the Maintenance heading it states "such term also means and includes the acquisition and use in any manner, of all needed equipment, fuel, materials, and supplies essential and incident thereto." Using the funds for equipment was also discussed in many workshops attended regarding the 50% rule. I believe the \$63,673 spent on leasing vehicles for the Street Department was done in good faith based on this language.

Respectfully submitted,

CITY CONTROLLER  
CITY OF MARION  
EXIT CONFERENCE

The contents of this report were discussed on February 24, 2022, with Julie L. Flores, City Controller; Jess Alumbaugh, Mayor; Brian Cowgill, President of the Common Council; Deborah Cain, Common Council member; and Gary T. Fordyce Sr., Common Council member.

CITY UTILITIES  
CITY OF MARION

CITY UTILITIES  
CITY OF MARION  
AUDIT RESULTS AND COMMENTS

**ANNUAL FINANCIAL REPORT - FINANCIAL STATEMENT**

*Condition and Context*

The City had not established effective internal controls over the fund financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the City's Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (financial statement).

In August of 2020, the Utilities began experiencing significant problems with its accounting software, which prevented them from preparing accurate financial reports and bank reconciliations for several months. The issues were eventually resolved in June of 2021. These issues caused the Utilities' fund financial information entered by the City Controller into Gateway to be inaccurate.

Due to the lack of effective internal controls, the financial statement presented for audit included the following errors:

- Five internal Utilities Clearing Accounts were improperly included on the financial statement. Receipts were overstated in total by \$9,705,805, disbursements were overstated in total by \$9,705,953, and ending cash and investments balance was understated by \$148.
- The Storm Water Depreciation Equipment Reserve fund receipts were understated by \$425,711, disbursements were understated by \$419,523, and ending cash and investments balance was understated by \$6,188.
- The Storm Water Depreciation fund receipts were overstated by \$413,121, disbursements were overstated by \$417,208, and ending cash and investments balance was understated by \$4,087.
- Several additional funds had individually immaterial errors that resulted in the understatement of receipts by \$233,040 in total, the understatement of disbursements by \$24,346 in total, and the understatement of ending cash and investments balance by \$208,694 in total.

Audit adjustments were proposed, accepted by the City, and made to the financial statement presented in the Financial Statement Audit Report.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

CITY UTILITIES  
CITY OF MARION  
AUDIT RESULTS AND COMMENTS  
(Continued)

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

## **BANK ACCOUNT RECONCILIATIONS**

### *Condition and Context*

The Utilities accounting staff prepared bank reconciliations timely during the audit period. However, due to the issues described in the previous comment, *ANNUAL FINANCIAL REPORT - FINANCIAL STATEMENT*, an unidentified difference of \$10,022 existed as of December 31, 2020, with the record balance exceeding the bank balance.

### *Criteria*

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

CITY UTILITIES  
CITY OF MARION  
EXIT CONFERENCE

The contents of this report were discussed on February 16, 2022, with John Binkerd, Utilities Director; Misty Humphries, Executive Assistant; Tiffany Snyder, Accounting Specialist; Robert Logan, President of the Utility Service Board; William Dorsey, Utility Service Board member; and Douglas Carl, Utility Service Board member.

The contents of this report were discussed on February 24, 2022, with Julie L. Flores, City Controller; Jess Alumbaugh, Mayor; Brian Cowgill, President of the Common Council; Deborah Cain, Common Council member; and Gary T. Fordyce Sr., Common Council member.