

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF MUNCIE

DELAWARE COUNTY, INDIANA

January 1, 2021 to December 31, 2021



FILED
12/22/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Craig Wright	01-01-21 to 12-31-22
Mayor	Honorable Dan Ridenour	01-01-21 to 12-31-22
President of the Common Council	Jeff Robinson	01-01-21 to 12-31-22
President of the Board of Public Works and Safety	Linda Gregory	01-01-21 to 12-31-22
President of the Sanitary District Board	Stephen Brand	01-01-21 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF MUNCIE, DELAWARE COUNTY, INDIANA

This report is supplemental to our audit report of the City of Muncie (City), for the period from January 1, 2021 to December 31, 2021. 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/.

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

December 8, 2022

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CITY CONTROLLER
CITY OF MUNCIE

CITY CONTROLLER
CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS

APPROPRIATIONS

The same comment also appeared in prior Reports B53304, B56237, and B57618.

Condition and Context

For 2021, disbursements exceeded the amounts budgeted for the following funds:

Fund	Excess Amount Expended
General Fund	\$ 2,243,139
Local Road and Street	322,923
Parks and Recreation	62,699
Bond Revenue/Tuhey Pool	750
Cemetery Operating	8,785

Criteria

Indiana Code 36-4-8-2 states in part:

". . . Unless a statute provides otherwise, the fiscal officer may draw a warrant against a fund of the city only if:

- (1) An appropriation has been made for that purpose and the appropriation is not exhausted; . . ."

LATE SUBMISSION OF ANNUAL FINANCIAL REPORT

The same comment also appeared in the prior Reports B56237 and B57618.

Condition and Context

The City's Annual Financial Report for 2021 was not filed electronically until April 12, 2022, which was 42 days past the due date.

Criteria

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](#)."

CITY CONTROLLER
CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS

The same comment also appeared in prior Report B57618.

Condition and Context

There were several deficiencies in the internal control system of the City related to receipts and financial transactions and reporting.

The City had not separated incompatible activities related to receipts. The same individual entered numerous receipts in to the accounting system and prepared the bank reconcilements. Additionally, no documentation was presented indicating the receipt postings were reviewed by another individual. Internal control activities should be in place to reduce the risks of errors in financial reporting.

The City's financial information was prepared and electronically submitted by the City Controller to the Indiana Gateway for Government Units financial reporting system, which was the source of the City's financial statement. An oversight or review process had not been documented to prevent, or detect and correct, errors to ensure that the financial information recorded and reported was accurate and complete.

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:

"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. . . ."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

This same comment appeared in a Management Letter addressed to the City Controller and Common Council for the audit period ending December 31, 2020.

Condition and Context

The City Controller incorrectly certified that training on internal control standards was completed by all applicable individuals; however, we determined the training was not completed by the City Controller, Deputy City Controller, or department hires who handle monies.

CITY CONTROLLER
CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS
(Continued)

Context

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](#)."

ANNUAL REPORT SCHEDULES

Condition and Context

The Schedule of Leases and Debt is generated from information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system. The presented Schedule of Leases and Debt contained the following errors: Incorrect ending principal balances for four bonds and one loan, incorrect principal and interest due amounts for five bonds and one loan, incorrect classification of one loan as a revenue bond, omission of one outstanding bond issue, and the omission of nine outstanding loans. Due to the errors noted, the City elected to not present this schedule as of December 31, 2021.

Information for the Investment Fund Statements, which reports the Beginning Investment Balance, Total Investments Purchased, Total Investments Sold, and the Ending Investment Balance by Fund, was not entered into Gateway.

Criteria

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](#)."

MVH RESTRICTED FUND EXPENDITURES

Condition and Context

The MVH Restricted fund was incorrectly used to pay for employee expenses related to signal electricians and sign crews, paint and sign materials, signal equipment, tree removal expenses, striping and road marking expenses, sidewalk repairs, reconstruction of three monuments, clerical and professional services related to the Cooley Park Project, and landscape work along roadway. These identified expenses totaled \$895,455 for the calendar year 2021.

CITY CONTROLLER
CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS
(Continued)

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."

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

MONTHLY AND ANNUAL ENGAGEMENT UPLOADS

This same comment appeared in a Management Letter addressed to the City Controller and Common Council for the audit period ending December 31, 2020.

Condition and Context

The following errors were noted with the City's monthly and annual Gateway uploads as required by Amended State Examiner Directive 2018-1:

1. Bank reconcilements and related Fund Ledgers were not uploaded timely for several months, and were uploaded as follows:
 - a. January through May on July 18, 2021.
 - b. June on September 8, 2021.
 - c. August on November 9, 2021.
 - d. September through November on February 1, 2022.
2. The following annual files were not uploaded timely:
 - a. Detail of receipts for the year were uploaded on May 20, 2022, and was an incorrect report. The correct report was uploaded on September 16, 2022.
 - b. Detail of disbursements for the year was not uploaded until May 20, 2022, and was the incorrect report. The correct report has still not been uploaded.
 - c. Current Year Salary Ordinances and Amendments were uploaded November 17, 2022.
 - d. Annual Vendor History Report was uploaded November 17, 2022.
 - e. Annual Payroll History Report was uploaded November 17, 2022.

CITY CONTROLLER
CITY OF MUNCIE
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

This amended directive is effective starting with December 2020 monthly files. The upload of December 2020 monthly files will be due February 15, 2021, and by the 15th of each month thereafter unless the State Board of Accounts (SBOA) establishes a different date. This is effective for 2020 annual files which will be due for upload March 1, 2021, for calendar year end units. . . . Thereafter, annual files must be uploaded no later than March 1st . . . for the prior year end unless the SBOA establishes a different date. (Amended State Examiner Directive 2018-1)

CITY CONTROLLER
CITY OF MUNCIE
EXIT CONFERENCE

The contents of this report were discussed on December 8, 2022, with Craig Wright, City Controller; Honorable Dan Ridenour, Mayor; Jeff Robinson, President of the Common Council; Linda Gregory, President of the Board of Public Works and Safety; Gretchen Cheesman, Director of Community Development; and Matt Wagley, Deputy City Controller.

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COMMON COUNCIL
CITY OF MUNCIE

COMMON COUNCIL
CITY OF MUNCIE
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

This same comment appeared in a Management Letter addressed to the City Controller and Common Council for the audit period ending December 31, 2020.

Condition and Context

Training on internal control standards was not completed by the City Controller, Deputy City Controller, or all department hires who handle monies.

Criteria

Indiana 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

COMMON COUNCIL
CITY OF MUNCIE
EXIT CONFERENCE

The contents of this report were discussed on December 8, 2022, with Craig Wright, City Controller; Honorable Dan Ridenour, Mayor; Jeff Robinson, President of the Common Council; Linda Gregory, President of the Board of Public Works and Safety; Gretchen Cheesman, Director of Community Development; and Matt Wagley, Deputy City Controller.

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MAYOR
CITY OF MUNCIE

MAYOR
CITY OF MUNCIE
AUDIT RESULT AND COMMENT

RECORD OF HOURS WORKED

Condition and Context

In 2021, the Mayor contracted with a full-time City employee to "provide general administration, management of Prairie Creek Reservoir, grant writing, aid in park development, oversee the Mayor's initiatives, and other consulting services to the City and all departments of the City as needed and directed by the Mayor of Muncie." The contract specified the City will provide office space, internet, and telephone access as needed Monday through Friday from 8a until 4p, plus an email account, and access to a computer and copy machine. The contract specified the individual is a contract consultant of the City who is not entitled to any City of Muncie employee benefits, specified a monthly payment of \$2,000 per month, and specified for the period of January 1, 2021 through December 31, 2023, with any modifications to be made in writing and signed by all parties.

The contract included language regarding duties already being performed as a city employee, did not include a provision for a record of hours worked to be provided, and did not specify the work to be performed outside of the employee's normal work hours which are 8a-4p Monday through Friday. The employee's timecard shows 8 hours per day worked for the City, but not the actual time hours and no record of hours worked was provided for the consulting work. As a result, there was insufficient documentation to determine when the individual worked for the City and as a consultant. This individual was paid \$49,355 as a full-time City employee plus \$24,000 as a consultant.

In 2022, the consultant payment increased to \$2,500 a month with no written amendment provided, and this individual has been paid a minimum of \$1,851 per pay plus overtime as a full-time City employee.

MAYOR
CITY OF MUNCIE
AUDIT RESULT AND COMMENT
(Continued)

Criteria

Indiana Code 5-11-9-4(b) states in part:

"The state board of accounts shall require that records be maintained showing which hours are worked each day by officers and employees: . . .

(2) employed by more than one (1) public agency or in more than one (1) position by the same public agency . . ."

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employee's Service Record
General Form 99B, Employee's Earnings Record
General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

MAYOR
CITY OF MUNCIE
EXIT CONFERENCE

The contents of this report were discussed on December 8, 2022, with Craig Wright, City Controller; Honorable Dan Ridenour, Mayor; Jeff Robinson, President of the Common Council; Linda Gregory, President of the Board of Public Works and Safety; Gretchen Cheesman, Director of Community Development; and Matt Wagley, Deputy City Controller.