

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

TOWN OF MOROCCO  
NEWTON COUNTY, INDIANA

January 1, 2012 to December 31, 2012



**FILED**  
04/13/2017



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sherril L. Rainford	01-01-08 to 12-31-18
President of the Town Council	Robert W. Gonczy	01-01-12 to 12-31-17



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF MOROCCO, NEWTON COUNTY, INDIANA

**Report on the Financial Statement**

We have audited the accompanying financial statement of the Town of Morocco (Town), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement as listed in the Table of Contents.

***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement based on our audit. Except as stated in the *Basis for Qualified Opinion on Regulatory Basis of Accounting* paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As discussed in Note 1 of the financial statement, the Town prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the year ended December 31, 2012.

***Basis for Qualified Opinion on Regulatory Basis of Accounting***

The Town did not provide adequate records to substantiate certain disbursements reported in the financial statement and the related impact on cash and investment balances. Due to a computer hard drive failure, and resulting data damage to the computerized records, disbursements ledgers provided for audit lacked detailed activity to support all disbursements reported in four funds in the financial statement. We were unable to apply alternative procedure to satisfy ourselves of the accuracy of the transactions and ending cash and investment balances.

***Qualified Opinion on Regulatory Basis of Accounting***

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion on Regulatory Basis of Accounting* paragraph, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Town for the year ended December 31, 2012, on the basis of accounting described in Note 1.

***Other Matters***

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.


INDEPENDENT AUDITOR'S REPORT  
(Continued)

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis and Schedule of Payables and Receivables, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated February 7, 2017, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

  
Paul D. Joyce, CPA  
State Examiner

February 7, 2017



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF THE TOWN OF MOROCCO, NEWTON COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Town of Morocco (Town), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated January 15, 2017, wherein we noted the Town followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America. The opinion to the financial statement relative to the regulatory basis of accounting was qualified due to a scope limitation over disbursements.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2012-001 to be material weaknesses.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
(Continued)

**Compliance and Other Matters**


As part of obtaining reasonable assurance about whether the Town's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2012-001.

**Town of Morocco's Response to Findings**

The Town's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

February 7, 2017

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the Town. The financial statement and notes are presented as intended by the Town.

TOWN OF MOROCCO  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended December 31, 2012

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
General Fund	\$ 76,142	\$ 325,692	\$ 312,944	\$ 88,890
Motor Vehicle Highway	31,829	103,611	103,312	32,128
Local Road & Street	5,756	6,212	10,510	1,458
Economic Development	-	1,524	-	1,524
Down Town Planning Grant	-	48,600	48,600	-
Landfill Tipping	40,906	80,264	116,913	4,257
Vehicle Fund	4,696	-	-	4,696
Local Law Enf Cont Ed	3,377	180	-	3,557
Riverboat	-	6,688	6,688	-
Rainy Day	1,525	-	89	1,436
Levy Excess Fund	643	-	-	643
Cum Cap Imp - Cig Tax	-	2,994	1,410	1,584
Cum Cap Development	2,412	5,145	5,203	2,354
Kessler Tile projet	-	613,080	613,080	-
Paving	-	493,440	493,440	-
Payroll	-	259,611	259,611	-
Water Operating	99,360	270,986	311,450	58,896
Sewer Operating	(34,767)	92,647	116,656	(58,776)
Meter Deposits	23,328	6,260	3,400	26,188
Annual Replacement & Maintenance	-	13,500	-	13,500
Sanitation	-	51,218	48,484	2,734
Water/RD	-	141,631	127,231	14,400
Water/ Debt Reserve Transfer	27,435	56,466	55,739	28,162
Water/ Transfer Debt Reserve	7,323	5,491	-	12,814
Scrap Metal	9,894	1,622	11,079	437
Sewer Debt Collection	204,764	255,299	216,910	243,153
Totals	<u>\$ 504,623</u>	<u>\$ 2,842,161</u>	<u>\$ 2,862,749</u>	<u>\$ 484,035</u>

The notes to the financial statement are an integral part of this statement.

TOWN OF MOROCCO  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, storm water, trash, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the Town.

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

*C. Cash and Investments*

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

*Taxes.* Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

*Licenses and permits.* Amounts received from businesses, occupations, or non-businesses that must be licensed before doing business within the government's jurisdiction, or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF MOROCCO  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Intergovernmental receipts.* Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

*Charges for services.* Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, park rental fees, swimming pool receipts, cable TV receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

*Fines and forfeits.* Amounts received from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

*Utility fees.* Amounts received from charges for current services.

*Penalties.* Amounts received from late payment fees.

*Other receipts.* Amounts received from various sources, including, but not limited to, the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

*Personal services.* Amounts disbursed for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

*Supplies.* Amounts disbursed for articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

*Other services and charges.* Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

*Capital outlay.* Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

TOWN OF MOROCCO  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Utility operating expenses.* Amounts disbursed for operating the utilities.

*Other disbursements.* Amounts disbursed for various other purposes including, but not limited to, the following: interfund loan payments; loans made to other funds; internal service disbursements; and transfers out that are authorized by statute, ordinance, resolution, or court order.

**F. Interfund Transfers**

The Town may, from time to time, make transfers from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

**G. Fund Accounting**

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for amounts received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

TOWN OF MOROCCO  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 4. Deposits and Investments**

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana, at year end, should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the Town to invest in securities including, but not limited to, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**Note 5. Risk Management**

The Town may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third-party. The establishment of a self-insurance fund allows the Town to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

**Note 6. Pension Plan**

*Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System  
One North Capitol, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687



TOWN OF MOROCCO  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Funding Policy and Annual Pension Cost*

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

**Note 7. Cash Balance Deficits**

The financial statement contains the Sewer Operating fund with a deficit in cash. This is a result of disbursements exceeding receipts.

**Note 8. Subsequent Events**

The Town was awarded a grant in 2015 by the Indiana Office of Community & Rural Affairs. The grant award of \$331,953 consists of Community Development Block Grant funds to be used for wastewater improvements. The grant also requires a local match. The Town has entered in an agreement with a local bank in 2016 to borrow the local match of \$150,000. Construction activity for the improvements began in 2016.

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#### OTHER INFORMATION - UNAUDITED

The Town's Annual Financial Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Town's Annual Financial Report referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the Town. It is presented as intended by the Town.

TOWN OF MOROCCO  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2012

	General Fund	Motor Vehicle Highway	Local Road & Street	Economic Development	Down Town Planning Grant	Landfill Tipping	Vehicle Fund
Cash and investments - beginning	\$ 76,142	\$ 31,829	\$ 5,756	\$ -	\$ -	\$ 40,906	\$ 4,696
Receipts:							
Taxes	134,275	70,593	420	-	-	-	-
Licenses and permits	1,600	-	-	-	-	-	-
Intergovernmental receipts	70,272	32,818	5,792	-	48,600	-	-
Charges for services	75	100	-	-	-	80,264	-
Fines and forfeits	5,312	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	114,158	100	-	1,524	-	-	-
Total receipts	<u>325,692</u>	<u>103,611</u>	<u>6,212</u>	<u>1,524</u>	<u>48,600</u>	<u>80,264</u>	<u>-</u>
Disbursements:							
Personal services	89,033	37,646	-	-	-	-	-
Supplies	9,524	-	-	-	-	-	-
Other services and charges	150,240	61,480	500	-	48,600	-	-
Capital outlay	10,735	-	10,010	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	53,412	4,186	-	-	-	116,913	-
Total disbursements	<u>312,944</u>	<u>103,312</u>	<u>10,510</u>	<u>-</u>	<u>48,600</u>	<u>116,913</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>12,748</u>	<u>299</u>	<u>(4,298)</u>	<u>1,524</u>	<u>-</u>	<u>(36,649)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 88,890</u>	<u>\$ 32,128</u>	<u>\$ 1,458</u>	<u>\$ 1,524</u>	<u>\$ -</u>	<u>\$ 4,257</u>	<u>\$ 4,696</u>

TOWN OF MOROCCO  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2012  
 (Continued)

	Local Law Enf Cont Ed	Riverboat	Rainy Day	Levy Excess Fund	Cum Cap Imp - Cig Tax	Cum Cap Development	Kessler Tile projet
Cash and investments - beginning	\$ 3,377	\$ -	\$ 1,525	\$ 643	\$ -	\$ 2,412	\$ -
Receipts:							
Taxes	-	-	-	-	-	4,804	-
Licenses and permits	180	-	-	-	-	-	-
Intergovernmental receipts	-	6,688	-	-	2,994	341	613,080
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>180</u>	<u>6,688</u>	<u>-</u>	<u>-</u>	<u>2,994</u>	<u>5,145</u>	<u>613,080</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	5,203	613,080
Capital outlay	-	6,688	89	-	1,410	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>6,688</u>	<u>89</u>	<u>-</u>	<u>1,410</u>	<u>5,203</u>	<u>613,080</u>
Excess (deficiency) of receipts over disbursements	<u>180</u>	<u>-</u>	<u>(89)</u>	<u>-</u>	<u>1,584</u>	<u>(58)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 3,557</u>	<u>\$ -</u>	<u>\$ 1,436</u>	<u>\$ 643</u>	<u>\$ 1,584</u>	<u>\$ 2,354</u>	<u>\$ -</u>

TOWN OF MOROCCO  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2012  
 (Continued)

	Paving	Payroll	Water Operating	Sewer Operating	Meter Deposits	Annual Replacement & Maintenance	Sanitation
Cash and investments - beginning	\$ -	\$ -	\$ 99,360	\$ (34,767)	\$ 23,328	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	231,788	90,551	-	-	51,218
Penalties	-	-	3,247	2,034	-	-	-
Other receipts	493,440	259,611	35,951	62	6,260	13,500	-
Total receipts	493,440	259,611	270,986	92,647	6,260	13,500	51,218
Disbursements:							
Personal services	-	257,951	107,369	27,246	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	7,924	7,924	-	-	-
Capital outlay	493,440	-	-	-	-	-	-
Utility operating expenses	-	-	88,448	81,486	-	-	48,484
Other disbursements	-	1,660	107,709	-	3,400	-	-
Total disbursements	493,440	259,611	311,450	116,656	3,400	-	48,484
Excess (deficiency) of receipts over disbursements	-	-	(40,464)	(24,009)	2,860	13,500	2,734
Cash and investments - ending	\$ -	\$ -	\$ 58,896	\$ (58,776)	\$ 26,188	\$ 13,500	\$ 2,734

TOWN OF MOROCCO  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2012  
 (Continued)

	Water/RD	Water/ Debt Reserve Transfer	Water/ Transfer Debt Reserve	Scrap Metal	Sewer Debt Collection	Totals
Cash and investments - beginning	\$ -	\$ 27,435	\$ 7,323	\$ 9,894	\$ 204,764	\$ 504,623
Receipts:						
Taxes	-	-	-	-	-	210,092
Licenses and permits	-	-	-	-	-	1,780
Intergovernmental receipts	-	-	-	-	-	780,585
Charges for services	-	-	-	-	-	80,439
Fines and forfeits	-	-	-	-	-	5,312
Utility fees	-	-	-	-	255,299	628,856
Penalties	-	-	-	-	-	5,281
Other receipts	141,631	56,466	5,491	1,622	-	1,129,816
Total receipts	<u>141,631</u>	<u>56,466</u>	<u>5,491</u>	<u>1,622</u>	<u>255,299</u>	<u>2,842,161</u>
Disbursements:						
Personal services	-	-	-	-	-	519,245
Supplies	-	-	-	-	-	9,524
Other services and charges	-	-	-	-	-	894,951
Capital outlay	-	-	-	-	-	522,372
Utility operating expenses	127,231	-	-	11,079	-	356,728
Other disbursements	-	55,739	-	-	216,910	559,929
Total disbursements	<u>127,231</u>	<u>55,739</u>	<u>-</u>	<u>11,079</u>	<u>216,910</u>	<u>2,862,749</u>
Excess (deficiency) of receipts over disbursements	<u>14,400</u>	<u>727</u>	<u>5,491</u>	<u>(9,457)</u>	<u>38,389</u>	<u>(20,588)</u>
Cash and investments - ending	<u>\$ 14,400</u>	<u>\$ 28,162</u>	<u>\$ 12,814</u>	<u>\$ 437</u>	<u>\$ 243,153</u>	<u>\$ 484,035</u>

TOWN OF MOROCCO  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2012

Government or Enterprise	Accounts Payable	Accounts Receivable
Water	\$ 12,000	\$ 30,000
Sewer	7,000	18,000
Governmental activities	-	-
Totals	\$ 19,000	\$ 48,000



SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE TOWN OF MOROCCO, NEWTON COUNTY, INDIANA

**Report on Compliance for the Major Federal Program**

We have audited the Town of Morocco's (Town) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2012. The Town's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Town's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Town's compliance.

***Opinion on the Major Federal Program***

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2012.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2012-003. Our opinion on the major federal program is not modified with respect to these matters.

The Town's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control over Compliance**

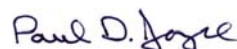
Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2012-002 and 2012-003 to be material weaknesses.

The Town's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

February 7, 2017

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the Town. The schedule and notes are presented as intended by the Town.

TOWN OF MOROCCO  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended December 31, 2012

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient	Total Federal Awards Expended
<u>Department of Agriculture</u>					
Water and Waste Program Cluster					
ARRA - Water and Waste Disposal Systems for Rural Communities	Direct Grant	10.781	IN-701-00-05	\$ -	\$ 127,231
Total - Water and Waste Program Cluster				-	127,231
Total - Department of Agriculture				-	127,231
<u>Department of Housing and Urban Development</u>					
CDBG - State-Administered CDBG Cluster					
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	Indiana Office of Community and Rural Affairs				
Kessler Tile Project		14.228	DR2-09-192	-	613,080
Downtown Revitalization Plan		14.228	038-CDBG-11-SUB	-	48,600
Total - CDBG - State-Administered CDBG Cluster				-	661,680
Total - Department of Housing and Urban Development				-	661,680
Total federal awards expended				\$ -	\$ 788,911

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF MOROCCO  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the Town under programs of the federal government for the year ended December 31, 2012. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the Town, it is not intended to and does not present the financial position of the Town.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

TOWN OF MOROCCO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Qualified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	yes

Identification of Major Program:

\_\_\_\_\_  
Name of Federal Program or Cluster

CDBG - State-Administered CDBG Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

**Section II - Financial Statement Findings**

**FINDING 2012-001 - FINANCIAL TRANSACTIONS, REPORTING, AND BACKUP PROCESSING**

*Condition*

There were several deficiencies in the internal control system of the Town related to financial transactions and reporting. The following deficiencies constituted material weaknesses:



TOWN OF MOROCCO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

1. *Lack of Segregation of Duties:* The Town had not separated incompatible activities related to cash and investments, receipts, disbursements, the Annual Financial Report (AFR), and the Schedule of Expenditures of Federal Awards (SEFA). The Clerk-Treasurer performed all functions related to reconciling cash, receipts, and disbursements. The Clerk-Treasurer also prepared and submitted the AFR in Gateway, a website for the reporting of financial information. Another employee handled all functions related to Utility billings and collections. The Town had implemented some controls, but these controls were undocumented and could not be audited.
2. *Monitoring of Controls:* An evaluation of the Town's system of internal control had not been conducted. Additionally, the Town had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting required the Town to monitor and assess the quality of the system of internal control.
3. *Preparing the SEFA:* The Town did not have a proper system of internal control in place to prevent, or detect and correct, errors on the SEFA.

The following federal awards were omitted from the SEFA presented for audit:

- a. ARRA - Water and Waste Disposal Systems for Rural Communities for \$127,231.
  - b. Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii for \$48,600.
4. *Backup Processing:* The Town did not have controls over backup processing. Accounting data was not backed up daily, a hard drive malfunction occurred and information was lost and could not be recovered. A complete detailed disbursement ledger was not available for four funds in 2012 for audit resulting in \$486,305 of unsubstantiated disbursements.

Audit adjustments were proposed, accepted by the Town, and made to the SEFA. These adjustments resulted in a presentation of the SEFA that was materially correct.

*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. . . ."

TOWN OF MOROCCO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with section .310. . . ."

OMB Circular A-133, Subpart C, section .310(b) states in part:

"Schedule of Expenditures of Federal Awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available . . . "

For each computerized accounting system, procedures must be adequately documented to ensure all processing and maintenance is performed. Examples include instructions, checklists, and logs to ensure: . . .

Backups are completed successfully and cycled appropriately. . . .

A detailed transaction history (similar to a manually posted ledger page) must be maintained supporting each account. At least the last twelve months of transactions must be accessible on-line. Additional transactional history must be retained back to the date of the last audit. This additional history must be retained on-line or otherwise archived and easily accessible by State Board of Accounts Field Examiners. Records should also be retained in compliance with the appropriate retention schedule as approved by the Indiana Commission on Public Records.

Public records, financial statement information, and supporting information generated through the computer system must be maintained in a manner that will allow access for audit and public inquiry. Acceptable mechanisms include hardcopy, on equipment provided by the governmental unit, or via the Internet. (Accounting and Uniform Compliance Guidelines Manual for Indiana Political Subdivisions - Information Technology)

TOWN OF MOROCCO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

Management of the Town had not properly implemented the internal control system relating to financial transactions. Management of the Town had not established an effective system of internal controls over reporting and backup processing.

*Effect*

The failure to establish and properly implement controls enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the Town at risk that controls may not have been either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, material misstatements in a timely manner.

The opinion on the financial statement has been modified as the result of a scope limitation due to the backup processing deficiency.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**Section III - Federal Award Findings and Questioned Costs**

***FINDING 2012-002 - ACTIVITIES ALLOWED OR UNALLOWED, ALLOWABLE COSTS/  
COST PRINCIPLES, CASH MANAGEMENT, AND DAVIS-BACON ACT***

Federal Agency: Department of Housing and Urban Development  
Federal Program: Community Development Block Grants/State's program  
and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Numbers and Years (or Other Identifying Numbers): DR2-09-192, 038-CDBG-11-SUB

Pass-Through Entity: Indiana Office of Community and Rural Affairs

*Condition*

An effective internal control system was not in place at the Town in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements:

*Activities Allowed or Unallowed*

The Town did not have policies or procedures in place to ensure compliance with Activities Allowed or Unallowed requirements. The Town relied entirely upon the Grant Administrator to determine if activities were allowed or unallowed. The Town did not perform any subsequent review or follow-up activity to ensure that program activities were allowable.

*Allowable Costs/Cost Principles*

The Town did not have policies or procedures in place to ensure compliance with Allowable Costs/Cost Principles requirements. The Town relied entirely upon the Grant Administrator to determine if costs were allowable. The Town did not perform any subsequent review or follow-up activity to ensure that program expenditures were for allowable costs.

TOWN OF MOROCCO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cash Management*

The Town did not have policies and procedures in place to ensure that program funds were spent within the required time period after the funds' receipt.

*Davis-Bacon Act*

The Town did not have policies or procedures in place to ensure compliance with Davis-Bacon Act requirements related to the receipt of weekly certified payrolls. The Town relied entirely upon the Grant Administrator to ensure compliance with the Davis-Bacon Act requirements, and did not have any policies or procedures in place to ensure that weekly certified payrolls were received and reviewed by the Grant Administrator.

*Context*

The internal control deficiencies noted were a systemic problem during the audit period.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

*Cause*

Management had not developed a system of internal controls that segregated key functions.

*Effect*

The failure to establish an effective internal control system placed the Town at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the Town's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

TOWN OF MOROCCO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2012-003 - PROCUREMENT AND SUSPENSION AND DEBARMENT***

Federal Agency: Department of Housing and Urban Development  
Federal Program: Community Development Block Grants/State's program  
and Non-Entitlement Grants in Hawaii  
CFDA Number: 14.228  
Federal Award Numbers and Years (or Other Identifying Numbers): DR2-09-192, 038-CDBG-11-SUB  
Pass-Through Entity: Indiana Office of Community and Rural Affairs

*Condition*

An effective internal control system was not in place at the Town in order to ensure compliance with requirements related to the grant agreement and the following compliance requirement:

*Procurement*

The Town did not have a procurement policy. The Town did not have a written code of standards of conduct governing the performance of their employees engaged in the award and administration of contracts. The Town did not have internal controls to ensure compliance with the procurement requirements.

*Suspension and Debarment*

For services in which bids were not required, there were no controls in place to ensure that vendors were not suspended or debarred from participation in federal programs. The Town did not perform any activities to ensure that these vendors were not suspended or debarred.

*Context*

The internal control deficiencies noted were a systemic problem during the audit period. There were no internal controls related to Procurement and Suspension and Debarment transactions during the audit period. The Town relied entirely on the Grant Administrator for internal controls, and did not perform follow-up or review.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

24 CFR 85.36(b) states in part:

- "(1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section. . . .
- (3) Grantees and subgrantees will maintain a written code of standards of conduct governing the performance of their employees engaged in the award and administration of contracts. . . ."

TOWN OF MOROCCO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

*Cause*

Management had not developed a system of internal controls that segregated key functions.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

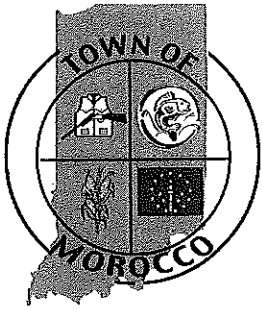
We recommended that the Town's management establish controls, including segregation of duties, related to the grant agreement and compliance requirement listed above.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the Town. The document is presented as intended by the Town.



Sherri Rainford • Clerk-Treasurer  
**TOWN OF MOROCCO**  
OFFICE OF THE CLERK TREASURER

*Town Council:*  
Duke Gagnon  
Bob Gonczy  
Rick McCann

CORRECTIVE ACTION PLAN

**FINDING 2012-001**

Contact Person Responsible for Corrective Action: Sherri Rainford  
Contact Phone Number: 219-285-2070

Description of Corrective Action Plan:

The Town of Morocco Clerk's office is small, consisting of myself and my Utility Clerk. Due to the number of employees that work in the Town Hall, it is difficult to segregate duties, and the Town Hall will have to accept some risk.

One action plan is have one of council members look at the monthly bank reconciliation and initial that he has reviewed it.

I will also be viewing daily deposits prepared by the Utility Clerk and I will be initialing the deposit slips to document my review, which includes comparing them to what is being entered into the accounting software program.

I will also print out the yearly CTAR and have the council make sure that all funds match and any and all grants are included in the report.

We have also previously addressed how we back up prior to this audit. A back up is now taken off site every night.

Anticipated Completion Date: April 1, 2017

*Robert W. Honey*  
President  
2/7/17

*Sherri L. Rainford*  
\_\_\_\_\_  
(Signature)

*Clerk Treasurer*  
\_\_\_\_\_  
(Title)

*2/7/17*  
\_\_\_\_\_  
(Date)





Sherri Rainford • Clerk-Treasurer  
**TOWN OF MOROCCO**  
OFFICE OF THE CLERK TREASURER

*Town Council:*  
Duke Gagnon  
Bob Gonczy  
Rick McCann

CORRECTIVE ACTION PLAN

**FINDING 2012-002**

Contact Person Responsible for Corrective Action: Sherri Rainford  
Contact Phone Number: 219-285-2070

Description of Corrective Action Plan:

When the Town of Morocco is awarded a grant there will be a spreadsheet prepared when the money is disbursed and the date the money is disbursed. The Clerk Treasurer will prepare this spreadsheet and either the Utility Clerk or a Town official will sign off on the disbursements. This will ensure that the money is being disbursed out of the proper funds in a timely fashion.

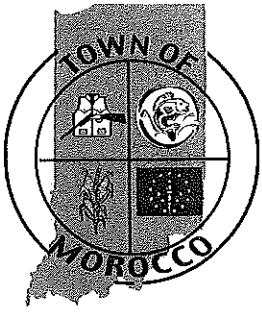
The Clerk Treasurer will make sure that all activities and costs are allowable under the grant. This will be documented by signing off on claims that are presented by the Grant Administrator.

The Clerk Treasurer will contact the grant administrator and ask to see weekly or monthly payrolls. The emails will be saved and placed in the grant folder.

Anticipated Completion Date: April 1, 2017

*Bob W. Gonczy*  
President  
2/7/17

*Sherri L. Rainford*  
\_\_\_\_\_  
(Signature)  
*Clerk Treasurer*  
\_\_\_\_\_  
(Title)  
*2/7/17*  
\_\_\_\_\_  
(Date)



Sherri Rainford • Clerk-Treasurer  
**TOWN OF MOROCCO**  
OFFICE OF THE CLERK TREASURER

*Town Council:*  
Duke Gagnon  
Bob Gonczy  
Rick McCann

CORRECTIVE ACTION PLAN

**FINDING 2012-003**

Contact Person Responsible for Corrective Action: Sherri Rainford  
Contact Phone Number: 219-285-2070

Description of Corrective Action Plan:

The Clerk Treasurer will make sure that all vendors involved in the grant are checked for suspension and debarment. This will be done by checking the website [www.sam.gov](http://www.sam.gov). These then will be printed out and placed in the grant folder.

The Town Attorney will be asked to draw up a procurement policy. This policy will be used for the operations of the Town and for grants.

Anticipated Completion Date: April 1, 2017

*Robert W. Gonczy*  
PRESIDENT  
2/7/17

*Sherri L. Rainford*  
(Signature)  
*Clerk Treasurer*  
(Title)  
*2/7/17*  
(Date)

#### OTHER REPORTS

In addition to this report, other reports may have been issued for the Town. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.