

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MOROCCO

NEWTON COUNTY, INDIANA

January 1, 2013 to December 31, 2015



FILED

04/18/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Examination Results and Comments:	
Condition of Records.....	6
Overdrawn Cash Balances	6
Transfers of Water Funds	6-7
Donations	7
Capital Asset Records.....	7
Wastewater Bond Ordinance Compliance.....	7
Loans from Other Funds to Wastewater Utility	8
Exit Conference	9
Town Council:	
Examination Results and Comments:	
Fees	12
Transfers of Water Funds	12
Donations	12
Wastewater Bond Ordinance Compliance.....	13
Loans from Other Funds to Wastewater Utility	13
Exit Conference	14

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. Goczy	01-01-13 to 12-31-17



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

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

This report is supplemental to our examination report of the Town of Morocco (Town), for the period from January 1, 2013 to December 31, 2015. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statements Examination Report of the Town, which provides our opinion on the Town's financial statements. 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 Examination 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 Examination Results and Comments, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

February 7, 2017

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CLERK-TREASURER
TOWN OF MOROCCO

CLERK-TREASURER
TOWN OF MOROCCO
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

Adequate records to substantiate certain disbursements reported in the financial statements, and the related impact on cash and investment balances, were not presented for examination. A computer malfunction occurred and information was lost and could not be recovered, due in part to financial data not being adequately backed up. A complete detailed disbursement ledger was not available for three funds in 2013 resulting in \$274,326 of unsubstantiated disbursements.

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)

OVERDRAWN CASH BALANCES

The financial statements presented for examination included the Sewage Utility Operating fund with overdrawn cash balances at December, 31 2013, 2014, and 2015 of \$93,997, \$109,363, and \$112,001, respectively.

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)

TRANSFERS OF WATER FUNDS

Documentation authorizing the transfer of water funds each month to the Water Tower Repair fund was not provided for examination. The Town transferred the following amounts from the Water Utility Operating fund to the Water Tower Repair fund:

<u>Years</u>	<u>Amount</u>
2013	\$ 14,400
2014	14,400
2015	<u>2,400</u>
Total	<u>\$ 31,200</u>

CLERK-TREASURER
TOWN OF MOROCCO
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

DONATIONS

The Town donated \$10,000 to a local church towards a new roof in 2013. The Town also donated various amounts to a variety of local organizations, such as scouting groups, school and athletic groups, churches, preschools, retirement homes and others, in the years 2013, 2014, and 2015. The Town uses a portion of its Landfill Tipping fund for these donations.

Public funds cannot be donated or given to other organizations or individuals unless specifically authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CAPITAL ASSET RECORDS

The Town did not maintain capital asset records/asset inventory records.

Similar comments have appeared in several prior reports.

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

WASTEWATER BOND ORDINANCE COMPLIANCE

The Town of Morocco Wastewater Ordinance 1997-3 required the establishment of a Debt Reserve fund with a balance to equal the maximum annual debt service on the bonds then outstanding. The Utility had five years from the date of delivery of the 1997 Bonds to accumulate these funds in reserve. As of December 31, 2015, a Debt Reserve fund had not been established.

A similar comment has appeared in several prior reports.

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF MOROCCO
EXAMINATION RESULTS AND COMMENTS
(Continued)

LOANS FROM OTHER FUNDS TO WASTEWATER UTILITY

The Town loaned \$20,000 in 2009 from its Water Utility Operating fund to the Sewage Utility Operating fund. In 2010, the repayment of the loan to the Water Operating fund was made by the Sewage Utl Bond & Int fund (formerly titled Sewer Debt Collection fund). Therefore, the Sewage Utility Operating fund owes the Sewage Utl Bond & Int fund \$20,000.

A similar comment appeared in prior Reports B40876 and B47958.

There is no statutory allowance for the use of operating funds of one utility to support operations of another utility without the creation of a cash reserve fund. There also was no documentation as to an interest rate for the loans and there has not been a contingency for repayment of the principal amounts within five years.

Indiana Code 8-1.5-3-11(f) states: "A cash reserve fund, if authorized by ordinance, may be used to make loans to another utility owned by the same municipality, for periods not to exceed five (5) years, at any interest rate. The repayment of the loan and interest shall be returned to the cash reserve fund."

CLERK-TREASURER
TOWN OF MOROCCO
EXIT CONFERENCE

The contents of this report were discussed on February 7, 2017, with Sherri L. Rainford, Clerk-Treasurer, and Robert W. Gonczy, President of the Town Council.

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TOWN COUNCIL
TOWN OF MOROCCO

TOWN COUNCIL
TOWN OF MOROCCO
EXAMINATION RESULTS AND COMMENTS

FEES

The Town increased the sanitation charge in January of 2013, 2014, and 2015. However, an approved ordinance for the increased rates was not provided.

Fees can only be collected as specifically authorized by law or properly authorized ordinance/resolution. When a fee is NOT specified by law, but instead through the use of an ordinance/resolution, sufficient authoritative reference should be maintained. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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TOWN COUNCIL
TOWN OF MOROCCO
EXAMINATION RESULTS AND COMMENTS
(Continued)

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TOWN OF MOROCCO
EXIT CONFERENCE

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