

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

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MOROCCO

NEWTON COUNTY, INDIANA

January 1, 2020 to December 31, 2024



FILED

04/29/2025

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sherri Rainford	01-01-20 to 12-31-25
President of the Town Council	Robert Gonczy Nikki Kimbrell	01-01-20 to 01-06-25 01-07-25 to 12-31-25



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INDIANA STATE BOARD OF ACCOUNTS

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

This report is supplemental to the audit report of the Town of Morocco (Town), for the period from January 1, 2020 to December 31, 2024. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the Town. It should be read in conjunction with the Financial Statements Audit Report of the Town, which provides our opinions 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 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

April 16, 2025



CLERK-TREASURER
TOWN OF MOROCCO

CLERK-TREASURER
TOWN OF MOROCCO
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS

A similar comment also appeared in prior Report B55011, entitled *FINANCIAL TRANSACTIONS AND REPORTING*.

Condition and Context

There were deficiencies in the internal control system of the Town related to cash and investments and receipts to ensure the accuracy of the recordkeeping.

The Town had designed a review process to ensure accuracy, completeness, timeliness, and classification of cash and investments and receipts as part of the monthly bank reconciliation procedures. However, evidence of the review process was not documented throughout the audit period.

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. . . ."

ANNUAL FINANCIAL REPORT

Condition and Context

The Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units financial reporting system. Effective internal controls were not established to ensure the accuracy and completeness of the information submitted in the AFR.

The AFRs contained errors with the debt information as follows:

2020

- The Water Utility's 2010A and 2010B Revenue Bonds' Ending Principal Balances were understated by \$53,616 and \$5,819, respectively. In addition, the Principal Due Within One Year for the 2010A and 2010B Revenue Bonds were overstated by \$28,917 and \$1,500, respectively.

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

- The Sewer Utility's 2017 Revenue Bond Ending Principal Balance was understated by \$29,724, and the Principal Due Within One Year was overstated by \$92,363.

2021

- The Water Utility's 2010A and 2010B Revenue Bonds' Ending Principal Balances were understated by \$12,900 and \$3,429, respectively. In addition, the Principal Due Within One Year for the 2010A Revenue Bond was overstated by \$23,282.
- The Sewer Utility's 2017 Revenue Bond Ending Principal Balance was understated by \$122,087.
- The Town's Notes and Loans Payable Ending Principal Balance and Principal Due Within One Year were understated by \$95,000 and \$40,000, respectively.

2022

- The Water Utility's 2010A and 2010B Revenue Bonds' Ending Principal Balances were understated by \$51,182 and \$5,819, respectively. In addition, the Principal Due Within One Year for the 2010A Revenue Bond was understated by \$14,000.
- The Sewer Utility's 2017 Revenue Bond Ending Principal Balance was understated by \$22,949.

2023

- The Water Utility's 2010A and 2010B Revenue Bonds' Ending Principal Balances were understated by \$75,155 and \$7,161, respectively.
- The Sewer Utility's 2017 Revenue Bond Ending Principal Balance and Principal Due Within One Year were understated by \$108,729 and \$5,000, respectively.

2024

- The Water Utility's 2010A and 2010B Revenue Bonds' Ending Principal Balances were understated by \$99,143 and \$8,455, respectively.
- The Sewer Utility's 2017 Revenue Bond Ending Principal Balance and Principal Due Within One Year were understated by \$187,391 and \$117,000, respectively.

The information submitted in the 2024 AFR was used to generate the Schedule of Leases and Debt presented as Other Information in the Financial Statements Audit Report. Adjustments were proposed, accepted by the Town, and made to the Schedule of Leases and Debt presented as Other Information in the Financial Statements Audit Report of the Town and to the debt information within the AFR.

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

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 as set forth in the uniform compliance guidelines. 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](#)."

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:

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CARES ACT FUND

Condition and Context

The Town did not properly account for the Coronavirus Relief Fund (CRF) in accordance with the State Examiner Directive 2020-3.

The Town did not properly establish a separate CARES grant fund for the CRF grant that followed the uniform chart of accounts. The Town utilized fund 101, entitled General fund, for reimbursements received from the Indiana Finance Authority.

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 as set forth in the uniform compliance guidelines. 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](#)."

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

Each local unit of government that receives an allocation from the Coronavirus Relief Fund administered by IFA shall establish a separate CARES grant fund with a fund number consistent with memorandum Accounting and Appropriation of COVID-19 Grants, April 29, 2020 (updated September 29, 2020).

All Reimbursements received from IFA shall be receipted into a separate C/ARES grant fund that is specific to IFA reimbursements. . . .

Transactions for public health and safety payroll costs must be accounted for through one of these two prescribed options. . . .

Option One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. The reimbursed amount for public health and safety payroll costs originally incurred in the general fund (or other fund) will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the general fund (or other fund) cash balance and re-appropriate the general fund (or other fund) in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the general fund (or other fund), it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

Once option one is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

Option Two. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. A claim will be created against the separate CARES grant fund for the reimbursed amount in favor of the general fund. This claim must be supported by documentation of the public health and safety payroll costs that have been expensed from the general fund or other funds.

The amount of the claim will be receipted into the general fund cash balance. Normal appropriation procedures will apply to these funds.

Once option two is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. This option requires a resolution or ordinance as detailed in the memorandum CARES Reimbursement of Public Health and Safety Payroll Costs, September 30, 2020.**

(State Examiner Directive 2020-3)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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:

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TOWN OF MOROCCO
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.

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CLERK-TREASURER
TOWN OF MOROCCO
EXIT CONFERENCE

The contents of this report were discussed on April 16, 2025, with Sherri Rainford, Clerk-Treasurer; Lisa Willis, Utility Clerk; Nikki Kimbrell, President of the Town Council; and Kathy Whaley, Town Council member.