

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF WARREN

HUNTINGTON COUNTY, INDIANA

January 1, 2011 to December 31, 2014



**FILED**

02/18/2016



TABLE OF CONTENTS

| <u>Description</u>   | <u>Page</u> |
|--|-------------|
| Schedule of Officials .....  | 2           |
| Transmittal Letter .....   | 3           |
| Clerk-Treasurer:   |             |
| Examination Results and Comments:                                  |             |
| Bank Account Reconciliations .....                                 | 6           |
| Delinquent Accounts Receivable .....                               | 6           |
| Delinquent Wastewater Accounts .....                               | 6-7         |
| Personal Expenses .....  | 7           |
| Public Records Retention - Accounts Payable Voucher Register ..... | 8           |
| Missing Council Minutes .....                                      | 8           |
| Condition of Records.....  | 8           |
| Overdrawn Cash Balances .....                                      | 9           |
| Loan from Electric Utility to the Town General Fund .....          | 9-10        |
| Annual Financial Report - Supplemental Schedules .....             | 10          |
| Exit Conference .....  | 11          |
| Town Council:  |             |
| Examination Result and Comment:                                    |             |
| Contracts .....  | 14          |
| Exit Conference .....  | 15          |

SCHEDULE OF OFFICIALS

| <u>Office</u>                 | <u>Official</u>                                       | <u>Term</u>                                  |
|-------------------------------|---|--|
| Clerk-Treasurer               | Marilyn J. Morrison                                   | 01-01-08 to 12-31-15                         |
| President of the Town Council | William C. Cartwright (Deceased)<br>Julia J. Glessner | 01-01-11 to 04-12-11<br>04-13-11 to 12-31-15 |
| Superintendent of Utilities   | Curtis L. Day<br>Lee E. Poulson                       | 01-01-11 to 05-13-13<br>05-14-13 to 12-31-15 |



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF WARREN, HUNTINGTON COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Warren (Town), for the period from January 1, 2011 to December 31, 2014. 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/](http://www.in.gov/sboa/).

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The 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

October 26, 2015

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CLERK-TREASURER  
TOWN OF WARREN

CLERK-TREASURER  
TOWN OF WARREN  
EXAMINATION RESULTS AND COMMENTS

***BANK ACCOUNT RECONCILIATIONS***

Depository reconciliations of the fund balances to the bank account balances were incomplete and incorrect. Some amounts used in the reconciliations could not be verified to supporting documentation. The ledger balance exceeded the bank balance at December 31, 2014, by \$26,066. During May, June, and September of 2012, there were net posting errors totaling \$26,328 increasing the Clearing (Utility Clearing) Fund. The remaining \$262 is unidentified. The Clerk-Treasurer was instructed to correct these posting errors.

A similar comment appeared in prior Report B39853.

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

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***DELINQUENT ACCOUNTS RECEIVABLE***

Water and electric utility customers who were delinquent in paying their utility bills did not always have their services shut off as required by Town ordinance. Information on delinquent accounts was not always provided to utility employees so services could be shut off until payment of amounts in arrears took place. As a result, the Town lost revenue due to providing services to some customers who, in some instances, abandoned their property and failed to pay.

The Warren Code of Ordinances, Section 52.52 (A), established the shutoff policy for delinquent customers and states in part: "If not paid within 15 days of the due date, the water shall be turned off and not turned on again until all bills and penalties have been paid."

With regard to electric service, The Warren Code of Ordinances, Section 51.14 states: "The town reserves the right to discontinue its current service without notice in case the consumer is in arrears in the payment of the town bills, or fails to comply with the rules or regulations herein provided."

Similar comments also appeared in prior Reports B39853 and B38217.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***DELINQUENT WASTEWATER ACCOUNTS***

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

A similar comment appeared in prior Report B39853.

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

Indiana Code 36-9-23-33 states in part:

"(c) Except as provided in subsection (m), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
  - (A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;
  - (B) a description of the premises, as shown by the records of the county auditor; and
  - (C) the amount of the delinquent fees, together with the penalty;

or

- (2) an individual instrument for each lot or parcel of real property on which the fees are delinquent.

(d) The officer shall record a copy of each list or each individual instrument with the county recorder. . . .

(f) . . . Using the lists and instruments prepared under subsection (c) and recorded under subsection (d), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (d), certify to the county auditor a list of the unpaid liens for collection with the next May installment of property taxes. . . ."

***PERSONAL EXPENSES***

During 2012 and 2014, the Town spent \$470 and \$558 respectively, on Christmas gift hams for Town employees. None of these amounts were paid from the Town's General fund promotional appropriation. The 2012 payment was made from the "supplies" appropriation in both the General fund and the Motor Vehicle Highway fund. The 2014 payment was made from "miscellaneous services" appropriation in the Motor Vehicle Highway fund.

A similar comment appeared in prior Report B39853.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

***PUBLIC RECORDS RETENTION - ACCOUNTS PAYABLE VOUCHER REGISTER***

Town Council's approval of claims (Accounts Payable Voucher Register) was not presented for examination for the examination period.

A similar comment appeared in prior Report B39853.

Indiana Code 5-15-6-3(f), concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit 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 7)

***MISSING COUNCIL MINUTES***

The minutes of the meetings of the Town Council were not presented for all meetings. There were seven meetings held during the examination period in which minutes were not presented for examination.

Indiana Code 5-14-1.5-4(b) states:

"As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under section 3.5 or 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication."

***CONDITION OF RECORDS***

The financial records presented for examination related to the Payroll fund contained deficiencies that made it difficult to determine the accuracy or correctness of the fund's transactions. The deficiencies included posting errors and the Fund Reports for 2012 and 2013 not being available.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

**OVERDRAWN CASH BALANCES**

The financial statements presented for examination included the following fund with an overdrawn cash balance at December 31, 2014:

| <u>Fund</u> | <u>Date</u>       | <u>Amount<br/>Overdrawn</u> |
|-------------|-------------------|-----------------------------|
| Payroll     | December 31, 2012 | \$ 689                      |
| Payroll     | December 31, 2013 | 8,302                       |
| Payroll     | December 31, 2014 | 14,181                      |

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 governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**LOAN FROM ELECTRIC UTILITY TO THE TOWN GENERAL FUND**

A loan of \$233,470 was made October 21, 2013, from the Electric Utility Reserve fund to the Town General fund. The loan was used by the Town to remove a collapsed building. Resolution No. 2-2014 established a loan repayment schedule. The \$233,470 loan principal was to be repaid as follows: an initial payment of \$33,470 was to be made in 2014, and the remaining \$200,000 was to be paid over 5 years at an annual 2 percent interest rate. The initial payment of \$33,470 due in 2014 has not been made. Loans of this nature are to be repaid in accordance with Indiana Code 8-1.5-3-12.

Indiana Code 8-1.5-3-12 states:

"(a) A municipality may, by ordinance of its legislative body, borrow money from a utility owned by the municipality for any of the following purposes:

- (1) Current purposes in anticipation of taxes levied and to be collected during the current or following year.
- (2) Carrying out an eligible efficiency project (as defined in IC 36-9-41-1.5) within the municipality.

(c) A loan made under subsection (a)(1) may not be made for a sum in excess of fifty percent (50%) of the amount estimated to be collected from anticipated taxes.

(d) A loan under this section:

- (1) must be evidenced by an obligation of the municipality;
- (2) must be signed by the executive;
- (3) is due:

(A) on or before thirty (30) days after the last day for the payment of anticipated taxes, in the case of a loan made under subsection (a)(1); and

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

(B) on a date determined by the board (but not more than six (6) years after the date of the loan), in the case of a loan made under subsection (a)(2); and

(4) may bear interest at any rate as determined by the board, payable at maturity."

***ANNUAL FINANCIAL REPORT - SUPPLEMENTAL SCHEDULES***

The Schedule of Payables and Receivables included with the Annual Financial Report (AFR) filed electronically with the State Board of Accounts, was not correct and did not reflect the financial activity of the Town. Amounts for "Payables" were not included in the AFR and the "Receivables" were understated as presented at December 31, 2014.

Additionally, a \$40,000 grant was not properly identified on the 2013 AFR.

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

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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."

CLERK-TREASURER  
TOWN OF WARREN  
EXIT CONFERENCE

The contents of this report were discussed on October 26, 2015, with Marilyn J. Morrison, Clerk-Treasurer, and Julia J. Glessner, President of the Town Council.

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TOWN COUNCIL  
TOWN OF WARREN

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TOWN OF WARREN  
EXAMINATION RESULT AND COMMENT

**CONTRACTS**

Payments from the CEDIT Capital Projects fund were made to various private organizations for improvements for private organizations facilities. There were no contracts to support these payments to indicate the benefit the Town was receiving by making these payments. The following is a list of payments made during the examination period.

|                       | <u>2011</u> | <u>2013</u> | <u>2014</u> |
|-----------------------|-------------|-------------|-------------|
| Pulse Opera House     | \$ 5,000    | \$ -        | \$ -        |
| Historic Warren       | -           | 2,000       | 12,000      |
| Warren Sportsman Club | -           | -           | 500         |

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN COUNCIL  
TOWN OF WARREN  
EXIT CONFERENCE

The contents of this report were discussed on October 26, 2015, with Julia J. Glessner, President of the Town Council.