

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MODOC

RANDOLPH COUNTY, INDIANA

January 1, 2012 to December 31, 2015



FILED
05/24/2017

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.....	4
Annual Financial Report.....	4-5
Ordinances and Resolutions - Utility Billings	5
Delinquent Wastewater Accounts	5-6
Exit Conference	7
Town Council:	
Examination Result and Comment:	
Compensation and Benefits	10
Exit Conference	11

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Eva Farmer	01-01-11 to 03-31-13
	Christie Ogden	04-01-13 to 12-31-14
	Carol Blackburn	01-01-15 to 07-31-15
	David Sexton	08-01-15 to 12-31-19
President of the Town Council	David Sexton	01-01-12 to 07-31-15
	Tom Griffey	08-01-15 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF MODOC, RANDOLPH COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Modoc (Town), for the period from January 1, 2012 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 Statement 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

March 16, 2017

CLERK-TREASURER
TOWN OF MODOC
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

Financial records presented for examination were incomplete and not reflective of the activity of the Town funds.

The following items were noted:

1. Ledgers for the General Fund and Motor Vehicle Highway fund were missing for January and February 2013.
2. Complete ledgers for Town funds were not on file for 2014.
3. ABC Gallonage tax distributions in the amount of \$104 and \$221 were erroneously posted to the Motor Vehicle Highway fund rather than the General Fund in 2013 and 2015, respectively.
4. Lien collections received from the Randolph County in the amount of \$485 were erroneously posted to the General Fund rather than the Wastewater Utility Operating fund.
5. Local Option Income Tax (LOIT) public safety tax distributions in the amount of \$2,002 were erroneously posted to the General Fund. A separate fund should have been established to account for these tax distributions.

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Indiana Code 6-3.5-1.1-25(f), regarding the County Adjusted Gross Income Tax rate for public safety (in effect until 1-1-2017), states in part: ". . . Tax revenue distributed to a county or municipality under this subsection must be deposited into a separate account or fund and may be appropriated by the county or municipality only for public safety purposes."

Indiana Code 6-3.6-7-6, regarding special purpose rates, states:

"A governmental entity to which revenue raised from a tax under this chapter is distributed must segregate the amount raised from the tax in a separate account or fund and maintain sufficient records, as required by the state board of accounts, to demonstrate that the revenue is used only for the purposes for which the tax was imposed."

ANNUAL FINANCIAL REPORT

The Annual Financial Report (AFR) for 2013, 2014, and 2015 contained errors and did not match the records of the Town as described below:

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

1. Total 2013 receipt and disbursement amounts in the Wastewater ledger did not agree with the amounts reflected in the AFR.
2. The 2014 receipts and ending balance in the Wastewater ledger did not agree with the amounts reflected in the AFR.
3. The 2015 disbursements and ending balance in the General Fund did not agree with the amounts reflected in the 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."

ORDINANCES AND RESOLUTIONS - UTILITY BILLINGS

Ordinance 2007-5 and Ordinance 2013-01 established the Wastewater Utility rates for the years 2012, 2013, 2014, and 2015.

Wastewater charges billed to a school corporation were not calculated in accordance with the rate ordinance. Additionally, there were properties that were not billed at all during the examination period.

Ordinance 2007-5 states in part:

". . . For residential users of the sewage works that are unmetered water users or accurate meter readings are not available, residential users shall be assessed a flat fee. Sewage service bills shall be rendered once each month (or period equaling a month). The schedule on which said rate and charges shall be determined is as follows: Flat fee of \$62.40 per month."

Ordinance 2013-01 states in part:

". . . For residential users of the sewage works that are unmetered water users or accurate meter readings are not available, residential users shall be assessed a flat fee. Sewage service bills shall be rendered once each month (or period equaling a month). The schedule on which said rate and charges shall be determined is as follows: Flat fee of \$100.19 per month."

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)

DELINQUENT WASTEWATER ACCOUNTS

The following items were noted during a review of delinquent wastewater accounts:

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

1. Verbal payment plans were entered into with delinquent customers. No one was verifying that the payment plans were being followed.
2. Liens were collected through tax distributions, however, the regional water district who bills and collects for the Town was not notified of these collections. Consequently, a number of customers' accounts that had been paid still showed a balance due.
3. No liens have been filed since March 2015.

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.
 - (C) The amount of the delinquent fees, together with the penalty.
- (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. . . ."

Units have a responsibility to collect amounts owed to the unit pursuant to procedures authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF MODOC
EXIT CONFERENCE

The contents of this report were discussed on March 16, 2017, with David Sexton, Clerk-Treasurer, and Tom Griffey, President of the Town Council.

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TOWN COUNCIL
TOWN OF MODOC

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EXAMINATION RESULT AND COMMENT

COMPENSATION AND BENEFITS

Compensation and benefits were paid to Town employees without a supporting salary ordinance or resolution for 2012, 2014, and 2015.

Indiana Code 36-5-3-2(b) states: "The town legislative body shall, by ordinance, fix the compensation of its own members, the town clerk-treasurer, and the town marshal. The legislative body shall provide reasonable compensation for other town officers and employees."

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN COUNCIL
TOWN OF MODOC
EXIT CONFERENCE

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