

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MORRISTOWN

SHELBY COUNTY, INDIANA

January 1, 2012 to December 31, 2016



FILED
12/08/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Donald L. Roberts	01-01-12 to 12-31-15
	Carolyn Sue Keaton	01-01-16 to 12-31-19
President of the Town Council	David L. Benefiel	01-01-12 to 12-31-12
	Michael Freeman	01-01-13 to 12-31-13
	David L. Benefiel	01-01-14 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF MORRISTOWN, SHELBY COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Morristown (Town), for the period from January 1, 2012 to December 31, 2016. 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 Result and Comment, incorporated within this report, was not verified for accuracy.

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

December 6, 2017

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CLERK-TREASURER
TOWN OF MORRISTOWN

CLERK-TREASURER
TOWN OF MORRISTOWN
EXAMINATION RESULTS AND COMMENTS

CUSTOMER DEPOSIT REGISTER

The Town did not have sufficient internal controls in place to ensure a proper accounting of the customer meter deposits. The detailed customer deposit register did not reconcile with the Water Utility Meter fund for the years 2012, 2013, 2014, 2015, and 2016. As of December 31, 2016, the detailed customer deposit register had a balance of \$17,646, while the balance of the Water Utility Meter fund was \$15,684 at December 31, 2016.

A similar comment also appeared in prior audit Report B41387, entitled *CUSTOMER DEPOSIT REGISTER*.

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. . . ."

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)

ERRORS ON CLAIMS

A combined test of 190 claims, including both utilities and town claims, resulted in the following errors:

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

- Twenty-three claims, totaling \$33,428, were not certified by the Fiscal Officer.
- Sixteen claims, totaling \$28,376, were not approved by the Board.
- Six claims, totaling \$45,475, had no supporting documentation.
- One claim, totaling \$388, did not have the correct invoice accompanying the claim.

A similar comment also appeared in prior Report B41387, entitled *SUPPORTING DOCUMENTATION*.

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Supporting documentation such as receipts, cancelled 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)

CLERK-TREASURER
TOWN OF MORRISTOWN
EXIT CONFERENCE

The contents of this report were discussed on December 6, 2017, with David L. Benefiel, President of the Town Council; Carolyn Sue Keaton, Clerk-Treasurer; and Donald L. Roberts, Deputy Clerk-Treasurer.