

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, 2016 to December 31, 2018



FILED
12/27/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	David Sexton	08-01-15 to 12-31-19
President of the Town Council	Tom Griffey	01-01-16 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF THE TOWN OF MODOC, RANDOLPH COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Modoc (Town), for the period from January 1, 2016 to December 31, 2018. 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 our Financial Statements Audit 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 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.

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

December 18, 2019

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CLERK-TREASURER
TOWN OF MODOC

CLERK-TREASURER
TOWN OF MODOC
AUDIT RESULTS AND COMMENTS

CONDITION OF RECORDS AND FINANCIAL REPORTING

Condition and Context

A similar comment appeared in prior Report B48163.

Financial records presented for audit were incomplete and not reflective of the activity of the Town. Due to the errors in the financial records, the Annual Financial Reports (AFRs) submitted through the Indiana Gateway for Government Units financial reporting system were also inaccurate. The following items were noted:

1. The receipt of \$28,769 in the Wastewater Utility- Maintenance Fund was recorded as the beginning balance for 2017 and was not reported as a receipt in 2017 AFR or the financial ledger.
2. The receipt of \$2,117 into the Public Safety Fund was transferred from the General Fund in 2017. This was recorded as the 2017 beginning balance in the financial ledger and was not reported as a receipt in 2017 AFR or the financial ledger.
3. The receipt of \$4,004 into the Loit Fund was transferred from the General Fund in 2017. This was recorded as the 2017 beginning balance in the financial ledger and was not reported as a receipt in 2017 AFR or the financial ledger.
4. The receipt of \$10,000 in the Unsafe Building Fund was received from Randolph County on September 10, 2018. This was recorded as the 2018 beginning balance in the financial ledger and was not reported as a receipt in 2018 AFR or the financial ledger.

Criteria

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 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 MODOC
AUDIT RESULTS AND COMMENTS
(Continued)

ORDINANCES AND RESOLUTIONS - UTILITY BILLINGS

Condition and Context

The same comment appeared in the prior Report B48163.

Ordinance 2013-01 established the Wastewater Utility rates for the years 2016, 2017, and 2018. Wastewater charges billed to the Union School Corporation were not calculated in accordance with the rate ordinance.

Criteria

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)

CERTIFICATION OF THE INTERNAL CONTROL STANDARDS

Condition and Context

The Clerk-Treasurer incorrectly certified on the AFR that the Town had adopted internal control standards and personnel were properly trained on those standards. The Town had not passed an ordinance to adopt internal control standards and personnel had not been trained.

Criteria

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 MODOC
EXIT CONFERENCE

The contents of this report were discussed on December 18, 2019, with David Sexton, Clerk-Treasurer; Steve Gregory, Town Council member; and Tom Griffey, President of the Town Council.

TOWN COUNCIL
TOWN OF MODOC

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AUDIT RESULTS AND COMMENTS

ORDINANCES AND RESOLUTIONS - UTILITY BILLINGS

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Criteria

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ADOPTION AND TRAINING OF INTERNAL CONTROL STANDARDS

Condition and Context

The Town failed to adopt the minimum internal control standards and procedures and did not train personnel on internal control standards.

Criteria

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

TOWN COUNCIL
TOWN OF MODOC
EXIT CONFERENCE

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