



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

August 15, 2023

TO: THE OFFICIALS OF TOWN OF MILLHOUSEN, DECATUR COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Town of Millhousen (Town), Decatur County, for the period of January 1, 2018 to December 31, 2022, to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

Management is responsible for preparing and maintaining its accounting records and related documents, as well as compliance with applicable state laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

The Town's Annual Financial Reports filed by management can be found on the Gateway Website: [www.gateway.ifionline.org](http://www.gateway.ifionline.org).

The Comments contained herein describe the identified reportable instances of noncompliance found as a result of the procedures we performed. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

**Comments**

**BANK ACCOUNT RECONCILIATIONS**

A similar comment appeared in prior Reports B44342 and B51770 entitled, *BANK ACCOUNT RECONCILIATIONS*.

*Condition and Context*

There were no records provided by the Town to indicate the bank accounts were being reconciled monthly to the Town's financial ledgers. A review of the ledger to the bank account activity indicated that the ledger balance exceeded the bank account balance by \$5,788 at December 31, 2022.

*Criteria*

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 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)

## **SUPPORTING DOCUMENTATION**

### *Condition and Context*

The Town was unable to provide documentation to support disbursements paid out of the various Town funds for the entire engagement period.

### *Criteria*

Supporting documentation such as receipts, canceled 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)

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

## **COMPENSATION AND BENEFITS**

The same comment appeared in prior Reports B44342 and B51770 entitled, *COMPENSATION*.

### *Condition and Context*

The Town did not provide an annual salary resolution or ordinance, Town Board minutes, or other documentation setting and approving the salaries of Town officers and employees during the engagement period.

### *Criteria*

Indiana Code 36-6-6-10(c) states in part: "The township legislative body shall fix the compensation of all officers and employees of the township. Compensation shall be established using an annual, monthly, or biweekly salary schedule. . . ."

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 must be paid 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)

## **CAPITAL ASSETS**

### *Condition and Context*

The Town had not adopted a capital assets policy during the engagement period. In addition, the Town had not conducted a physical inventory or kept a detailed record of its capital assets.

### *Criteria*

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

### **MONTHLY AND ANNUAL UPLOADS**

As of May 12, 2023, the Town had not uploaded all required monthly and annual engagement uploads for 2018, 2019, 2020, 2021, and 2022 into the Indiana Gateway for Government Units financial reporting system as required by Amended State Examiner Directive 2018-1.

### *Criteria*

The following files and governmental unit information are required to be uploaded monthly . . .

- Bank Reconcilements, Bank Statements, and Outstanding Check Lists
- Approved Board Minutes, please see the user guide for more information and examples
- Funds Ledger, summarizing total receipts, disbursements, and beginning and ending balances by fund . . .

The following files and governmental unit information are required to be uploaded annually . . .

- Year-end Investment Statements
- Detail of Receipts for the year
- Detail of Disbursements for the year
- Current year Salary Ordinance (or Schedule) and Amendments
- Annual Vendor History Report
- Annual Payroll History Report, without social security numbers
- Annual Funds Ledger, summarizing year-to-date total receipts, year-to-date disbursements, and beginning and ending balances by fund . . .
- Optional: Excel Data Capture/Data Dump (in lieu of Detail of Receipts and Disbursements) . . ."

(Amended State Examiner Directive 2018-1)

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)

### **CERTIFICATION ON INTERNAL CONTROL STANDARDS**

A similar comment appeared in prior Report B51770 entitled, *CERTIFICATION ON INTERNAL CONTROL STANDARDS*.

### *Condition and Context*

The Town certified on the Indiana Gateway for Government Units (Gateway) financial reporting system that it had adopted the minimum internal control standards as required by Indiana Code 5-11-1-27(e); however, during the engagement, evidence was not provided to indicate that the Town had adopted the minimum internal control standards.

The Town certified on Gateway that all personnel defined by Indiana Code 5-11-1-27(c) had received training concerning the internal control standards adopted by the Town; however, during the engagement, evidence was not provided to indicate that all personnel had received training concerning the internal control standards.

*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 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](#)."

**ADOPTION OF, AND TRAINING ON, INTERNAL CONTROL STANDARDS**

Similar comments appeared in prior Report B51770 entitled, *ADOPTION OF INTERNAL CONTROL STANDARDS and TRAINING ON INTERNAL CONTROL STANDARDS*.

*Condition and Context*

The Town had not adopted the acceptable minimum level of internal control standards as defined by the Indiana State Board of Accounts.

Town employees whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the Town, had not received training over internal control standards that was developed or approved by the Indiana State Board of Accounts.

*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."

**CERTIFIED REPORT FILED AFTER DUE DATE**

A similar comment appeared in a Management Letter addressed to the Town Officials for the review period ending December 31, 2017.

*Condition and Context*

The Town's Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100R) for:

- 2018 was not filed electronically until February 25, 2019, which was 25 days past the due date.
- 2019 was not filed electronically until August 20, 2020, which was 202 days past the due date.

- 2021 was not filed electronically until February 3, 2022, which was 3 days past the due date.
- 2022 was not filed electronically until March 24, 2023, which was 52 days past the due date.

*Criteria*

Indiana Code 5-11-13-1(b) states in part:

"Each audited entity shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of the officers, employees, and agents of the audited entity. The report shall indicate the respective duties and compensation of each officer, employee, and agent of the audited entity. The audited entity shall file the report in the office of the state examiner of the state board of accounts. . . . The certification must be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

**ANNUAL FINANCIAL REPORTS**

*Condition and Context*

The Town's Annual Financial Reports for:

- 2019 was not filed electronically until April 7, 2021, which was 337 days past the due date.
- 2020 was not filed electronically until July 11, 2021, which was 131 days past the due date.
- 2021 was not filed electronically until May 6, 2022, which was 65 days past the due date.
- 2022 was not filed electronically until March 30, 2023, which was 28 days past the due date.

*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 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](#)."

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)

**BOARD MINUTES MISSING**

*Condition and Context*

Minutes of meetings of the Town Council for the engagement period and to current date were not presented for review.

*Criteria*

Indiana Code 5-14-1.5-4 states in part:

". . . (b) 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.

(c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

***MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND***

*Condition and Context*

The Town did not create a Motor Vehicle Highway (MVH) Restricted fund for 2019, 2020, 2021, or 2022 as required; therefore, the Town did not post 50 percent of the State MVH distribution to a MVH Restricted fund. The Town should have posted to a MVH Restricted fund \$2,733, \$2,410, \$2,664, and \$2,983, in 2019, 2020, 2021, and 2022, respectively.

*Criteria*

The purpose of this Directive is to authorize and require . . . towns that receive distributions from the State Motor Vehicle Highway Account to **create a new sub-fund within the MVH Fund** to properly manage and account for the usage restrictions that were included in House Enrolled Act 1002-2017 and House Enrolled Act 1290-2018. . . .

On the chart of accounts, the MVH Fund and MVH Restricted sub-fund shall be shown as follows:

Cities and Towns

Fund 201	MVH
Fund 203	MVH Restricted

***Together, MVH and MVH Restricted shall constitute the total MVH Fund.*** MVH and MVH Restricted will be shown separately on the Annual Financial Report and Annual Operational Report.

Starting on January 1, 2019, the political subdivision must post at the time of receipt of the distribution from the State Motor Vehicle Highway Account fifty percent (50%) of the distribution to MVH Restricted. . . .

(State Examiner Directive 2018-2)

Indiana Code 8-14-1-5(c) states: "For funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."

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)

This report is intended solely for the information and use of management, governance, and others within the organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

The Schedule of Cash and Investment Balances - Regulatory Basis is presented as other information. It has not been subjected to any auditing procedures, and, accordingly, we do not express an opinion or provide any assurance on it.

SCHEDULE OF CASH AND INVESTMENT  
BALANCES - REGULATORY BASIS  
For the Year Ended December 31, 2022

Fund	Cash and Investments 12-31-22
General	\$ 92,101
Motor Vehicle Highway	46,932
Local Road And Street	32,102
Lew Excess Fund	212
Co Economic Development Income Tax	9,712
CCIF	<u>17,088</u>
Total	<u>\$ 198,147</u>

Any Official Response to the Comments, incorporated within this report, was not verified for accuracy.

The contents of this report were communicated to Mike Shook, Clerk-Treasurer, and Jay Schoettmer, President of the Town Council, on July 27, 2023.

Respectfully,



Beth Kelley, CPA, CFE  
Deputy State Examiner