

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

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

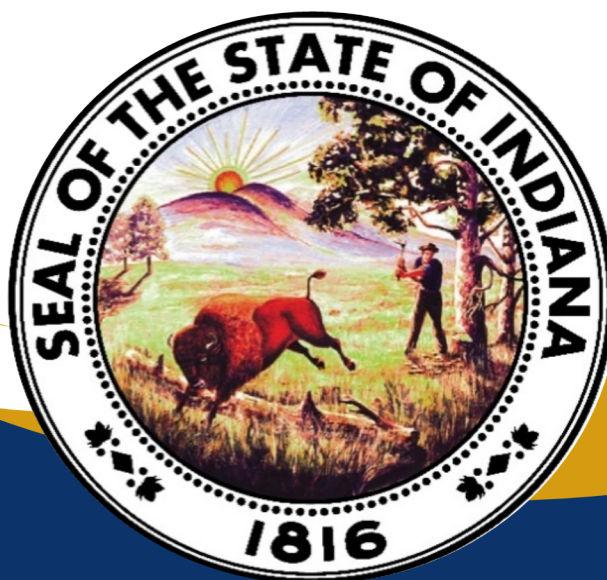
SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MILLTOWN

CRAWFORD COUNTY, INDIANA

January 1, 2022 to December 31, 2023



FILED
12/02/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Alicia A. Lutz Debbie Brown Olivia Smith	01-01-22 to 12-31-22 01-01-23 to 12-31-23 01-01-24 to 12-31-24
President of the Town Council	Jerry Mackey Jean Melton	01-01-22 to 12-31-23 01-01-24 to 12-31-24



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INDIANA STATE BOARD OF ACCOUNTS

302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769
Telephone: (317) 232-2513
Fax: (317) 232-4711
www.in.gov/sboa

TO: THE OFFICIALS OF THE TOWN OF MILLTOWN, CRAWFORD COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Milltown (Town), for the period from January 1, 2022 to December 31, 2023. 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 the Financial Statement Audit Report of the Town, which provides our opinions on the Town's financial statement. 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.

Beth Kelley, CPA, CFE
Deputy State Examiner

November 13, 2024



CLERK-TREASURER
TOWN OF MILLTOWN

CLERK-TREASURER
TOWN OF MILLTOWN
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

There were several deficiencies in the internal control system of the Town.

Cash and Investments

Internal controls were not in place to ensure monthly bank reconciliements were being completed timely.

Receipts

The President of the Town Council reviewed the revenue detail report monthly in 2022; however, there was no evidence that the review occurred in 2023. During the audit, it was determined that the internal control in 2022 was not effective, and there was no internal control in place in 2023 to ensure cash deposits were recorded in the ledger or recorded in a timely manner.

Disbursements

The Town Council approved all disbursements presented on the claim docket; however, this internal control did not ensure that all disbursements were recorded in the ledger or recorded in a timely manner.

Financial Close and Reporting

The Town has hired a consultant to assist in preparing the Annual Financial Report (AFR), which was the source of the financial statement. Although the Clerk-Treasurer submitted the AFR, there was no evidence of an internal control, such as oversight, review, or approval process to ensure the accuracy of the information.

Laws and Regulations

Internal controls were not in place to ensure that the Town complied with laws and regulations. Internal control deficiencies resulted in noncompliance over the following areas and are detailed further in the comments below:

- Board Minutes Missing
- Annual Financial Report
- Condition of Records
- Capital Assets
- Certification on Internal Control Standards
- Monthly and Annual Uploads

CLERK-TREASURER
TOWN OF MILLTOWN
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

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. . . ."

BOARD MINUTES MISSING

Condition and Context

The following Town Council minutes were not presented for audit:

- January 9, 2023
- November 31, 2023
- December 27, 2023

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.

CLERK-TREASURER
TOWN OF MILLTOWN
AUDIT RESULTS AND COMMENTS
(Continued)

(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."

ANNUAL FINANCIAL REPORT

A similar comment appeared in a Management Letter addressed to the Officials of the Town for the audit period ending December 31, 2021.

Condition and Context

The Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units financial reporting system. The Town entered the information as required; however, the following errors were identified in the other information reported in the AFR:

Grants

The grant schedule within the AFR did not include the COVID-19 - Coronavirus State and Local Fiscal Recovery funds which understated federal expenditures by \$176,414 for 2022.

Capital Assets

The Town reported capital assets in the AFR for 2022 and 2023 in the amount of \$2,525,050 for each year. However, the Town did not maintain detailed capital asset records to support the amount reported. The financial reporting framework utilized by the Town includes the option to present a Schedule of Capital Assets as Other Information in the Financial Statement Audit Report of the Town. The Town has elected not to present this schedule.

Accounts Payable/Accounts Receivable

The Town reported accounts payable and accounts receivable in the AFR for 2022 and 2023. However, the Town was unable to provide documentation to support the amounts reported. The financial reporting framework utilized by the Town includes the option to present a Schedule of Payables and Receivables as Other Information in the Financial Statement Audit Report of the Town. The Town has elected not to present this schedule.

Leases and Debt

The Town included a lease in which the Town receives revenue. This lease should not have been included in the schedule resulting in an overstatement of Annual Lease Payment Due of \$10,800 for both 2022 and 2023. In addition, the Ending Principal Balance was incorrectly reported for all three debt issues for 2022 and 2023, resulting in an overstatement of \$10,048, in total, for 2023, and no amounts were reported for Principal Due within the year for all three debt issues for 2022 and 2023, resulting in an understatement of \$50,000, in total, for 2023.

The submitted information is used to generate the Schedule of Leases and Debt presented as Other Information in the Financial Statement Audit Report of the Town. Adjustments were proposed, accepted by the Town, and made to this Schedule and the Lease and Debt information within the AFR.

CLERK-TREASURER
TOWN OF MILLTOWN
AUDIT RESULTS AND COMMENTS
(Continued)

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 as set forth in the uniform compliance guidelines. 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](#)."

The Annual Financial Report (AFR) required under IC 5-11-1-4(a) shall be filed with the state examiner not later than sixty (60) days after the close of each fiscal year. (Accounting and Uniform Guidelines Compliance Manual for Cities and Towns, Chapter 1)

CONDITION OF RECORDS

Similar comments also appeared in prior Report B56323, entitled *INTERNAL CONTROLS* and *BANK ACCOUNT RECONCILIATIONS*, and prior Report B60319, entitled *INTERNAL CONTROLS - BANK ACCOUNT RECONCILIATIONS*.

Condition and Context

The following deficiencies were noted related to the recordkeeping of the Town during the audit period:

Bank Reconciliations

- Depository reconciliations of the fund balances to the bank balances were not performed timely for all funds and bank accounts during 2022 and 2023. A review of 24 depository reconciliations for bank accounts during the audit period noted 17 instances in which reconciliations were not completed timely. In addition, 3 reconciliations were not presented for audit.
- Reconciling items were identified but were not corrected in a timely manner. These reconciling items from prior years totaled \$12,338 and have not been corrected as of August 31, 2024.

The following transactions were not recorded timely:

- Of the distributions from the Auditor of State in 2022, 7 were recorded up to 61 days after receipt.
- Of the distributions from the Auditor of State in 2023, 14 were recorded up to 166 days after receipt.
- Of the property tax distributions from Harrison County in 2022, 2 were recorded up to 28 days after receipt.
- Of the property tax distributions from Crawford County in 2022, 7 were recorded up to 30 days after receipt.

CLERK-TREASURER
TOWN OF MILLTOWN
AUDIT RESULTS AND COMMENTS
(Continued)

- Of the collections from Blue River Regional Water, 8 were recorded up to 335 days after receipt.
- Of the 6 transfers tested, 3 were not recorded at the time of the transaction. These were recorded up to 253 days later.
- Of the 10 debt payments tested, 4 were not recorded at the time of the transaction. These were recorded up to 253 days later.

The following posting errors were noted:

- Three distributions from the Auditor of State in 2023 were not recorded in the ledger totaling \$2,792.
- One receipt from Blue River Regional Water in 2023 was posted for \$100 less than the amount deposited.

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."

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1.

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction.

(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.

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF MILLTOWN
AUDIT RESULTS AND COMMENTS
(Continued)

CAPITAL ASSETS

The same comment also appeared in prior Reports B56323 and B60319.

Condition and Context

The Town did not have a capital asset policy that details the threshold at which an item is to be considered a capital asset or a complete detailed listing of capital assets. In addition, the Town did not provide evidence that a capital asset inventory had been completed at least every two years.

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)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Town indicated in its 2023 Annual Financial Report that internal control standards had not been adopted and the Town had not completed training on internal controls. However, the Town had adopted internal control standards, and the required personnel had received training on 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 as set forth in the uniform compliance guidelines. 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](#)."

MONTHLY AND ANNUAL UPLOADS

Condition and Context

The Town did not upload the following files and governmental unit information that are required to be uploaded monthly:

- Bank reconciliations, Bank Statements, and Outstanding Check Lists for the months July 2022 through December 2023
- Approved Town Council minutes for December 2022 through December 2023

CLERK-TREASURER
TOWN OF MILLTOWN
AUDIT RESULTS AND COMMENTS
(Continued)

- Funds Ledger summarizing total receipts, disbursements, and beginning and ending balance by fund for the months of July 2022 through December 2023

The Town did not upload the following files and governmental unit information that are required to be uploaded annually:

- Year-end investment statements Excel Data Capture/Data Dump (no longer optional)
- Detail of Receipts by fund and account (if Data Capture not available).
- Detail of Disbursements by fund and account (if Data Capture not available)
- Current year salary ordinance and amendments
- Annual Vendor History Report
- Annual Payroll History Report, without social security numbers
- Annual Funds Ledger
- Accounts Payable/Accounts Receivable Schedule support (effective for 2023)
- Direct Federal Grant Agreements/Award Letters and Amendments initiated during the year (effective for 2023)
- Agreements for Subawards made to Subrecipients for all Federal Grants initiated during the year (effective for 2023)
- Personnel Policy (effective for 2023)

Criteria

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. (Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021)

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)

CLERK-TREASURER
TOWN OF MILLTOWN
EXIT CONFERENCE

The contents of this report were discussed on November 13, 2024, with Olivia Smith, Clerk-Treasurer; Jean Melton, President of the Town Council; Stephen Hamm, Town Council member; and Carl J. Smith, Town Manager.