

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MILTON

WAYNE COUNTY, INDIANA

January 1, 2012 to December 31, 2015



FILED
01/30/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Terry L. Craig	01-01-12 to 12-31-19
President of the Town Council	Kenneth J. Risch John Noland	01-01-12 to 12-31-15 01-01-16 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
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Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE TOWN OF MILTON, WAYNE COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Milton (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 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 Results and Comments, incorporated within this report, was not verified for accuracy.

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

April 13, 2017

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TOWN COUNCIL
TOWN OF MILTON

TOWN COUNCIL
TOWN OF MILTON
EXAMINATION RESULTS AND COMMENTS

CONTRACTS

On January 14, 2014, the Town Council signed an agreement with the Wayne County Commissioners allowing the Town to receive the Town's share of Economic Development Income Tax (EDIT) funds of which half had previously been pledged to the Wayne County Consolidated EDIT Fund. The additional EDIT income was to be used to repay a loan obtained for purposes of financing the demolition of a former antique store which was deeded to the Town. A clause in the agreement authorized the Town to obtain financing for an amount not to exceed \$45,000; however, the loan obtained by the Town was for \$50,000 plus fees of \$500 for a total of \$50,500.

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

ORDINANCES AND RESOLUTIONS

The Town had a policy in the Personnel Policy Manual which stated any employee who resigns or retires with appropriate notice and who was in good standing may request any earned unused vacation days be paid at the last pay cycle. We noted that a Town employee gave notice of retirement on May 21, 2014. The employee requested to be paid his remaining vacation balance of 13 days. The Town Council did not document any discussion or action regarding this request, and the employee was not paid his vacation balance.

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)

INTERNAL CONTROLS OVER ACCOUNTS RECEIVABLE ADJUSTMENTS

The Water and Wastewater Utility rate ordinances for the Town contained provisions which gave the Clerk-Treasurer the authority to make reasonable adjustments to bills including penalties. Such adjustments were made to customer accounts without review and approval of any other individual or board. Justification for each adjustment was not always documented on the account. Allowing adjustments to customer accounts without review and approval of any other individual or board creates an internal control deficiency that could allow errors, theft, or fraud to go undetected, could allow customers with poor payment history to continue to receive services, could reduce utility revenues, or could cause the Utilities not to pursue proper collection or disconnection procedures on accounts.

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:

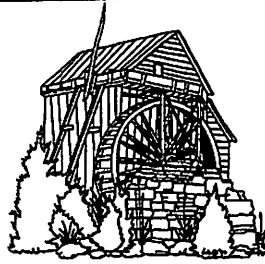
"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention 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. . . ."

Town of Milton, IN.

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113 E. Main St.
PO Box 398
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PH: 765-478-3818



Town Hall
106 W. Walnut St.
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Est. 1824

April 20 2017

OFFICIAL RESPONSE.

In response to opinions on recent audit for the Town of Milton for the years 2012-2015. We feel that some of the opinions are valid and steps have been or will be taken to address these.

However, some of the opinions we believe were given without enough research being done.

COMPENSATION:

In 2013 53 paychecks were issued and exceeded the Salary Ordinance. This error has been or is being corrected through repayment by the two individuals that were over paid.

An error in overtime calculation occurred for two employees that resulted in overpayment. One employee has since repaid the amount owed. The second admits to owing the money but has yet signed an agreement to repay. It was our understanding that if he didn't enter into an agreement the State would pursue payment.

OVERDRAWN CASH BALANCES:

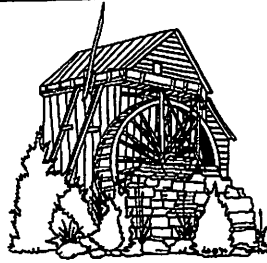
There were funds and appropriations that were overdrawn. Even though they were small amounts it should not have occurred. The Utility accounts have had rate increases to prevent future problems. Being in years past no further action can be taken.

ORDIANCE AND RESOLUTIONS:

A \$1000 penalty was charged to customers who's records indicated had not hooked up by the deadline after notice was given. It was discovered that two customers had hooked up by the deadline. Council discussed the houses that were being sold by banks without the customer's knowledge of the penalty. At the November 12, 2013 meeting it was decided to work with these customers. A copy of those minutes are attached.

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CONCERNING THE LODGE:

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ORDINANCES AND RESOLUTIONS:

The decision to not pay the employee that was retiring was made in an executive meeting. In order to correct the issue, the current Council held a meeting open to the public and voted to pay this employee the thirteen days of vacation pay owed to him.

INTERNAL CONTROLS:

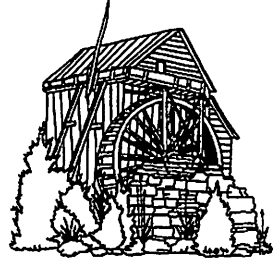
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UNDER BILLED UTILITY CONSUMPTION:

The Town of Milton has had an ongoing problem with inaccurate meter readings since 2012. The Clerk's bill had been adjusted during this time according to ordinance along with seven other accounts due to unusable readings. Billing history for these accounts are attached. In addition many other customers would be on the reread list each month due to unusable readings. Sometimes as many as 80 customers in one month. Reread lists are attached. Attached are the adjustments made from 2012 to 2015. Comparing the adjustments the problem worsens from 2012 to 2013. 2014 is 31 pages, only excessive readings are attached. 2015 shows improvement but still an issue. These are only the adjustments made after billing many more were made before billing. The Council was aware of the ongoing problem. Attached

Town of Milton, IN.

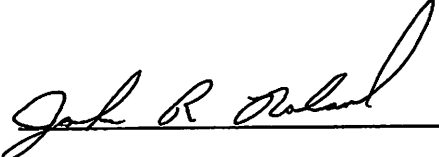
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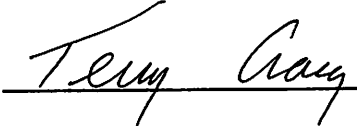
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John Noland – Council President



Terry Craig - Clerk/Treasurer

April 21, 2017

To Whom it May Concern:

In 2012 the Town of Milton started having trouble with water meter readings. It was brought to the town's attention, it was discussed then would be tabled till the next meeting, this happened several times. This happened until 2015.

We had two companies come in and discuss putting in radio read and touch read meters that also was tabled. Then we agreed to start replacing troublesome meters and ordered eighty new ones. During this time the town manager was asked four different times to change terry's meter by myself.

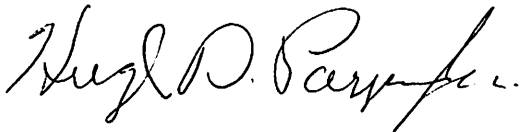
I have set on the council for ten years and have been a neighbor to them for twenty seven years, there was just the two of them living in the house and there was just the two of us in our house. Our water bill was usually the minimum during that time we had a few bills that spiked our bill was adjusted and meter changed out. Terrys bill was double ours during that time and still did not get meter changed.

A few board members deemed we didn't have a problem and sent the eighty meters back.

The board voted an ordinance in and gave Terry the authority to adjust water readings based on an average.

I do not feel that Terry adjusting his bill was out of line. We did not give him exceptions.

Thank You
Town Board Member
Hugh Payne Jr.

A handwritten signature in cursive script that reads "Hugh D. Payne Jr." The signature is written in black ink and is positioned below the typed name.

The issue of inaccurate water meter readings has been a long time problem. You can see I am using examples from 2011 through 2014 about concerns and issues about meter readings and residents questioning their bills. Many residents personally complained at the time of paying their monthly bill but did not attend council meetings. ALSO, 2011 minutes of meeting states Terry will continue to adjust as necessary until new meters can be purchased. Meters were purchased but few were installed to replace old ones.

Month after month Terry would share pages of meter readings that were out of the normal for that household. Sometimes as many as 4-6 pages. Many residents were affected several months and received adjustment each month. Council agreed these adjustments should be given (even in 2011 before I became a council member).

Each time, no one questioned any of Terry's adjustments. Finally after asking for a new meter to be installed at his home (for about 4 years) one was put in recently. Maybe there was a problem with meter. We also know inaccurate meter readings were a problem too. There was cases where meters were not read, a guess reading was turned in (not shown as estimate..indication that meter was read when it wasn't).

Terry is as honest of a man you will find. He would never take money or take advantage of his position to avoid paying what is due the town of Milton.

I think it would be a big mistake if any money claimed to be owed by Terry is ordered to be paid to the town. He did nothing wrong.

FROM Meeting minutes of past years:

>Dec 13, 2011 Bob Holland brought to council about the problems with his meter readings. Ken advised that we have problems with several meters in town. **Terry will continue to adjust as necessary until new meters can be purchased.**

Feb 14, 2012 Dwight questioned why meters were not read in January. After short discussion, no one knew why. No action, tabled.

March 13, 2012 Charlie Bonwell requested the churches be charged to interim rate only (sewer charges). Ken advised him that the Utility Board would check the budget numbers and get back with him next month.

Jim reported that meters would cost about \$50.00 each. The meter readings are still an issue and meters need to be replaced.

April 10, 2012 Board decided giving a break to churches would not be fair to home owners

>Oct 9, 2012 Kendra Bavi addressed the board about inconsistent meter readings. Ken is to talk to Jim about more accurate readings, and check the meters.

Nov 13, 2012 Board discussed the water meters being read on or around the 15th of each month. Being more consistent readings may help with large variance in billing on some residents.

April 9, 2013 Ken informed council that meter readings are still a problem. And many are needing to be adjusted.

May 14, 2013 Jim has ordered new meters which may be help with the inconsistent meter readings.

July 23, 2013 Chad Edwards from EJP addressed council on touch read meters. Chad demonstrated 3 types of meters, how the work and advantages of each. All have 20 year warranty. Council will take under advisement.

Aug 27, 2013 Eric (from Utility Supply) addressed council on touch read meters. History of company, service of meters, quality of meters, cost

>Dec 10, 2013 Ashley Durham questioned utility board about the inconsistent meter readings. The readings are way too high for a family of 3. Because of excessive readings, penalties and taxes will be too much to pay. Board will get current readings and compare to last year readings to see if there is a pattern.

>Feb 11, 2014 Ashely Durham questioned council about her meter readings and what can be done about the readings and late fees. Ken told her the past averages are close to the same. Ashley says the readings show she's not using that much water. A new meter has been installed to compare. Ashley asked if her water would be shut off during this, Ken told her no,

March 11, 2014 Hugh will help Jim with the meter readings this month

April 22,2014 (from Western Wayne newspaper as I do not official minutes for this meeting). Council member Hugh Payne, at no cost to the town, has been assisting Jim Hicks with water meter readings in order to provide a good three month baseline reading for the new Keystone program. Some hard to read meters will need to be changed, some readings were the result of leaks and approximately five problematic meters need to be replaced. Homeowners with leaks were informed of the problem at once. It was noted that when meters are replaced, ha the date, location and serial number of the new meter should be filed in the town clerk's office.

Agnes Fisher

Milton Town Council member

2012-present

I Mike Pollitt, am the acting street superintendent. I am aware of the problems with the water meters we are having trouble with. We do have some that don't read correctly and there are some that will back flush that causes the meter to read more than it has actually pumped. We also have a couple meters that don't read at all. I am in the process of getting prices on new meters to replace the old ones that need to be done.

A handwritten signature in black ink, appearing to read "Mike Pollitt", with a long horizontal flourish extending to the right.

4-20-17

The Official Responses from the Town of Milton Council President and Clerk-Treasurer, other Council members, and Acting Street Superintendent, included additional information which is not included in this Report. The additional information is available upon request made to the Indiana State Board of Accounts, subject to any applicable confidentiality protections for personal information and other sensitive data.

TOWN COUNCIL
TOWN OF MILTON
EXIT CONFERENCE

The contents of this report were discussed on April 13, 2017, with Terry L. Craig, Clerk-Treasurer; John Noland, President of the Town Council; Robert Simon, Council member; Hugh Payne, Jr., Council member; and Agnes Fisher, Council member.

CLERK-TREASURER
TOWN OF MILTON

CLERK-TREASURER
TOWN OF MILTON
EXAMINATION RESULTS AND COMMENTS

COMPENSATION OVERPAYMENTS

For the year 2013, compensation paid to Terry L. Craig (Craig), Clerk-Treasurer, and Jim Hicks (Hicks), former Town employee, was \$680.43 and \$715.18, respectively, in excess of the salary ordinance, Ordinance 1-2013, adopted by the Town Council due to a miscalculation in the pay rate. Craig and the Town agreed to a repayment schedule through a payroll deduction.

For 2014, 2015, and 2016, Brian Smith (Smith), former Town employee, was overpaid a total of \$5,725.37 due to a miscalculation in overtime pay.

For 2016, a Town employee was overpaid a total of \$813.23 due to a miscalculation in overtime pay. Repayment has been made by the employee.

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 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)

We requested that Craig reimburse the Town \$680.43 in salary overpayments for 2013. Repayment has been made by Craig through payroll deduction. (See Summary of Charges, page 22)

We requested that Hicks reimburse the Town \$715.18 in salary overpayments for 2013. Repayment has been made by Hicks. (See Summary of Charges, page 22)

We requested that Smith reimburse the Town \$5,725.37 for salary overpayments. (See Summary of Charges, page 22)

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

Years	Fund	Expenditures in Excess of Appropriations
2012	Local Road And Street	\$ 1,681
2012	Rainy Day	16,557
2012	Cumulative Fire	3,316
2014	Cedit Capital Projects	22,646
2015	Cumulative Fire	1,801

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

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

OVERDRAWN CASH BALANCES

The financial statements presented for examination included the following funds with overdrawn cash balances at December 31 of the years indicated:

Years	Fund Name	Amount Overdrawn
2012	General	\$ 89
2012	Water Utility Operating	3,110
2014	Milton Trash Operating	538
2014	Water Utility Operating	493
2015	Water Utility Operating	2,751

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

ORDINANCES AND RESOLUTIONS

The Town Water Utility had a policy regarding disconnection of water service when an account remained unpaid for at least 30 days past the due date when proper notice had been given 15 days after the due date. However, in many instances the Town failed to provide such notice and did not disconnect utility services when utility balances remained unpaid for more than three months.

During a test of billings, we concluded the Town Wastewater Utility failed to compute and collect wastewater billings for a customer whose water service had been disconnected.

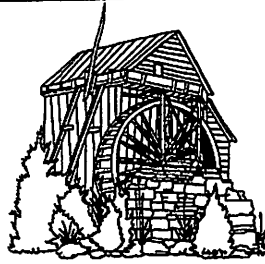
On July 16, 2013, the Town Council approved a \$1,000 wastewater connection fee to be charged to all customers who had not connected to the Wastewater Utility by November 1, 2013. On November 1, 2013, 12 customers were charged the \$1,000 connection fee for failure to connect. During 2013, the accounts of two customers were adjusted to remove the connection fee. During 2014, the accounts of six customers were adjusted to remove the connection fee.

On April 15, 2015, an account was established for a local lodge. The lodge had not requested to be connected to the Wastewater Utility by the November 1, 2013 deadline; however, the lodge was not assessed the \$1,000 connection fee and was not billed for water and wastewater services during the period of examination prior to April 15, 2015. Prior to April 15, 2015, the lodge had unauthorized and unknown connection to water and wastewater services for an undetermined amount of time.

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April 20 2017

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An error in overtime calculation occurred for two employees that resulted in overpayment. One employee has since repaid the amount owed. The second admits to owing the money but has yet signed an agreement to repay. It was our understanding that if he didn't enter into an agreement the State would pursue payment.

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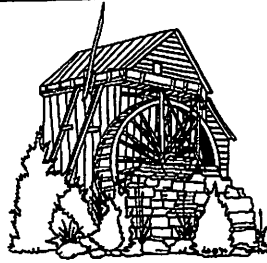
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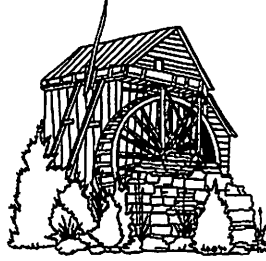
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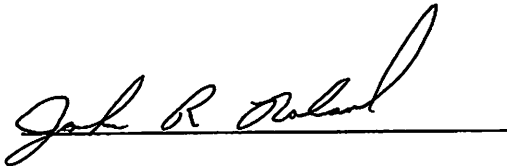
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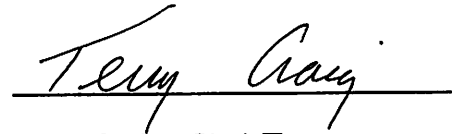
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John Noland – Council President



Terry Craig - Clerk/Treasurer

The Official Response from the Town of Milton Council President and Clerk-Treasurer included additional information which is not included in this Report. The additional information is available upon request made to the Indiana State Board of Accounts.

CLERK-TREASURER
TOWN OF MILTON
EXIT CONFERENCE

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CLERK-TREASURER
TOWN OF MILTON
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Terry L. Craig, Clerk-Treasurer:			
Compensation Overpayments, page 16	\$ 680.43	\$ 680.43	\$ -
	<u> </u>	<u> </u>	<u> </u>
Jim Hicks, former Town employee:			
Compensation Overpayments, page 16	\$ 715.18	\$ 715.18	\$ -
	<u> </u>	<u> </u>	<u> </u>
Brian Smith, former Town employee:			
Compensation Overpayments, page 16	\$ 5,725.37	\$ -	\$ 5,725.37
	<u> </u>	<u> </u>	<u> </u>

This report was forwarded to the Office of the Indiana Attorney General.

AFFIDAVIT

STATE OF INDIANA)
Henry COUNTY)

I, Kim Wesley, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Town of Milton, Wayne County, Indiana, for the period from January 1, 2012 to December 31, 2015, is true and correct to the best of my knowledge and belief.

Kim Wesley
Field Examiner

Subscribed and sworn to before me this 29 day of January, 2018.

Kristi Mosier
Notary Public

My Commission Expires: May 28, 2024
County of Residence: Henry

