

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

SPECIAL INVESTIGATION REPORT  
OF

CLERK-TREASURER  
TOWN OF MILTON  
WAYNE COUNTY, INDIANA

January 1, 2012 to December 31, 2016



**FILED**  
01/30/2018



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Transmittal Letter .....	2
Clerk-Treasurer:	
Results and Comments:	
Underbilled Utility Consumption .....	3
Special Investigation Costs .....	3-4
Internal Controls over Utility Billing and Collection .....	4
Official Bonds .....	4
Exit Conference .....	5
Official Response.....	6-12
Summary of Charges.....	13
Affidavit .....	15



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

This is a special investigation report for the Town of Milton (Town), for the period January 1, 2012 to December 31, 2016, and is in addition to any other report for the Town as required under Indiana Code 5-11-1. All reports pertaining to the Town may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

We performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts and were limited to records associated with water meter readings and accounts receivable records. The 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, non-compliance may exist that is unidentified.

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

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

April 13, 2017

CLERK-TREASURER  
TOWN OF MILTON  
RESULTS AND COMMENTS

***UNDERBILLED UTILITY CONSUMPTION***

The water and wastewater utility bills to Terry L. Craig (Craig), Clerk-Treasurer, were underbilled. The amount of water consumption used to calculate Craig's water and wastewater bills was not accurate for most of the billing cycles during the period January 1, 2012 to December 31, 2016, based on the meter readings. Consumption billed was less than actual consumption computed by subtracting the current meter reading from the previous meter reading. This resulted in the account of Craig being underbilled by \$2,550.65.

During a test of billings, we concluded consumption billed on Craig's account was less than computed consumption. No other accounts tested had this discrepancy. An extended test of billings for Craig's account revealed consumption was underbilled for 49 of 60 months during the period noted above.

Craig ran monthly re-read reports which reported consumption that was unusually high or low for the month on any accounts. The accounts on the re-read list were researched to determine why the readings contained variances. The meters were re-read for any unexplained variances on these reports. A review of the re-read lists revealed Craig's account was not on any re-read list provided for examination. Additional consumption testing was performed from accounts listed on re-read reports. This additional testing revealed that for 6 of 62 accounts tested, consumption billed was different than computed consumption for a period of time until meters were replaced, at which time consumption billed again returned to calculated consumption.

From our review of Town Council minutes, several customers complained about inaccurate and inconsistent meter readings. When the problem was determined to be inaccurate meter readings, the Town replaced the meters. However, there were no documented discussions in the minutes regarding inaccurate or inconsistent meter readings for Craig's account.

When a meter was replaced due to inaccurate readings, adjustments were made to the accounts. A review of adjustment reports for 2012, 2013, 2014, and 2015 revealed that no adjustments were made to Craig's accounts.

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)

Units have a responsibility to collect amounts owed to the unit pursuant to procedures authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

We requested that Craig reimburse the Town of Milton \$2,550.65 for underbilled utility consumption. (See Summary of Charges, page 13)

***SPECIAL INVESTIGATION COSTS***

The State of Indiana incurred additional investigation costs in the special investigation of Craig, totaling \$808.10.

Audit costs incurred because of poor records, nonexistent records, or any other inadequate bookkeeping practices, or because of theft or a shortage 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 MILTON  
RESULTS AND COMMENTS  
(Continued)

We requested that Craig reimburse the State of Indiana \$808.10 for special investigation costs. (See Summary of Charges, page 13)

**INTERNAL CONTROLS OVER UTILITY BILLING AND COLLECTION**

As Clerk-Treasurer and the Town's only office employee, Craig was responsible for all aspects of billing, collecting and depositing utility bills, including entering meter readings into the billings software, generating and mailing bills, making billing adjustments, collecting payments, posting payments to the funds and to customer accounts, and depositing payments. As a result, there was a lack of segregation of incompatible duties.

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. . . ."

**OFFICIAL BONDS**

Craig was covered by the following Town blanket bonds:

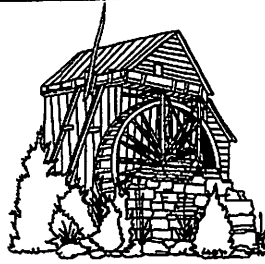
<u>Bond Period</u>	<u>Coverage</u>
December 3, 2004 to cancellation	\$ 15,000
December 1, 2012 to December 1, 2013	30,000
December 1, 2013 to December 1, 2014	30,000
December 1, 2014 to December 1, 2015	30,000
December 1, 2015 to December 1, 2016	30,000

CLERK-TREASURER  
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, Town Council member; Hugh Payne, Jr., Town Council member; and Agnes Fisher, Town Council member.

**Town of Milton, IN.**

Clerk's Office  
113 E. Main St.  
PO Box 398  
Milton, IN. 47357  
PH: 765-478-3818



Town Hall  
106 W. Walnut St.  
Milton, IN. 47357

**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:**

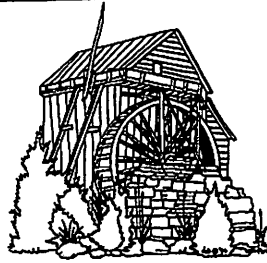
There were funds and appropriations that were overdrawn. Even though they were small amounts it should not have occurred. The Utility accounts have had rate increases to prevent future problems. Being in years past no further action can be taken.

**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.

# Town of Milton, IN.

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## CONCERNING THE LODGE:

When the new sewer line was installed and penalties assessed there was no membership meeting in the building. In Council meeting on April 26, 2010 Council decided "as long as water service does not enter the building or there is no building there will be no sewer fee." A copy of those minutes is attached. Two elderly men were the only members left and did not meet. Sewer Ordinance no. 2011-01, Article III, Sec. 3 states buildings "from which wastewater is discharged shall not be required to connect to the sewer line". Attached is a copy of that section. Sometime in 2014 new members were recruited and the building was being used again, but still no water service was known to exist. It was then discovered that the building did have water service unknown to the Town and the sewer line was connected. Once it was discovered billing started immediately.

## 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:

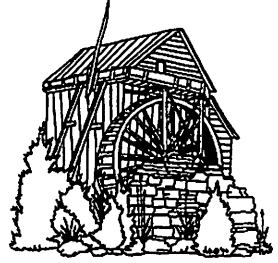
Adjustments to utility bills, cash receipts, deposits will be review on a regular basis by a Council member then brought to Council for approval. Also with Payroll a Council member will review on a regular basis then taken to Council for approval. Currently all APV's and invoices are being reviewed in a posted workshop open to public before being brought to the monthly meeting with any questions answered. This is in effort to continue and improve the existing Internal Controls System.

## 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.**

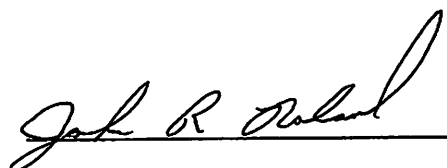
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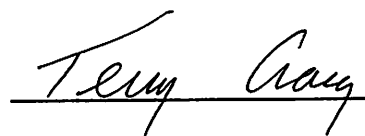


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are emails to Council and minutes to meetings where it was discussed. The Town Manager ordered 80 new meters to install in hopes of correcting the problem. Council met with different suppliers and discussed installing Touch Read, Radio Read meters, hiring an outside firm to investigate, or hiring an independent company to read meters. Council then ordered the Town Manager to return the meters he had ordered because touch reads were going to be installed. But Council made no decision on any option and left it to the Clerk to make adjustments as needed. Although improvements have been seen with consistent meter readings, the problem still exists. The current Town Employee is changing meters and more of the issues are being resolved. More supporting documents can be provided if given more time. Current Council feels that even though it was a wide spread problem the Clerk is being singled out. The previous Council took no action to resolve the issue.

  
\_\_\_\_\_  
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.

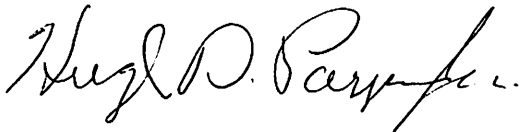
I have set on the council for ten years and have been a neighbor to them for twenty seven years, there was just the two of them living in the house and there was just the two of us in our house. Our water bill was usually the minimum during that time we had a few bills that spiked our bill was adjusted 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 15<sup>th</sup> 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". The signature is fluid and cursive, with a long horizontal stroke 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.*

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

	Charges	Credits	Balance Due
Terry L. Craig, Clerk-Treasurer:			
Underbilled Utility Consumption, page 3	\$ 2,550.65	\$ -	\$ 2,550.65
Special Investigation Costs, pages 3 and 4	808.10	-	808.10
 Totals	 \$ 3,358.75	 \$ -	 \$ 3,358.75

This report was forwarded to the Office of the Indiana Attorney General and the local prosecuting attorney.

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AFFIDAVIT

STATE OF INDIANA )  
Wayne COUNTY )

I Kimberly 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, 2016, is true and correct to the best of my knowledge and belief.

Kimberly Wesley  
Field Examiner

Subscribed and sworn to before me this 2<sup>nd</sup> day of November, 2017.

Kimberly S. Klingman  
Notary Public

My Commission Expires: 10-18-2025  
County of Residence: Wayne

