

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, 2016 to December 31, 2018



FILED
05/27/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Terry Craig	01-01-16 to 12-31-20
President of the Town Council	John Noland	01-01-16 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of the Town of Milton (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 opinions 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

May 20, 2020

TOWN OF MILTON
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

There were deficiencies in the internal control system for the Town related to financial transactions and reporting. The Town had not separated incompatible activities over cash and investments, receipts, disbursements, and financial close and reporting. The failure to establish these controls could have enabled material misstatements to remain undetected.

Cash and Investments

Segregation of duties over the Town and Town Utilities' bank reconciliation process was not evident. There was no evidence of an effective oversight, review, or approval process to ensure the accuracy of the reconciliations.

Receipts

Controls were not in place to ensure that the receipts, including utility collections, were recorded and deposited properly.

Payroll Disbursements

During 2016, tangible evidence of controls could not be observed to ensure that payroll disbursements were calculated and recorded properly. In addition, tangible controls could not be verified for a portion of the 2018 pay periods inspected.

Financial Close and Reporting

The Town compiles the financial information for submission to the Indiana Gateway for Government Units financial reporting system, which was the source for the Annual Financial Reports and the financial statements. There was no evidence of an effective oversight, review, or approval process to ensure the accuracy of the information submitted.

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:

TOWN OF MILTON
AUDIT RESULTS AND COMMENTS
(Continued)

"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. . . ."

ANNUAL FINANCIAL REPORT

The Clerk-Treasurer prepared and submitted the Annual Financial Report (AFR) through the Indiana Gateway for Government Units financial reporting system for the Town and the Town's Utilities. The AFR submitted for 2018 contained errors and did not match the records of the Town and the Town's Utilities. These errors included incorrect reporting of receipts and disbursements. In addition, some supplementary information for the Schedule of Leases and Debt was omitted from the AFR for 2018.

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](#)."

TOWN OF MILTON
EXIT CONFERENCE

The contents of this report were discussed on May 20, 2020, with Terry Craig, Clerk-Treasurer, and John Noland, President of the Town Council.