

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

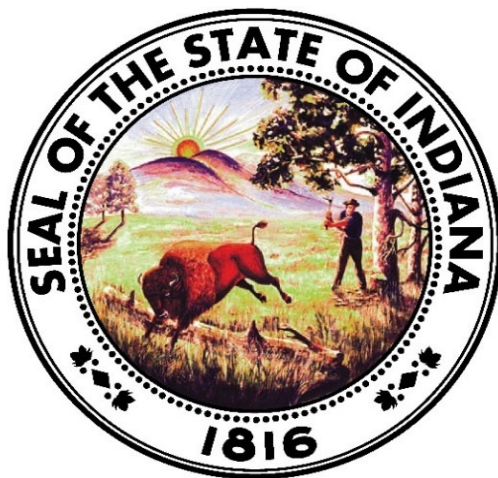
SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MILLTOWN

CRAWFORD COUNTY, INDIANA

January 1, 2020 to December 31, 2021



FILED

12/05/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Alicia A. Lutz	01-01-20 to 12-31-22
President of the Town Council	Jerry Mackey	01-01-20 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of the Town of Milltown (Town), for the period from January 1, 2020 to December 31, 2021. 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 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 15, 2022

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CLERK-TREASURER
TOWN OF MILLTOWN

CLERK-TREASURER
TOWN OF MILLTOWN
AUDIT RESULTS AND COMMENTS

CAPITAL ASSETS

The same comment also appeared in prior Report B56323.

Condition and Context

The Town did not provide a capital asset policy including a threshold or a complete detailed listing of capital assets. 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)

INTERNAL CONTROLS - BANK ACCOUNT RECONCILIATIONS

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

Condition and Context

There was a deficiency noted in the internal control system for the Town related to cash and investments. The failure to establish effective controls could have enabled material misstatements to occur and remain undetected.

Depository reconcilements of the fund balances to the bank balances were not being performed timely for all funds and bank accounts during 2020 and 2021. A review of 21 depository reconcilements for bank accounts during the audit period noted three instances in which reconcilements were not completed.

The Town was not always conducting a complete reconciliation of all bank accounts. A re-creation of the bank reconcilements at December 31, 2020 and 2021, noted reconciling items not identified by the Town in the amounts of \$20,514 and \$20,805, respectively.

The Town also has reconciling items noted as accounting error corrections from prior years in the amounts of \$59,294 and \$12,338. As of June 30, 2022, the corrections have not been made and the accounting errors remain listed as reconciling items.

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:

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TOWN OF MILLTOWN
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. . . ."

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."

ACCOUNTING FOR COVID-19 - CORONAVIRUS RELIEF FUND

Condition and Context

The Town did not properly account for the COVID-19 - Coronavirus Relief Fund (CRF) in accordance with State Examiner Directive 2020-3.

In 2021, reimbursements totaling \$15,871 received from the Indiana Finance Authority (IFA) were receipted into the CARES ACT fund (CARES grant fund). Since the expenditure activity related to these reimbursements occurred in 2020, the expenditures could not be reversed from the originating funds. The Town paid one claim for \$599 directly from the CARES grant fund without appropriation. The remaining amount was transferred to the General Fund (\$772) and the Trash and Garbage Pickup fund (\$14,500). All reimbursements should have been repaid to the General Fund through the claims process, which would have allowed the money to be expended for any general unit purpose.

Criteria

All Reimbursements received from IFA shall be receipted into a separate CARES grant fund that is specific to IFA reimbursements. . . .

Transactions for public health and safety payroll costs must be accounted for through one of these two prescribed options.

Option One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. The reimbursed amount for public health and safety payroll costs originally incurred in the general fund (or other fund) will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the general fund (or other fund) cash balance and re-appropriate the general fund (or other fund) in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

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TOWN OF MILLTOWN
AUDIT RESULTS AND COMMENTS
(Continued)

Once the disbursement is reversed within the general fund (or other fund), it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section. Once option one is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

Option Two. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. A claim will be created against the separate CARES grant fund for the reimbursed amount in favor of the general fund. This claim must be supported by documentation of the public health and safety payroll costs that have been expensed from the general fund or other funds.

The amount of the claim will be receipted into the general fund cash balance. Normal appropriation procedures will apply to these funds.

Once option two is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. This option requires a resolution or ordinance as detailed in the memorandum CARES Reimbursement of Public Health and Safety Payroll Costs, September 30, 2020. . . .**

Transaction for other permitted costs reimbursed by IFA must be accounted for through one of the following prescribed frameworks. . . .

Framework One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. Reimbursed disbursements originally incurred in another fund will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the fund cash balance and re-appropriate the fund in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the original fund, it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

Framework Two. If IFA has provided reimbursement based on unpaid invoices or purchase orders, then reimbursements received from IFA shall be receipted into the separate CARES grant fund. The expenditures to vendors will be made through the CARES grant fund and these expenditures must match the application made to IFA. If the actual invoice or invoices relating to a purchase order is less than the purchase order, then the difference in the money expended to the vendor and the amount received for the purchase order from IFA must be returned to IFA. The items on the invoice must match the items on the purchase order. All documentation must be maintained.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

(State Examiner Directive 2020-3)

CLERK-TREASURER
TOWN OF MILLTOWN
EXIT CONFERENCE

The contents of this report were discussed on November 15, 2022, with Alicia A. Lutz, Clerk-Treasurer; Jeanie Melton, Town Council member; and Jerry Mackey, President of the Town Council.