

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, 2019 to December 31, 2022



FILED

06/05/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Terry Craig	01-01-19 to 12-31-23
President of the Town Council	John Noland	01-01-19 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

This report is supplemental to the audit report of the Town of Milton (Town), for the period from January 1, 2019 to December 31, 2022. 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 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.

Beth Kelley, CPA, CFE
Deputy State Examiner

May 18, 2023

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CLERK-TREASURER
TOWN OF MILTON

CLERK-TREASURER
TOWN OF MILTON
AUDIT RESULTS AND COMMENTS

FUND SOURCES AND USES - MVH RESTRICTED

Condition and Context

MVH Restricted funds were used for drain repairs, paving of a parking lot, and pothole repairs. Additionally, the town transferred \$2,474 to the Rainy Day fund in 2022, which was not from funds in excess of the 50 percent from distributions received.

Criteria

The purpose of this Directive is to authorize and require counties, cities, and towns that receive distributions from the State Motor Vehicle Highway Account to **create a new sub-fund within the MVH Fund** to properly manage and account for the usage restrictions that were included in House Enrolled Act 1002-2017 and House Enrolled Act 1290-2018.

The sub-fund will be referred to throughout this Directive as "MVH Restricted" and will be used to account for MVH monies which have been statutorily restricted for construction, reconstruction, and preservation purposes. . . .

Qualified expenditures will then be entered accordingly to MVH and MVH Restricted:

MVH: Permissible uses of the State Motor Vehicle Highway (MVH) Account distributions are outlined in Indiana Code 8-14-1-4 for counties and in Indiana Code 8-14-1-5 for cities and towns.

MVH Restricted: Effective July 1, 2018, Indiana Code 8-14-1-4(b) and Indiana Code 8-14-1-5(c) requires at least 50% of the MVH distributions to be used for construction, reconstruction and preservation of the unit's highways. (Maintenance expenditures no longer count toward the 50% requirement.)

Accounting for distributions from the State Motor Vehicle Highway Account in MVH and MVH Restricted will promote the transparency and accountability of public funds. This will also assist counties and municipalities with more than 15,000 residents in completing and filing the Annual Operational Report required under Indiana Code 8-17-4.1.

(State Examiner Directive 2018-002)

INTERNAL CONTROLS

The same comment also appeared in prior Report B55331.

Condition and Context

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 internal controls could have enabled material misstatements to remain undetected.

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

Cash and Investments

Segregation of duties over the Town's 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

Internal controls were not in place to ensure that the receipts, including utility collections, were recorded and deposited properly in 2022. The Town did have evidence of reviews during 2019-2021.

Financial Close and Reporting

The Town compiled and input 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 statement. There was no evidence of an effective oversight, review, or approval process to ensure the accuracy of the information submitted.

IT and General Computer Controls

The Town did not have individual logins for users of the financial accounting and computer systems. Because of this, we were not able to determine who had performed work within the computerized systems.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27€ 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. . . ."

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

ANNUAL FINANCIAL REPORT

Condition and Context

The Town's financial information was entered into the Indiana Gateway for Government Units financial reporting system, which was the source for the Annual Financial Report, financial statements and other information. The information presented for the Federal Grant Schedule and Schedule of Capital Assets did not agree to the Town's records.

Criteria

Indiana Code 5-11-4(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 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](#)."

CLERK-TREASURER
TOWN OF MILTON
EXIT CONFERENCE

The contents of this report were discussed on May 18, 2023, with Terry Craig, Clerk-Treasurer; Robert Simon, Town Council member; and John Noland, President of the Town Council.

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TOWN COUNCIL
TOWN OF MILTON

TOWN COUNCIL
TOWN OF MILTON
AUDIT RESULT AND COMMENT

CAPITAL ASSETS

Condition and Context

The Town did not have a Capital Asset Policy available for review during the audit.

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)

TOWN COUNCIL
TOWN OF MILTON
EXIT CONFERENCE

The contents of this report were discussed on May 18, 2022, with Terry Craig, Clerk-Treasurer; Robert Simon, Town Council member; and John Noland, President of the Town Council.