TOWN OF MILTON

AGREED-UPON PROCEDURES ON MUNICIPAL GRANTS

FOR THE YEAR ENDED JUNE 30, 2009

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Town of Milton
115 Federal Street
Milton, Delaware

We have performed the procedures enumerated below, which were agreed to by the Town of Milton, State of Delaware's Office of Auditor of Accounts, Department of Safety and Homeland Security, and the Office of the State Treasurer, solely to assist the specified parties with respect to determining the Town's compliance with Delaware's applicable laws, regulations, financial reporting and the effectiveness of the internal control structure related to the municipal grant funds received for the year ended June 30, 2009. The Town of Milton's management is responsible for compliance with those requirements.

This agreed-upon procedures attestation engagement was performed in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings were as follows:

1. Complete the State of Delaware Office of Auditor of Accounts municipal grants agreed-upon procedures program to determine the Town of Milton's compliance with applicable laws, regulations and financial reports related to municipal grant funds received for the year ended June 30, 2009 and detail any instances of noncompliance.

   The Town of Milton received municipal grant funds under the following programs for the year ended June 30, 2009:

   Municipal Street Aid
   Police Pension
   State Aid to Local Law Enforcement
   Emergency Illegal Drug Enforcement

FINDING NO. 09-1 - Report Filed Late

Criteria
Per Title 30, Delaware Code, Section 5165(b)(2), each municipality shall, "In a form prescribed by the State Treasurer, submit an accurate and complete annual report not later than October 1 of each year to the State Treasurer showing expenditures of municipal street aid funds for the preceding fiscal year ended June 30. Such form shall itemize each expenditure as represented on said form as "Other expenditures.""

Condition
The Town of Milton's annual report was not submitted by October 1.

Cause
The Town of Milton was understaffed resulting in a greater workload for the Finance Director. The filing of the annual report was delayed due to other work that needed to be completed.

Effect
The Town of Milton's failure to submit financial reports timely could result in the loss of grant funding.

Recommendation
The Town of Milton should ensure that the annual report is filed by October 1 of each year.

Auditee Response
This finding mentions the original due date of October 1, 2009 and th staffing issues that the Town of Milton was experiencing during this time. In the future, the Town of Milton will ensure that the report is filed in a timely manner.

FINDING NO. 09-2 - Report Filed Incorrectly

Criteria
Per Title 30, Delaware Code, Section 5165(b)(2), each municipality shall, "In a form prescribed by the State Treasurer, submit an accurate and complete annual report not later than October 1 of each year to the State Treasurer showing expenditures of municipal street aid funds for the preceding fiscal year ended June 30. Such form shall itemize each expenditure as represented on said form as "Other expenditures.""

Condition
The Town of Milton submitted an annual report that was not accurately prepared or reviewed. The beginning cash balance was overstated $789.83 and the ending cash balance was overstated $789.83.

Cause
The Town of Milton brought forward the ending cash balance from the prior year report but did not reconcile that amount to the reconciled cash accounts. The Finance Director verified the accuracy of the current activity only, assuming the beginning balance was correct.

Effect
The Town of Milton's failure to prepare accurate financial reports could result in the loss of grant funding.

Recommendation
The Town of Milton should more carefully prepare and review the amounts on the annual report to ensure an accurate presentation.

Auditee Response
As described in the report, the beginning cash balance on the report was incorrect. The report fails to mention that this issue was from a carryover from several years prior. During the course of the engagement, the Town of Milton representative spoke with the member of the engagement team as to how to handle a correction on the form, as the report does not allow for "prior adjustments". The engagement team was not able to answer our question at the time, and had to respond back to us several days later with a solution. As the finding also describes, the accuracy of the activity was verified. It falsely states that the individual preparing the report assumed the beginning balance was correct, as this was discussed with the engagement representative that this was a balance carried over from several years ago. Since the engagement representative suggested how to correct the balance in future years, this issue will be corrected with the current year report.

<u>FINDING NO. 09-3 - Expenditures Paid Late</u>

Criteria
Per Title 29, Delaware Code, Section 6516(d), "In the event that the State shall, within 30 days of the later of the presentment of a valid invoice or bill on which a state agency (as defined in this chapter) is liable to make payment or the receipt of the goods or services reflected in such invoice or bill, fail to make payment on such invoice or bill, the vendor presenting such invoice or bill may require the payment of interest by such state agency."

Condition
The Town of Milton paid a Delmarva Power street light invoice later than 30 days, incurring a $14.62 late charge.

Cause
The Town of Milton pays a street light invoice that Delmarva Power does not have listed in the Town's name. The invoice is not always forwarded to the Town in a timely manner.

Effect
The Town of Milton's failure to pay invoices timely could result in the Town incurring late charges.

Recommendation
The Town of Milton should request the Delmarva Power invoice to be forwarded in a more timely manner and ensure that invoices are paid timely.

Auditee Response
During the course of the engagement, it was brought to the Town's attention the $14.62 late fee incurred on a Delmarva Power invoice. As described in the findings, these invoices are not in the Town's name, nor are they sent directly to the Town. The engagement representative suggested that the Town reimburse the Municipal Street Aid account with General Funds in the amount of $14.62.

2. Address the status of any findings and recommendations disclosed in previous reports.

FINDING NO. 06-1 During completion of the program checklist for the Municipal Street Aid grant, it was noted the Town disbursed the funds on eligible expenditures per the supporting documentation, but the Town could not provide the cancelled checks for 12 of the 25 expenditures tested. Cancelled checks are part of the needed supporting documentation (Guidelines for Municipal Street Aid Funding) for Municipal Street Aid grant disbursements.

CURRENT YEAR STATUS All cancelled checks were available for review.

FINDING NO. 06-2 During completion of the Town of Milton's program checklist for the Municipal Street Aid grant, it was noted that the Town inappropriately deposited Highway Special Funds totaling $29,271.80 into the Municipal Street Aid account. Municipal Street Aid funds are to be maintained in a separate account as required by 30 Del. C. §5165(a). Noncompliance with the grant's requirements could adversely affect future awards to the Town.

CURRENT YEAR STATUS All deposits were for Municipal Street Aid.

FINDING NO. 06-3 During completion of the Town of Milton's program checklist for the Municipal Street Aid grant, it was noted that their annual financial report was submitted timely to the Office of the State Treasurer, but the financial report was not accurately prepared or reviewed [30 Del. C. §5165(b)(2)]. The beginning balance was understated by $38,949.06, receipts were understated by $2,000.06, disbursements were understated by $47,350.22 and ending balance was overstated by $6,401.10 on the annual report. Failure to prepare accurate financial reports could result in the loss of grant funding.

CURRENT YEAR STATUS See Finding No. 09-2.

FINDING NO. 06-4 During completion of the Town of Milton's program checklist for the Municipal Street Aid grant, we were unable to determine if the bid process was followed in accordance with 29 Del. C. §6923 and 30 Del. C. §5165(b)(3) for eligible street expenditures incurred, due to the lack of documentation retained during a prior Town administration in a prior year. Failure to maintain proper documentation could affect future funding to the Town.

CURRENT YEAR STATUS No current year expenditures required bids.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with specified laws. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Town of Milton's management and council members, the State of Delaware's Office of Auditor of Accounts, Department of Safety and Homeland Security, and the Office of the State Treasurer and should not be used by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Sparano, Vincelette & Villano

Wilmington, Delaware
December 17 , 2009