

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MILAN

RIPLEY COUNTY, INDIANA

January 1, 2021 to December 31, 2022



**FILED**  
08/31/2023



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Debra Fugate Hackman Melissa Teer	01-01-21 to 12-31-22 01-01-23 to 12-31-23
President of the Town Council	Deborah Shumate	01-01-21 to 12-31-23



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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TO: THE OFFICIALS OF THE TOWN OF MILAN, RIPLEY COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Milan (Town), for the period from January 1, 2021 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 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/](http://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

August 17, 2023

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CLERK-TREASURER  
TOWN OF MILAN

CLERK-TREASURER  
TOWN OF MILAN  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

A similar comment also appeared in prior Report B58159, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

*Condition and Context*

There were several deficiencies in the internal control system of the Town related to financial transactions and reporting.

*Cash and Investments*

The Town's contracted accountant was responsible for performing the monthly bank reconciliations. There was no documentation of a review or oversight process to prevent, or detect and correct, errors.

*Financial Close and Reporting*

The Clerk-Treasurer uploaded financial information from the Town's accounting software to the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report and the financial statement. There was no oversight, review, or approval process to ensure the accuracy of the information prior to submission.

*Computer Access*

The Clerk-Treasurer and the Town's contracted accountant were using the same login information to access the computer and to access the Town's financial software system.

*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:

"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 MILAN  
AUDIT RESULTS AND COMMENTS  
(Continued)

**OVERDRAWN CASH BALANCES**

A similar comment appeared in a Management Letter addressed to the Clerk-Treasurer for the audit period ending December 31, 2020.

*Condition and Context*

The financial statement presented for audit included the following funds with overdrawn cash balances as of December 31:

Fund	Amount Overdrawn 12-31-21	Amount Overdrawn 12-31-22
Payroll	\$ 2,458	\$ 1,955
Federal Grant Fund	25,276	25,276
Pike Project	313	313
Water Utility Operating	-	47,995
Wastewater Utility Operating	-	3,147

*Criteria*

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**CAPITAL ASSETS**

A similar comment appeared in a Management Letter addressed to the Clerk-Treasurer for the audit period ending December 31, 2020.

*Condition and Context*

The Town did not maintain a detailed listing of its capital assets, nor had they conducted a physical inventory of those assets in the past 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)

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

**CUSTOMER WATER METER DEPOSIT REGISTER**

A similar comment appeared in a Management Letter addressed to the Clerk-Treasurer for the audit period ending December 31, 2020.

*Condition and Context*

The detailed customer water deposit register did not agree with the Water Customer Deposit fund balance on the Town's financial ledger. As of December 31, 2022, the fund balance exceeded the register balance by \$22,243.

*Criteria*

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**BANK ACCOUNT RECONCILIATIONS**

A similar comment appeared in prior Report B58159, entitled *BANK ACCOUNT RECONCILIATIONS*.

*Condition and Context*

Bank reconciliations were presented for audit, but several reconciling items did not have adequate documentation to support the validity of the item. This resulted in an unidentified difference between the adjusted bank balance and the ledger balance (cash long), totaling \$8,162, as of December 31, 2022.

*Criteria*

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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**ANNUAL FINANCIAL REPORT**

*Condition and Context*

Financial and other information are required to be entered annually into the Annual Financial Report via the Indiana Gateway for Government Units (Gateway) financial reporting system. The information entered into Gateway contained the following errors:

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

1. The Town did not report any accounts receivable or accounts payable information.
2. The Town did not report any capital asset information.
3. The Town did not report a federal grant in the amount of \$36,000.

Adjustments were proposed, accepted by the Town, and made to the Schedule of Payables and Receivables presented as Other Information in the Financial Statement Audit Report.

*Criteria*

Indiana Code 5-11-1-4(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 MILAN  
EXIT CONFERENCE

The contents of this report were discussed on August 17, 2023, with Melissa Teer, Clerk-Treasurer, and Deborah Shumate, President of the Town Council.

TOWN COUNCIL  
TOWN OF MILAN

TOWN COUNCIL  
TOWN OF MILAN  
AUDIT RESULT AND COMMENT

***CAPITAL ASSETS***

A similar comment appeared in a Management Letter addressed to the Town Council for the audit period ending December 31, 2020.

*Condition and Context*

The Town Council had not adopted a formal capital assets policy that details the threshold at which an item is considered a capital asset.

*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)

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TOWN OF MILAN  
EXIT CONFERENCE

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