

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

**Paul D. Joyce, CPA  
State Examiner**

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MILFORD

KOSCIUSKO COUNTY, INDIANA

January 1, 2020 to December 31, 2023



**FILED**  
12/31/2024



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Patricia Gall	01-01-20 to 12-31-24
President of the Town Council	Douglas Ruch	01-01-20 to 12-31-24



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# INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF THE TOWN OF MILFORD, KOSCIUSKO COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Milford (Town), for the period from January 1, 2020 to December 31, 2023. 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

December 10, 2024



CLERK-TREASURER  
TOWN OF MILFORD

CLERK-TREASURER  
TOWN OF MILFORD  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROL DEFICIENCIES**

*Condition and Context*

Internal controls were not in place to ensure compliance with laws, regulations, and uniform compliance guidelines established by the Indiana State Board of Accounts. The Town was not in compliance with laws, regulations, and uniform compliance guidelines as detailed further in the following comments:

- Accounting of the IFA Administered CRF Money
- Motor Vehicle Highway (MVH) - Restricted Fund
- Ordinances and Resolutions

*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. . . ."

**ACCOUNTING OF THE IFA ADMINISTERED CRF MONEY**

*Condition and Context*

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

The Town spent directly out of its CARES fund, prior to the Directive, in anticipation of receipt of reimbursement from the Indiana Finance Authority. However, the Town was not reimbursed for these expenditures. To bring the CARES fund to zero, the Town transferred money from its General fund to the CARES fund instead of reversing the unreimbursed amounts and posting them to the General fund as outlined in Framework Three.

*Criteria*

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

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

**Framework Three.** If you have created a negative balance in your CARES fund based on expenditures made in anticipation of receipt of reimbursement for allowable expenditures where invoices have already been submitted to IFA then leave as is and receipt reimbursement when received, bringing the balance in the separate CARES grant fund to zero. Going forward, expend any anticipated allowable expenditures from a fund with an appropriation and follow framework one. If a negative balance in the CARES grant fund is not fully reimbursed, then the unreimbursed amount will require a reverse entry and posting of the expenditure to the general or other appropriate fund within an appropriated line item.

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)

**MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND**

A similar comment also appeared in prior Report B55494, entitled *MOTOR VEHICLE HIGHWAY FUNDS*.

*Condition and Context*

The Town combined the Motor Vehicle Highway (MVH) and Motor Vehicle Highway - Restricted (MVH - Restricted) funds on the Annual Financial Report (AFR) as one fund under Motor Vehicles Highway for 2020. Beginning balance adjustments were made to both funds on the AFR as of January 1, 2020, to reconcile the fund balances on the Town's ledger to the AFR.

*Criteria*

Indiana Code 8-14-1-5(c) states: "Except as provided in subsection (d), for funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."

The purpose of this Directive is to authorize and require . . . 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 the 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. . . .

Starting on January 1, 2019, the political subdivision must post at the time of receipt of the distribution from the State Motor Vehicle Highway Account fifty percent (50%) of the distribution to MVH Restricted.

(State Examiner Directive 2018-2)

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

**ORDINANCES AND RESOLUTIONS**

*Condition and Context*

The Town adopted rate ordinances Water Ordinance 2015-6, Water Ordinance 2022-2, Wastewater Ordinance 2019-4, and Wastewater Ordinance 2022-3. These ordinances established Water Utility and Wastewater Utility rates for the years 2020 through 2023. Service rates for both the Water Utility and Wastewater Utility were based on metered consumption.

Utility billings for 25 customers were reviewed for the years 2020 through 2023. Of the 25 billings reviewed, 10 water charges billed and 1 wastewater charge billed were not calculated in accordance with established rate ordinances.

*Criteria*

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER  
TOWN OF MILFORD  
EXIT CONFERENCE

The contents of this report were discussed on December 10, 2024, with Douglas Ruch, President of the Town Council, and Patricia Gall, Clerk-Treasurer.