

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, 2013 to December 31, 2015



FILED
02/27/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Gladys M. Moody (deceased)	01-01-12 to 01-27-13
	(Vacant)	01-28-13 to 01-31-13
	Dale Holbert	02-01-13 to 03-21-14
	(Vacant)	03-22-14 to 04-11-14
	Alex Poole	04-12-14 to 12-31-15
President of the Town Council	Debra Fugate Hackman	01-01-16 to 12-31-22
	Paul Hildebrand	01-01-13 to 12-31-15
	Noel Houze	01-01-16 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF MILAN, RIPLEY COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Milan (Town), for the period from January 1, 2013 to December 31, 2015. 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 Statements Audit Report of the Town, which provides our opinion 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.

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

December 27, 2018

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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

The Town had not separated incompatible activities related to cash and investments, receipts, and financial close and reporting.

Cash and Investments

The Town's contracted accountant was responsible for performing the monthly bank reconciliation. There was no documentation of a control in place to prevent, or detect and correct, errors.

Receipts

One employee was primarily responsible for issuing, posting, and depositing receipts, and had access to the system to make adjustments without a proper system of oversight, review, or approval.

Financial Close and Reporting

The Clerk-Treasurer uploaded financial information from the Town's accounting software to the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source for 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.

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. . . ."

INTEREST AND FEES

During 2015, the Town was assessed interest and fees by the Indiana Department of Revenue in the amount of \$1,227 because payments for state withholding taxes were not remitted on a timely basis. Due to the condition of records, the exact amount of interest and fees paid by the Town could not be determined.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF MILAN
EXIT CONFERENCE

The contents of this report were discussed on December 27, 2018, with Debra Fugate Hackman, Clerk-Treasurer, and Noel Houze, President of the Town Council.