

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MILLERSBURG

ELKHART COUNTY, INDIANA

January 1, 2015 to December 31, 2018



FILED
07/26/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Patricia Barhydt	01-01-12 to 12-31-19
President of the Town Council	James R. Winkler	01-01-15 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF MILLERSBURG, ELKHART COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Millersburg (Town), for the period from January 1, 2015 to December 31, 2018. 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 statement compliance. 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

June 11, 2019

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CLERK-TREASURER
TOWN OF MILLERSBURG

CLERK-TREASURER
TOWN OF MILLERSBURG
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

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

Receipts: Receipts were entered into the accounting software by the Deputy Clerk-Treasurer without a documented oversight, approval, or review process in place to ensure the accuracy of the receipts.

Disbursements/Payroll: Payroll Disbursements were entered into the accounting software by the Clerk-Treasurer without a documented oversight, approval, or review process in place to ensure the accuracy of the payroll disbursements.

Financial Reporting: The Town's procedure for financial reporting was for the contracted accountant to prepare the year-end reports and transmit the information into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source for the Annual Financial Reports and financial statements. The Clerk-Treasurer then submitted the information in Gateway. There was no documentation available to support this procedure.

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. . . ."

ANNUAL FINANCIAL REPORT

The Town certified on Gateway that appropriate personnel were trained on internal control standards. However, not all personnel received the internal control training; therefore, the certification was incorrect.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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 MILLERSBURG
EXIT CONFERENCE

The contents of this report were discussed on June 11, 2019, with Patricia Barhydt, Clerk-Treasurer, and James R. Winkler, President of the Town Council.

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TOWN COUNCIL
TOWN OF MILLERSBURG

TOWN COUNCIL
TOWN OF MILLERSBURG
AUDIT RESULT AND COMMENT

ADOPTION OF INTERNAL CONTROL STANDARDS

The Town Council (Council) adopted an Internal Control Resolution on June 22, 2016. The Council did not ensure that all officers, elected officials and employees received training concerning the internal controls standards and procedures. While some officials did receive the training, there was nothing provided to document that training.

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

TOWN COUNCIL
TOWN OF MILLERSBURG
EXIT CONFERENCE

The contents of this report were discussed on June 11, 2019, with Patricia Barhydt, Clerk-Treasurer, and James R. Winkler, President of the Town Council.