

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF MILFORD

KOSCIUSKO COUNTY, INDIANA

January 1, 2019 to December 31, 2019



FILED
07/31/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Patricia Gall	01-01-19 to 12-31-20
President of the Town Council	Douglas Ruch	01-01-19 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of the Town of Milford (Town), for the period from January 1, 2019 to December 31, 2019. 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 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/.

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 16, 2020

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CLERK-TREASURER
TOWN OF MILFORD

CLERK-TREASURER
TOWN OF MILFORD
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Report B54838.

Condition and Context

The financial statement presented for audit included the following funds with overdrawn cash balances:

Fund	Amount Overdrawn
Community Building	\$ 9,351
Police Grants	4,623
Wastewater Utility-Operating	109,964

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)

INTERNAL CONTROLS

A similar comment also appeared in prior Report B54838.

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not separated incompatible activities related to receipts. The Deputy Clerk-Treasurer collected cash, wrote receipts, prepared the deposits, and took the deposits to the bank without an oversight, approval, or review process in place to ensure the accuracy of the receipts.

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:

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

"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. . . ."

RECEIPT BOOKS

Condition and Context

Several inaccuracies were observed in the receipt book. These inaccuracies included receipts that were scratched out, written over, or whited-out.

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 maybe the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Towns, Chapter 1)

MOTOR VEHICLE HIGHWAY FUNDS

Condition and Context

The Town combined the Motor Vehicle Highway (MVH) and Motor Vehicle Highway - Restricted (MVH-Restricted) on the Annual Financial Statement as one fund under Motor Vehicles Highway.

Criteria

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. . . .

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
EXIT CONFERENCE

The contents of this report were discussed on June 16, 2020, with Patricia Gall, Clerk-Treasurer; Douglas Ruch, President of the Town Council; and Kenneth Long, Vice President of the Town Council.