

**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, 2017 to December 31, 2020



**FILED**  
12/27/2021



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Debra Fugate Hackman	01-01-17 to 12-31-21
President of the Town Council	Noel Houze	01-01-17 to 12-31-18
	Don Call	01-01-19 to 07-07-19
	Floyd Fox	07-08-19 to 10-13-19
	Deb Shumate	10-14-19 to 12-31-21



**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, 2017 to December 31, 2020. 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 opinions on the Town's financial statements. 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.

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

December 21, 2021

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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 B52253, entitled *FINDING 2016-001*.

*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 reconciliation. There was no documentation of a review or oversight process 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 financial reporting system, which was the source of the Annual Financial Report and the financial statements. 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:

CLERK-TREASURER  
TOWN OF MILAN  
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. . . ."

**BANK ACCOUNT RECONCILIATIONS**

A similar comment also appeared in prior Report B52253.

*Condition and Context*

Bank reconciliations were performed; however, there were adjustments totaling \$12,372 that were unidentified as of December 31, 2020. The unidentified adjustments included a reconciling item in the amount of \$7,338, entitled "deposit adjustment." The deposit adjustment appeared to be partially attributable to timing differences between when credit card payments were posted and when they were credited to the Town's bank account; however, the timing differences were not identified by the Town.

*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."

CLERK-TREASURER  
TOWN OF MILAN  
EXIT CONFERENCE

The contents of this report were discussed on December 21, 2021, with Debra Fugate Hackman, Clerk-Treasurer, and Deb Shumate, President of the Town Council.