

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF NORTH VERNON

JENNINGS COUNTY, INDIANA

January 1, 2015 to December 31, 2015



FILED

11/03/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	R. Shawn Gerkin	01-01-12 to 12-31-19
Mayor	Harold N. Campbell Michael Ochs	01-01-12 to 12-31-15 01-01-16 to 12-31-19
President of the Board of Public Works	Harold N. Campbell Michael Ochs	01-01-12 to 12-31-15 01-01-16 to 12-31-19
President Pro Tempore of the Common Council	David Shaw Brian Hatfield	01-01-15 to 12-31-15 01-01-16 to 12-31-16
Utility Office Manager	Robin L. Jones (Vacant) Traci Wahlman-Ickx (Vacant) Gloria Bennett	01-01-15 to 08-10-15 08-11-15 to 11-29-15 11-30-15 to 02-26-16 02-27-16 to 04-17-16 04-18-16 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF NORTH VERNON, JENNINGS COUNTY, INDIANA

This report is supplemental to our audit report of the City of North Vernon (City), for the period from January 1, 2015 to December 31, 2015. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the City, which provides our opinions on the City's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

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 Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

September 14, 2016

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CLERK-TREASURER
CITY OF NORTH VERNON

CLERK-TREASURER
CITY OF NORTH VERNON
FEDERAL FINDINGS

FINDING 2015-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition

There were deficiencies in the internal control system of the City related to financial transactions and reporting.

Lack of Segregation of Duties: The City had not separated incompatible activities related to receipts, disbursements, and cash and investment balances. Employees responsible for issuing receipts and checks were also responsible for depositing receipts, recording transactions in the financial accounting system, and reconciling the funds ledger to the depository balance.

Criteria

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Cause

Management of the City had not established a proper system of internal control that would have ensured accuracy in financial transactions and reporting.

Effect

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

CLERK-TREASURER
CITY OF NORTH VERNON
FEDERAL FINDINGS
(Continued)

FINDING 2015-002 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Condition

The City did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Deputy Clerk-Treasurer was responsible for preparation of the SEFA. There was no control in place to ensure the SEFA was accurate.

Criteria

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Cause

Management of the City had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA could have remained undetected.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.



CITY OF NORTH VERNON

CLERK-TREASURER
143 E. WALNUT STREET
NORTH VERNON, IN 47265

(812) 346-5907

FAX (812) 346-8145

RAYMOND SHAWN GERKIN, CLERK-TREASURER

RITA L. ELMORE, ASST. CLERK-TREASURER

CORRECTIVE ACTION PLAN

RE: FINDING 2015-001 INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

View of Responsible Official: We agree with the finding.

Corrective Action:

Due to the fact the City of North Vernon has a small staff in the Clerk-Treasurer's office and the Utility office, it is impractical to segregate the duties in an ideal manner.

However, the utility office and the clerk treasurer's office will begin have two employees sign off on bank transfers and daily deposits while continuing to review the job duties of those in the office to develop and implement more effective strategies.

ANTICIPATED COMPLETION DATE: IMMEDIATELY

Sincerely,

R. Shawn Gerkin
Clerk-Treasurer, City of North Vernon
(812) 346-5907



CITY OF NORTH VERNON

CLERK-TREASURER
143 E. WALNUT STREET
NORTH VERNON, IN 47265

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RAYMOND SHAWN GERKIN, CLERK-TREASURER

RITA L. ELMORE, ASST. CLERK-TREASURER

CORRECTIVE ACTION PLAN

RE: FINDING 2015-002

PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Views of Responsible Official: We agree with the finding.

Corrective Action Plan: The City has begun working more closely with our grant writers to review the Schedule of Expenditures of Federal Awards (SEFA). We will begin by having both parties review and sign off on a monthly transaction register and having both the clerk treasurer and deputy clerk treasurer review and sign off on reconciliation forms monthly. This should greatly increase the likelihood that misstatements on the SEFA would be detected.

ANTICIPATED COMPLETION DATE: IMMEDIATELY

Sincerely,

R. Shawn Gerkin
Clerk-Treasurer, City of North Vernon
(812) 346-5907

CLERK-TREASURER
CITY OF NORTH VERNON
AUDIT RESULTS AND COMMENTS

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

Fund	Year	Excess Amount Expended
Cemetery	2015	\$ 6,590
No. Vernon Redevelopment Comm.	2015	1,535,922

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliation did not balance. As of December 31, 2015, the bank account reconciliation identified a cash short in the amount of \$1,701.

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
CITY OF NORTH VERNON
EXIT CONFERENCE

The contents of this report were discussed on September 14, 2016, with R. Shawn Gerkin, Clerk-Treasurer; Michael Ochs, Mayor; and Rita L. Elmore, Deputy Clerk-Treasurer.

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AVIATION COMMISSION
CITY OF NORTH VERNON

AVIATION COMMISSION
CITY OF NORTH VERNON
AUDIT RESULT AND COMMENT

DEPOSITS

Aviation Commission receipts were deposited later than the next business day in 40 percent of the receipts tested.

Indiana Code 5-13-6-1(c) states in part:

" . . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

AVIATION COMMISSION
CITY OF NORTH VERNON
EXIT CONFERENCE

The contents of this report were discussed on September 14, 2016, with Ryan A. Curry, Airport Director; R. Shawn Gerkin, Clerk-Treasurer; and Michael Ochs, Mayor.

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PARKS AND RECREATION
CITY OF NORTH VERNON

PARKS AND RECREATION
CITY OF NORTH VERNON
AUDIT RESULTS AND COMMENTS

FEES

Information was not presented for audit indicating that the Parks and Recreation Board approved the fee schedule in use by the Parks and Recreation Department in 2015.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERNAL CONTROLS

Parks and Recreation Department internal controls over receipts were insufficient. The department collected receipts and remitted them to the Clerk-Treasurer for deposit. Individual receipts were not written for sports registration fees that were paid online. Records were not presented to identify which receipt numbers and online registration fees were included in the report of collections remitted to the Clerk-Treasurer. We were unable to determine if collections were remitted timely and intact.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PARKS AND RECREATION
CITY OF NORTH VERNON
EXIT CONFERENCE

The contents of this report were discussed on September 14, 2016, with Chad R. Speer, Parks and Recreation Director; R. Shawn Gerkin, Clerk-Treasurer; and Michael Ochs, Mayor.