

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

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

COMPLIANCE EXAMINATION REPORT

OF

TOWN OF PARAGON

MORGAN COUNTY, INDIANA

January 1, 2020 to December 31, 2023



FILED

04/02/2025



Paul D. Joyce, CPA
State Examiner

INDIANA STATE BOARD OF ACCOUNTS

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April 2, 2025

To: The Officials of the Town of Paragon
Town of Paragon
Morgan County, Indiana

This report is supplemental to the audit report of the Town of Paragon (Town), for the period from January 1, 2020 to December 31, 2023. It has been provided as a separate report so that the reader may easily identify any findings that pertain to the Town. It should be read in conjunction with the financial statement audit report of the Town, which provides an 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 engaged private examiners under our review to perform the audit of the Town and perform procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The findings contained herein describe the identified reportable instances of noncompliance found as a result of these procedures.

We have reviewed the supplemental report for Town of Paragon prepared by Crowe LLP, Independent Public Accountants, for the period January 1, 2020 to December 31, 2023. In our opinion, the supplemental report was prepared in accordance with the guidelines established by the Indiana State Board of Accounts.

We call your attention to the findings in the report on pages 3 through 5.

The report is filed with this letter in our office as a matter of public record.

Tammy R. White, CPA
Deputy State Examiner

COMPLIANCE EXAMINATION OF
TOWN OF PARAGON
Morgan County, Indiana
January 1, 2020 through December 31, 2023

TOWN OF PARAGON

Morgan County, Indiana
January 1, 2020 through December 31, 2023

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TOWN OF PARAGON
SCHEDULE OF OFFICIALS
January 1, 2020 through December 31, 2023

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Angelia Roberts	01-01-20 to 12-31-23
President of the Town Council	Evelyn Zoller	01-01-20 to 12-31-20
	Jason Martin	01-01-21 to 12-31-23



INDEPENDENT ACCOUNTANT'S REPORT

To the Indiana State Board of Accounts and
Management of the Town of Paragon

We have examined the Town of Paragon's ("Town") compliance with the Indiana State Board of Accounts' *Accounting and Uniform Compliance Guidelines Manual For Cities and Towns* during the period January 1, 2020 through December 31, 2023. Management of the Town is responsible for the Town's compliance with the specified requirements. Our responsibility is to express an opinion on the Town's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Town complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our qualified opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the Town's compliance with specified requirements.

Our examination disclosed material noncompliance with the *Accounting and Uniform Compliance Guidelines Manual for Cities and Towns* applicable to the Town during the period January 1, 2020 through December 31, 2023, as described in items 2023-001 through 2023-006 on the following Schedule of Examination Findings and Results.

In our opinion, except for the material noncompliance described in the preceding paragraph, the Town complied, in all material respects, with the aforementioned requirements during the period January 1, 2020 through December 31, 2023.

Crowe LLP
Crowe LLP

Indianapolis, Indiana
March 27, 2025

TOWN OF PARAGON
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2020 through December 31, 2023

FINDING 2023-001: ANNUAL FINANCIAL REPORT (AFR)

Criteria: 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."*

Condition: During testing of AFR submissions, we noted the 2020 AFR was submitted on March 15, 2021, 14 days after the due date. We noted the 2023 AFR was submitted on April 6, 2024, 37 days after the due date.

FINDING 2023-002: INTERNAL CONTROLS

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: *"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. . . ."*

A similar comment appeared in the prior year report B55319.

Condition: During testing, we noted that the Town did not meet the minimum standards of internal control. Specifically, we noted the following issues:

Cash and Investments (Bank Reconciliations)

Bank reconciliations did not show formal evidence of being prepared and reviewed by separate individuals to ensure the accuracy of the cash and investment balances.

Financial Reporting and Other Information

Prior to submission in Gateway, independent review over the AFR was not conducted and evidenced via signoff. The Town had not established a system of internal controls surrounding the preparation and review process of the AFR prior to submission to the Gateway portal. As a result, the following adjustments were made to the AFR in order to agree the AFR to the underlying fund ledger detail and supporting activity:

- An adjustment was posted to increase receipts by \$268,321, disbursements by \$219,906, and cash and investments by \$48,415 for the year ended December 31, 2021.
- An adjustment was posted to increase receipts by \$263,533, disbursements by \$251,415, and cash and investments by \$12,118 for the year ended December 31, 2022.
- An adjustment was posted to increase receipts by \$333,445, disbursements by \$266,466, and cash and investments by \$66,979 for the year ended December 31, 2023.

(Continued)

TOWN OF PARAGON
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2020 through December 31, 2023

FINDING 2023-003: MISSING GATEWAY UPLOADS

Criteria: The Indiana State Board of Accounts (SBOA) Directive 2018-1 states in part, " Beginning with July 2018 files, which will be due September 15, 2018, all cities, towns, townships, Districts, and special districts will use the Upload App to upload files containing financial and governmental unit information on Gateway to allow the State Board of Accounts (SBOA) to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. The Directive was amended with additional required uploads effective December 31, 2023.

The following files and governmental unit information are required to be uploaded monthly by all units:

- Bank Reconcilements, Bank Statements, and Outstanding Check Lists
- Approved Board Minutes, please see the user guide for more information and examples
- Funds Ledger, summarizing total receipts, disbursements, and beginning and ending balances by fund

The following files and governmental unit information are required to be uploaded annually by all units:

- Year-end investment statements and register of investments
- Excel Data Capture/ Data Dump
- Detail of Receipts by fund and account
- Detail of Disbursements by fund and account
- Current year Salary ordinance (or Schedule) and Amendments (except Schools)
- Annual Vendor History Report
- Annual Payroll History Report, without social security numbers
- Annual Funds Ledger, summarizing year-to-date total receipts, year-to-date disbursements, and beginning and ending balances by fund
- Accounts Payable/ Accounts Receivable Schedule support
- Direct Federal Grant Agreements/Award Letters and Amendments initiated during the year
- Agreements for Subawards made to Subrecipients for all Federal Grants initiated during the year
- Personnel Policy (to be uploaded in 2023 and in future years if updated)

Condition: During testing, we noted the Town did not upload any files from the months of May through December 2023.

FINDING 2023-004: SCHEDULES IN ANNUAL FINANCIAL REPORT – OTHER INFORMATION

Criteria: The Annual Financial Report (AFR) required under IC 5-11-1-4(a) shall be filed with the state examiner not later than sixty (60) days after the close of each fiscal year. (Accounting and Uniform Guidelines Compliance Manual for Cities and Towns, Chapter 1)

Condition: Financial and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The AFR submissions for FY20 and FY23 were submitted past the 60 day deadline (3/15/2021 and 4/6/2024, respectively) and were not resubmitted. Additionally, the information entered into Gateway contained the following errors:

Schedule of Leases and Debt

- Storm Water – USDA 1 revenue bond's ending principal balance was understated by \$38,137 and the principal due within one year was overstated by \$246,500.
- Storm Water – USDA 2 revenue bond's ending principal balance was understated by \$28,072 and the principal due within one year was overstated by \$155,500.
- Wastewater SRF - Sanitary Sewer Bonds ending principal balance was overstated by \$5,744 and the principal due within one year was overstated by \$2,884.

(Continued)

TOWN OF PARAGON
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2020 through December 31, 2023

FINDING 2023-004: SCHEDULES IN ANNUAL FINANCIAL REPORT – OTHER INFORMATION
(Continued)

Schedule of Accounts Payable and Receivable

- Management is not tracking what the Town's accounts payable and accounts receivable balances would approximate at the end of each year. The accounts payable and receivable schedule was not completed by management as the balances were shown to be \$0 for accounts payable and accounts receivable. The schedule has been omitted from the financial statement.

Schedule of Capital Assets

- The governmental activities machinery, equipment, and vehicles balance was overstated by \$52,465.
- The water unit's machinery, equipment, and vehicles balance was understated by \$33,670 and the improvements other than buildings balance was overstated by \$400.

Additionally, management does not have a formal capital asset policy in place.

The schedules have been updated in the financial statement to agree to underlying detail and records.

FINDING 2023-005: CERTIFICATION ON INTERNAL CONTROL STANDARDS

Criteria: 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."

The same comment appeared in the prior year report B55319.

Condition: The Clerk-Treasurer incorrectly certified in the Annual Financial Report that Town employees had received training in regards to internal control standards.

FINDING 2023-006: TRAINING ON INTERNAL CONTROL STANDARDS

Criteria: Indiana Codes 5-11-1-27(g) states in part:

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

(2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision.

The same comment appeared in the prior year report B55319.

Condition: As of December 31, 2023, the Clerk-Treasurer had not completed the required training on internal control standards.

TOWN OF PARAGON
EXIT CONFERENCE
January 1, 2020 through December 31, 2023

The contents of this report were discussed on March 27, 2025 with Angelia Roberts, Clerk-Treasurer, and Rick Black, Member of the Town Council.