

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

COMPLIANCE ENGAGEMENT REPORT

OF

TOWN OF NAPOLEON

RIPLEY COUNTY, INDIANA

January 1, 2020 to December 31, 2023



FILED

06/17/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Shirley J. Meyer	01-01-20 to 12-31-24
President of the Town Council	William Vankirk Stephen Youngman	01-01-20 to 12-31-23 01-01-24 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF NAPOLEON, RIPLEY COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Town of Napoleon (Town), for the period of January 1, 2020 to December 31, 2023. The objective of this engagement was to determine compliance with applicable Indiana laws, regulations, and uniform compliance guidelines (Guidelines) established by the Indiana State Board of Accounts pursuant to Indiana Code 5-11-1-24. The objective of this engagement is not to opine on compliance or financial activity of the Town as this engagement was not conducted in accordance with any standards established by an authoritative standard setting body, and, as such, we do not provide any opinions on compliance or financial activity.

Management is responsible for preparing and maintaining its accounting records and related documents in accordance with applicable Indiana laws, regulations, and Guidelines. Management's responsibility also includes, but is not limited to, complying with other applicable Indiana laws, regulations, and Guidelines concerning how it operates: authorized sources and uses of funds; what reports are required to be prepared and filed; and what depositories and investment types are allowable.

We fulfilled our responsibility as detailed in the first paragraph, using procedures that verified the appropriate accounting for and reporting of cash, receipts, and disbursements; and the appropriate sources and uses of funds in accordance with applicable Indiana laws, regulations, and Guidelines. Expanding the scope and nature of these procedures can and does occur in specific circumstances.

The Comments contained herein, if any, describe the identified reportable instances of noncompliance found during our engagement. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified. Any Official Response to the Comments incorporated within this report was not verified for accuracy.

The Schedule of Officials and Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (Statements) are informational only. The Statements have not been subjected to any procedures designed to express an opinion or provide any assurance on them, and, accordingly, we do not express an opinion or provide any assurance on them.

This report is intended solely for the information and use of management, governance, and others within the organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record. Reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>, and the Town's Annual Financial Reports filed by management can be found on the Indiana Gateway for Government Units financial reporting system website: <http://www.gateway.ifionline.org>.

The contents of this report were communicated to Shirley J. Meyer, Clerk-Treasurer; Stephen Youngman, President of the Town Council; and Judy Mulford, Town Council member, on June 12, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

May 13, 2024

TOWN OF NAPOLEON
COMMENTS

BANK ACCOUNT RECONCILIATIONS

A similar comment appeared in a Management Letter addressed to the Clerk-Treasurer for the engagement period ending December 31, 2019.

Condition and Context

Depository reconciliations of the fund balances to the bank account were conducted; however, an unidentified cash short of \$697, from a previous engagement period, remained unidentified as of December 31, 2023.

The Town's December 31, 2020 bank reconciliation also contained reconciling items totaling \$671 that remained uncorrected at December 31, 2023.

Internal controls were not in place to ensure that posting errors were corrected in a timely manner.

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."

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. (Accounting and Uniform Compliance Manual for Cities and Towns, Chapter 1)

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. . . ."

CAPITAL ASSETS

Condition and Context

Internal controls were not in place to prevent the following deficiencies noted with the Town's capital asset records:

- The Town did not have a capital asset policy in place that detailed the threshold at which an item was considered a capital asset.

TOWN OF NAPOLEON
COMMENTS
(Continued)

- The Town reported capital assets in its 2023 Annual Financial Report totaling \$1,742,270; however, a detailed listing of capital assets was not presented to support the figures reported.
- A complete physical inventory of capital assets was not completed at least every two years.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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MONTHLY AND ANNUAL GATEWAY UPLOADS

Condition and Context

Internal controls were not in place to ensure compliance with State Examiner Directive 2018-1 as amended. The Town did not upload into the Indiana Gateway for Government Units financial reporting system any of the required monthly and annual files for 2020 through 2023.

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

- Bank reconcilements
- Bank statements (effective for the required upload beginning with December 2020 information)
- Outstanding check lists (effective for the required upload beginning with December 2020 information)
- Approved Town Council minutes
- Funds ledger, summarizing total receipts, disbursements, and beginning and ending balances by fund (beginning and ending balances effective for the required uploads beginning with December 2020 information)

TOWN OF NAPOLEON
COMMENTS
(Continued)

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

- Year-end investment statements
- Detail of receipts for the year
- Detail of disbursements for the year
- Current year salary ordinance and amendments
- Annual vendor history report
- Annual employee earnings record/payroll history report without social security numbers (unless only hand posted records exist)
- Annual funds ledger summarizing year-to-date total receipts, year-to-date disbursements, and beginning and ending balances by fund

Criteria

Beginning with July 2018 files, which will be due September 15, 2018, **all** cities, towns, townships, libraries, 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.

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the 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.

(Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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:

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TOWN OF NAPOLEON
COMMENTS
(Continued)

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

Internal controls were not in place to ensure that Motor Vehicle Highway distributions were properly posted. The Town posted 100 percent of Motor Vehicle Highway distributions to the Motor Vehicle Highway Fund during the engagement period. Of the distributions, 50 percent should have been posted to the MVH Restricted fund. This resulted in MVH Restricted fund receipts being understated by \$19,407 for the engagement period.

Criteria

Indiana Code 8-14-1-5(c) states: "Except as provided in subsection (d), for funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."

The purpose of this Directive is to authorize and require counties, 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 House Enrolled Act 1002-2017 and House Enrolled Act 1290-2018.

The sub-fund will be referred to throughout this Directive as "MVH Restricted" and will be used to account for MVH monies which have been statutorily restricted for construction, reconstruction, and preservation purposes. . . .

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)

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:

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STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CASH
AND INVESTMENT BALANCES - REGULATORY BASIS

TOWN OF NAPOLEON
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2020 and 2021

Fund	Cash and Investments			Cash and Investments			Cash and Investments
	01-01-20	Receipts	Disbursements	12-31-20	Receipts	Disbursements	12-31-21
GENERAL FUND	\$ 31,616	\$ 32,808	\$ 45,340	\$ 19,084	\$ 43,192	\$ 36,145	\$ 26,131
MOTOR VEHICLE HIGHWAY	19,311	9,054	1,549	26,816	10,148	5,312	31,652
LOCAL ROAD & STREET	5,353	1,750	2,709	4,394	1,904	896	5,402
MVH RESTRICTED	426	-	-	426	-	-	426
RIVERBOAT	66,140	3,284	-	69,424	3,739	1,958	71,205
RAINY DAY	1,678	-	104	1,574	-	-	1,574
CCIF	535	259	-	794	481	-	1,275
EDIT	9,436	516	-	9,952	187	-	10,139
ARP - CORONAVIRUS FISCAL RELIEF	-	-	-	-	21,977	-	21,977
FIRE DEPT GRANT	80,652	-	80,652	-	-	-	-
HAIL DAMAGE	1,405	-	691	714	-	-	714
SEWER ANNEXATION	25,700	-	-	25,700	-	-	25,700
PAYROLL	15,873	5,400	9,267	12,006	967	9,696	3,277
TRASH	11,174	12,508	6,856	16,826	12,114	7,041	21,899
SEWAGE UTILITY OPERATING	56,740	47,748	24,997	79,491	49,842	33,852	95,481
Totals	<u>\$ 326,039</u>	<u>\$ 113,327</u>	<u>\$ 172,165</u>	<u>\$ 267,201</u>	<u>\$ 144,551</u>	<u>\$ 94,900</u>	<u>\$ 316,852</u>

TOWN OF NAPOLEON
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2022 and 2023

Fund	Cash and Investments 01-01-22	Receipts	Disbursements	Cash and Investments 12-31-22	Receipts	Disbursements	Cash and Investments 12-31-23
GENERAL FUND	\$ 26,130	\$ 62,342	\$ 36,111	\$ 52,361	\$ 43,014	\$ 46,632	\$ 48,743
MOTOR VEHICLE HIGHWAY	31,652	9,950	8,421	33,181	10,164	4,279	39,066
LOCAL ROAD & STREET	5,402	2,166	42	7,526	2,252	-	9,778
MVH RESTRICTED	426	-	-	426	-	-	426
RIVERBOAT	71,205	3,091	-	74,296	3,345	-	77,641
RAINY DAY	1,574	-	-	1,574	-	627	947
CCIF	1,275	428	-	1,703	216	-	1,919
EDIT	10,139	707	-	10,846	226	326	10,746
ARP - CORONAVIRUS FISCAL RELIEF	21,977	-	-	21,977	-	-	21,977
MEMORIAL FUND	-	1,887	-	1,887	-	-	1,887
HAIL DAMAGE	714	-	-	714	-	-	714
SEWER ANNEXATION	25,700	-	-	25,700	-	-	25,700
PAYROLL	3,277	-	6,139	(2,862)	11,500	6,678	1,960
TRASH	21,899	11,889	13,069	20,719	18,168	11,962	26,925
SEWAGE UTILITY OPERATING	95,482	45,965	44,640	96,807	49,745	28,223	118,329
Totals	<u>\$ 316,852</u>	<u>\$ 138,425</u>	<u>\$ 108,422</u>	<u>\$ 346,855</u>	<u>\$ 138,630</u>	<u>\$ 98,727</u>	<u>\$ 386,758</u>