

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

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

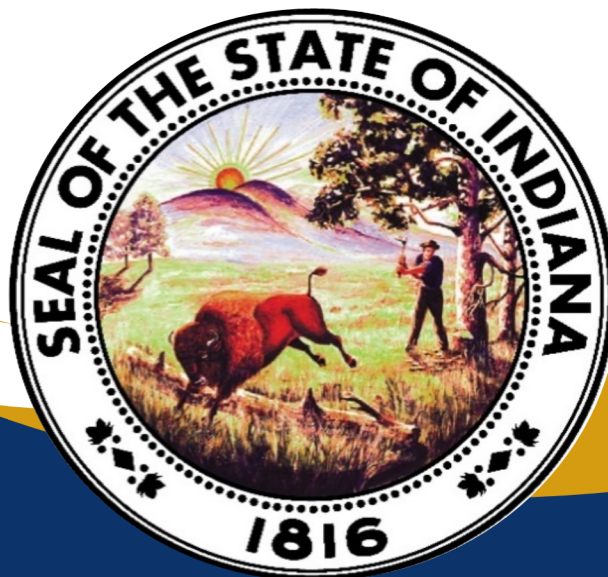
SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF NORTH VERNON

JENNINGS COUNTY, INDIANA

January 1, 2022 to December 31, 2023



**FILED**  
12/23/2024



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	R. Shawn Gerkin Charles Weber	01-01-22 to 12-31-23 01-01-24 to 12-31-24
Mayor	Michael Ochs R. Shawn Gerkin	01-01-22 to 12-31-23 01-01-24 to 12-31-24
President of the Board of Public Works and Safety	Michael Ochs R. Shawn Gerkin	01-01-22 to 12-31-23 01-01-24 to 12-31-24
President Pro Tempore of the Common Council	Brian Hatfield (Vacant) Jack Kelley Baron Wilder	01-01-22 to 05-09-22 05-10-22 to 06-26-22 06-27-22 to 12-31-22 01-01-23 to 12-31-24
Utility Office Manager	Cara Byerley	01-01-22 to 12-31-24



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## INDIANA STATE BOARD OF ACCOUNTS

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ROOM E418  
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TO: THE OFFICIALS OF THE CITY OF NORTH VERNON, JENNINGS COUNTY, INDIANA

This report is supplemental to the audit report of the City of North Vernon (City), for the period from January 1, 2022 to December 31, 2023. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the City. It should be read in conjunction with the Financial Statement Audit Report of the City, which provides our opinions on the City's financial statement. 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.

Beth Kelley, CPA, CFE  
Deputy State Examiner

December 9, 2024



CLERK-TREASURER  
CITY OF NORTH VERNON

CLERK-TREASURER  
CITY OF NORTH VERNON  
AUDIT RESULTS AND COMMENTS

**BANK ACCOUNT RECONCILIATIONS**

*Condition and Context*

Internal controls were not in place to ensure compliance with requirements related to cash and investments. As of December 31, 2022, and December 31, 2023, the City's bank account reconciliations included unidentified variances (cash short) in the amounts of \$122 and \$4,058, respectively.

*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."

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 may be the personal obligation of the responsible official or employee. (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:

"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. . . ."

**ANNUAL FINANCIAL REPORT**

A similar comment appeared in a Management Letter addressed to the Officials of the City for the audit period ending December 31, 2021.

*Condition and Context*

The Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units (Gateway) financial reporting system. The City had not established effective internal controls over the information submitted in the AFR, which resulted in the following errors:

CLERK-TREASURER  
CITY OF NORTH VERNON  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Financial Information*

- The beginning cash and investment balances reported in the AFR for January 1, 2022, was understated by \$425,647. This was primarily due to the omission of one investment from the AFR.
- The receipts reported in the AFR for 2023 were overstated by \$59,526.
- The disbursements reported in the AFR for 2022 and 2023 were overstated by \$500,000 and \$59,526, respectively.
- The cash and investment balances reported in the AFR for December 31, 2022, and December 31, 2023, were both understated by \$925,647 as a result of the errors noted above.

Audit adjustments were proposed, accepted by the City, and made to the financial statement and the Combining Schedule of Receipts, Disbursement, and Cash and Investment Balances - Regulatory Basis presented as Other Information in the Financial Statement Audit Report of the City.

*Grant Schedule*

The City did not report any federal grant receipts or disbursements in the AFR during the audit period. The City received the following grant funding that was not reported:

- The Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii program funding in the amount of \$58,160 in 2022 and \$237,438 in 2023.
- The State and Community Highway Safety program funding in the amount of \$1,946 in 2022 and \$3,265 in 2023.
- The Minimum Penalties for Repeat Offenders for Driving While Intoxicated program funding in the amount of \$1,903 in 2023.
- The Coronavirus State and Local Fiscal Recovery program funding in the amount of \$32,340 for 2023.

Adjustments were proposed and accepted by the City, and made to the grant schedules within the AFRs.

*Capital Assets*

- The City's capital asset schedule for 2022 was overstated by \$533,934.
- The City's capital asset schedule for 2023 was understated by \$6,040,591.

The submitted information is used to generate the Schedule of Capital Assets presented as Other Information in the Financial Statement Audit Report of the City. Audit adjustments were proposed, accepted by the City, and made to this schedule and the capital asset information within the AFR.

CLERK-TREASURER  
CITY OF NORTH VERNON  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Leases and Debt*

- Lease amounts reported in the AFR for 2022 and 2023 were understated by \$1,910,251 and \$1,904,751, respectively.
- Debt ending principal balances reported in the AFR for 2022 and 2023 were overstated by \$13,852,950 and \$9,651,784, respectively.
- Debt principal due within one year reported in the AFR for 2022 and 2023 was overstated by \$1,158,995 and \$1,214,784, respectively.

The submitted information is used to generate the Schedule of Leases and Debt presented as Other Information in the Financial Statement Audit Report of the City. Audit adjustments were proposed, accepted by the City, and made to this schedule and the lease and debt information within the AFR.

*Investments*

- The Investment Fund Statement reported in Gateway was understated in the amount of \$925,647 at both December 31, 2022, and December 31, 2023.

*Criteria*

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner as set forth in the uniform compliance guidelines. 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 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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CLERK-TREASURER  
CITY OF NORTH VERNON  
AUDIT RESULTS AND COMMENTS  
(Continued)

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

*Condition and Context*

There were deficiencies in the internal control system of the City related to financial transactions and reporting. The City had not separated incompatible activities related to payroll disbursements and receipts.

*Payroll Disbursements*

The Clerk-Treasurer was responsible for processing payroll. There was no documentation of an internal control process in place, such as an oversight, review, or approval process, to ensure payroll disbursements were proper.

*Receipts*

Multiple individuals were responsible for collecting, posting, and depositing the City's receipts. There was no documentation of an internal control in place, such as an oversight, review, or approval process, to ensure that receipts were properly recorded and deposited.

*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:

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CLERK-TREASURER  
CITY OF NORTH VERNON  
EXIT CONFERENCE

The contents of this report were discussed on December 9, 2024, with Charles Weber, Clerk-Treasurer; R. Shawn Gerkin, Mayor and former Clerk-Treasurer; Baron Wilder, President Pro Tempore of the Common Council; Andrew Klescht, Common Council member; Jarrod Daeger, Common Council member; and Rita Elmore, Deputy Clerk-Treasurer.