

**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, 2020 to December 31, 2021



**FILED**

12/08/2022



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	R. Shawn Gerkin	01-01-20 to 12-31-22
Mayor	Michael Ochs	01-01-20 to 12-31-22
President of the Board of Public Works and Safety	Michael Ochs	01-01-20 to 12-31-22
President Pro Tempore of the Common Council	Brian Hatfield (Vacant) Jack Kelley	01-01-20 to 05-09-22 05-10-22 to 06-26-22 06-27-22 to 12-31-22
Utility Office Manager	Cara Byerley	01-01-20 to 12-31-22



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

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, 2020 to December 31, 2021. 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 our 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 Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE  
Deputy State Examiner

November 28, 2022

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CLERK-TREASURER  
CITY OF NORTH VERNON

CLERK-TREASURER  
CITY OF NORTH VERNON  
AUDIT RESULT AND COMMENT

**ACCOUNTING FOR COVID-19 GRANTS**

*Condition and Context*

The City of North Vernon (City) did not properly account for the Coronavirus Relief Fund (CRF) in accordance with the options outlined in the State Examiner Directive 2020-3 (Directive).

The City created a fund entitled Cares Act-Coronavirus Relief fund (CARES fund) for the reimbursement of expenses from the Indiana Finance Authority (IFA). The City receipted the IFA reimbursement of \$217,762 for health and safety payroll costs into the CARES fund. The expenditures upon which the reimbursement was based should have been reversed and recorded in the CARES fund, or the reimbursed amount transferred through the claims process to the General fund, which would have allowed the money to be expended for any general unit purpose. Either of these two methods would have allowed for the proper processing and recording of the CRF reimbursement.

The City had a year-end balance of \$217,762 in the CARES fund as of December 31, 2020.

During 2021, the City spent \$11,393 for non-payroll expenditures directly from the CARES fund. These expenditures were made without appropriation. The remaining balance in the fund, \$206,369, was claimed to the General fund per the City's ordinance.

*Criteria*

Transactions for public health and safety payroll costs must be accounted for through one of these two prescribed options.

**Option One.** Reimbursements received from IFA shall be receipted into the separate CARES grant fund. The reimbursed amount for public health and safety payroll costs originally incurred in the general fund (or other fund) will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the general fund (or other fund) cash balance and re-appropriate the general fund (or other fund) in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

CLERK-TREASURER  
CITY OF NORTH VERNON  
AUDIT RESULT AND COMMENT  
(Continued)

Once the disbursement is reversed within the general fund (or other fund), it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

Once option one is completed, the cash balance of the separate CARES grant fund will be zero.  
**No money shall remain in the separate CARES grant fund. . . .**

**Option Two.** Reimbursements received from IFA shall be receipted into the separate CARES grant fund. A claim will be created against the separate CARES grant fund for the reimbursed amount in favor of the general fund. This claim must be supported by documentation of the public health and safety payroll costs that have been expensed from the general fund or other funds.

The amount of the claim will be receipted into the general fund cash balance. Normal appropriation procedures will apply to these funds.

Once option two is completed, the cash balance of the separate CARES grant fund will be zero.  
**No money shall remain in the separate CARES grant fund. This option requires a resolution or ordinance as detailed in the memorandum *CARES Reimbursement of Public Health and Safety Payroll Costs, September 30, 2020.* . . .**

(State Examiner Directive 2020-3)

CLERK-TREASURER  
CITY OF NORTH VERNON  
EXIT CONFERENCE

The contents of this report were discussed on November 28, 2022, with R. Shawn Gerkin, Clerk-Treasurer; Jack Kelley, President Pro Tempore of the Common Council; Jerry A. Lamb, Common Council member; and Rita L. Elmore, Deputy Clerk-Treasurer.