

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF NAPPANEE

ELKHART COUNTY, INDIANA

January 1, 2021, to December 31, 2021



**FILED**  
12/22/2022



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Clerk-Treasurer:	
Audit Results and Comments:	
Certification on Internal Control Standards .....	6
Fund Sources and Uses.....	6
Official Response.....	7-8
Exit Conference .....	9
Common Council:	
Audit Result and Comment:	
Training on Internal Control Standards .....	12
Exit Conference .....	13

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jeffrey P. Knight	01-01-21 to 12-31-22
Mayor	Philip W. Jenkins	01-01-21 to 12-31-22
President of the Board of Public Works and Safety	Philip W. Jenkins	01-01-21 to 12-31-22
President of the Common Council	Philip W. Jenkins	01-01-21 to 12-31-22
Superintendent of Utilities	Gale Gerber	01-01-21 to 12-31-22



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF NAPPANEE, ELKHART COUNTY, INDIANA

This report is supplemental to our audit report of the City of Nappanee (City), for the period from January 1, 2021 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 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 6, 2022

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CLERK-TREASURER  
CITY OF NAPPANEE

CLERK-TREASURER  
CITY OF NAPPANEE  
AUDIT RESULTS AND COMMENTS

**CERTIFICATION ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

The City certified on the Indiana Gateway for Government Units financial reporting system that employees were trained on internal control standards. There were eight new employees that handled cash that did not receive the internal control training; therefore, the certification was incorrect.

*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 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](#)."

**FUND SOURCES AND USES**

*Condition and Context*

The City received Community Crossings Matching Grant funds and recorded the funds into the LOIT Special Distribution fund. The City also received a federal Highway Planning and Construction grant from the Indiana Department of Transportation and recorded the funds into the LOIT Special Distribution fund. The City should have created separate funds for each grant and recorded the financial activity for each grant in the separate funds.

*Criteria*

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Indiana Code 36-1-8-12(a) states:

"If a political subdivision other than a school corporation receives state grant money requiring local matching money, the political subdivision shall create a special fund and deposit the grant money and matching money into the special fund. The money in the fund may be used only for the purposes of the grant."

When funds are provided by the federal government either directly to a city or town or through a state agency for any program or project, the following procedures should be followed:

**A separate Fund for each grant is required.** (Cities and Towns Bulletin And Uniform Compliance Guidelines, June 2020)



Jeff Knight  
Clerk - Treasurer  
jknight@nappanee.org

OFFICIAL RESPONSE

Date: December 12, 2022

Indiana State Board of Accounts  
302 West Washington St. Room E418  
Indianapolis, IN 46204-2765

Re: 2021 Training on Internal Controls Standards

*I acknowledge, and do not dispute, that eight new employees handled cash and none of the new employees received the internal control training.*

*The employees that did not receive the internal control training were seasonal employees hired by the Park and Rec Department. Beginning immediately, the Park and Rec Department will require that each newly hired employee, who will be dealing with cash, will be required to watch the internal control training video and sign a log stating such.*

Jeffrey P. Knight  
Clerk-Treasurer, City of Nappanee

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*Nappanee is an Equal Opportunity Employer*



Jeff Knight  
Clerk - Treasurer  
jknight@nappanee.org

OFFICIAL RESPONSE

Date: December 12, 2022

Indiana State Board of Accounts  
302 West Washington St. Room E418  
Indianapolis, IN 46204-2765

Re: 2021 Fund Sources and Uses – LOIT Special Distribution Fund

*I acknowledge, and do not dispute, the use of the LOIT Special Distribution Fund for receipting in and disbursing funds pertaining to the Community Crossing Grants and Motor Vehicle Highway funds. This audit was the first I was aware that this was a special use fund and was not being used correctly.*

*I will have two new funds established to handle these funding sources going forward. We will no longer utilize the LOIT Special Distribution Fund.*

Jeffrey P. Knight  
Clerk-Treasurer, City of Nappanee

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CLERK-TREASURER  
CITY OF NAPPANEE  
EXIT CONFERENCE

The contents of this report were discussed on December 6, 2022, with Jeffrey P. Knight, Clerk-Treasurer; Philip W. Jenkins, Mayor; and Amy Rosa, Common Council member.

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COMMON COUNCIL  
CITY OF NAPPANEE

COMMON COUNCIL  
CITY OF NAPPANEE  
AUDIT RESULT AND COMMENT

**TRAINING ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

The City did not ensure that all employees were trained for the internal control standards as required by their policy. The Park Department hired eight new employees that handled cash, and none of the new employees received the training.

*Criteria*

Indiana Code 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."

COMMON COUNCIL  
CITY OF NAPPANEE  
EXIT CONFERENCE

The contents of this report were discussed on December 6, 2022, with Jeffrey P. Knight, Clerk-Treasurer; Philip W. Jenkins, Mayor; and Amy Rosa, Common Council member.