

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF GEORGETOWN

FLOYD COUNTY, INDIANA

January 1, 2019 to December 31, 2022



FILED
07/25/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Julia Keibler	01-01-19 to 12-31-24
President of the Town Council	Everett Pullen Christopher Loop	01-01-19 to 12-31-19 01-01-20 to 12-31-24
Town Manager	Reny Keener	04-24-23 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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TO: THE OFFICIALS OF THE TOWN OF GEORGETOWN, FLOYD COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Georgetown (Town), for the period from January 1, 2019 to December 31, 2022. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the Town. It should be read in conjunction with the Financial Statements Audit Report of the Town, which provides our opinions 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 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

June 20, 2024

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CLERK-TREASURER
TOWN OF GEORGETOWN

CLERK-TREASURER
TOWN OF GEORGETOWN
AUDIT RESULTS AND COMMENTS

FINANCIAL TRANSACTION AND REPORTING

A similar comment appeared in prior Reports B48948, entitled *RECEIPT ISSUANCE*, and B55254, entitled *CONDITION OF RECORDS*.

Condition and Context

Financial, supplemental, and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units financial reporting system. Although an internal control system had been implemented by the Town where the AFR was prepared by one individual and then reviewed by another, the internal controls were not effective as they did not allow for the detection and correction of errors in a timely manner. As a result, the following financial information presented for audit included the following errors:

- In 2019, the Motor Vehicle Highway fund and the MVH Restricted fund were incorrectly combined and reported as one fund in the AFR. An adjustment of \$61,893 was made to reduce the receipt amount reported in the Motor Vehicle Highway fund and to report the amount as a receipt to the MVH Restricted fund.
- In 2021, receipts of the Waterworks Proceeds fund were overstated in the amount of \$85,531 due to the incorrect recording of a transfer between bank accounts.
- In 2022, receipts of the Waterworks Proceeds fund were overstated in the amount of \$322,059 due to the incorrect recording of a transfer between bank accounts.
- Investments associated with the Waterworks Proceeds fund were reported at market value instead of cost resulting in the overstatement of the fund balance in the amount of \$171,017.

Audit adjustments were proposed, accepted by the Town, and made to the financial statements and the Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Required Supplementary Information in the Financial Statements Audit Report of the Town.

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](#)."

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:

CLERK-TREASURER
TOWN OF GEORGETOWN
AUDIT RESULTS AND COMMENTS
(Continued)

"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. . . ."

BANK ACCOUNT RECONCILIATIONS

Condition and Context

Prior to May 2020, the Town reconciled the German American Investment Management Account ("IMA") to the statement ending "market value." Beginning at that time, the Town attempted to begin recording "cash" only entries, but never adjusted the ledger "market value" in order to reconcile the amounts.

The Town did not have proper internal controls in place over cash and investments. German American Investment Management Account ("IMA") was not being reconciled to the ledger during 2020, 2021, and 2022. The result was a shortage of \$145,098; \$245,330; and \$588,606 as of December 31, 2020, December 31, 2021, and December 31, 2022, respectively, based on "Statement Cost." The total shortage as of December 31, 2022, was caused by overstated receipts in the ledger of \$417,588, and the remaining difference of \$171,018 was determined to be the change in "market value" during the audit period.

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."

A political subdivision may contract with a depository for the operation of an investment cash management system under IC 5-13-11. A cash management system provides for the management of the political subdivision's investment by a financial institution which is a designated depository. Any interest from an investment should be credited to the investment account of the political subdivision and become a part of the principal in that account. The interest credited to the investment account should be receipted into the accounting records. The investment amount reported in the accounting records should be increased by showing a purchase of investments in the amount of the interest added to the investment account. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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TOWN OF GEORGETOWN
AUDIT RESULTS AND COMMENTS
(Continued)

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SUPPORTING DOCUMENTATION

A similar comment also appeared in prior Reports B48948 and B55254, entitled *ERRORS ON CLAIMS*.

Condition and Context

The Town did not have internal controls in place to ensure prescribed forms were properly used and completed and documentation was retained to support disbursement transactions.

Information was not properly documented to support disbursements made. Accounts payable vouchers were not completed for 26 of the 42 disbursement transactions tested and 14 of those related invoices did not contain signatures indicating the receipt of goods/services or the approval to pay. Supporting documentation could not be found for 2 disbursements tested totaling \$1,636.

Criteria

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

CLERK-TREASURER
TOWN OF GEORGETOWN
AUDIT RESULTS AND COMMENTS
(Continued)

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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CAPITAL ASSETS

The same comment also appeared in prior Report B55254.

Condition and Context

Internal controls were not in place to ensure proper recording of capital assets. The Town and utilities did not properly maintain a complete inventory of capital assets owned. A detailed listing of all capital assets owned, reflecting their acquisition value, was not provided. Additionally, no evidence was provided to indicate that a physical inventory was being taken 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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CLERK-TREASURER
TOWN OF GEORGETOWN
AUDIT RESULTS AND COMMENTS
(Continued)

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OVERDRAWN FUND BALANCES

Condition and Context

The Town did not have internal controls in place for the review of financial activity to ensure compliance with state laws and regulations preventing overdrawn cash fund balances.

The financial statements presented for audit included overdrawn cash balances for Wastewater Construction and Wastewater Utility - Operating on December 31, 2019, of \$2 and \$117,433, respectively. As of December 31, 2020, 2021, and 2022, Wastewater Construction has an overdrawn cash balance of \$2.

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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CLERK-TREASURER
TOWN OF GEORGETOWN
AUDIT RESULTS AND COMMENTS
(Continued)

UTILITY ACCOUNTS RECEIVABLE RECONCILIATIONS

Condition and Context

The Town has not established internal controls over the utility accounts receivable. The Town does not maintain an accounts receivable control account for its utilities as required. The Town also does not print or otherwise retain a detailed listing of utilities' accounts receivable from the subsidiary journal. As a result, Town officials are unable to perform monthly reconciliations of utilities' accounts receivable balances. Therefore, it is possible for errors to occur where customer payments to be posted incorrectly or improperly to the individual customer accounts in the subsidiary ledger and not be detected. As a result, utility receipts reported on the Town's financial statements may not reflect all customer payments received.

Criteria

When utility records are kept on a cash or single-entry basis, a separate control account should be carried on General Ledger Sheet, General Form No. 315, in the front of the Consumer's Ledger. This account will be debited with the total monthly billing to all customers for utility services including penalties and sales tax. This account will be credited with the total accounts receivable collections, penalties and sales tax shown by the Register of Daily Cash Receipts - Consumers. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 6)

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ANNUAL FINANCIAL REPORT - OTHER INFORMATION

Condition and Context

Financial, supplemental, 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 Town had not properly established effective internal controls over the AFR information entered into Gateway, which resulted in the following errors:

CLERK-TREASURER
TOWN OF GEORGETOWN
AUDIT RESULTS AND COMMENTS
(Continued)

Capital Assets

The capital asset information entered into Gateway was inaccurate as only nominal amounts were reported of \$210, \$212, \$182, and \$182 in 2019, 2020, 2021, and 2022, respectively. The Town and utilities did not properly maintain a complete inventory of capital assets owned. A detailed listing of all capital assets owned, reflecting their acquisition value, was not provided. As a result, the Schedule of Capital Assets was not presented in the Financial Statements Audit Report of the Town.

Schedule of Debt

The debt information entered into Gateway was inaccurate for the years 2021 and 2022. The ending principal balance at December 31, 2021 and 2022, was understated by \$141,670 and 129,370, respectively.

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](#)."

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UTILITY OPERATING FUNDS USED FOR TOWN EXPENSES

Condition and Context

The Town did not have internal controls in place to ensure documentation was properly maintained to support the allocation of costs charged to funds.

CLERK-TREASURER
TOWN OF GEORGETOWN
AUDIT RESULTS AND COMMENTS
(Continued)

Salaries for the Clerk-Treasurer's office staff were paid from the wastewater utility fund without documentation to support the rationale as to how the costs were allocated between the Town and utility funds.

Criteria

Indiana Code 36-9-23-25 states in part:

"(a) Subject to section 37 of this chapter, the municipal legislative body shall, by ordinance, establish just and equitable fees for the services rendered by the sewage works, and provide the dates on which the fees are due.

(b) Just and equitable fees are the fees required to maintain the sewage works in the sound physical and financial condition necessary to render adequate and efficient service. The fees must be sufficient to:

- (1) pay all expenses incidental to the operation of the works, including legal expenses, maintenance costs, operating charges, repairs, lease rentals, and interest charges on bonds or other obligations;
- (2) provide the sinking fund required by section 21 of this chapter;
- (3) provide adequate money to be used as working capital; and
- (4) provide adequate money for improving and replacing the works. . . ."

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)

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Expenses paid from utility funds should be directly related to the operation of the municipally owned utility. Expenditures for city and town operating costs should not be paid from utility funds. Furthermore, utility funds should not be used to pay for personal items. The cost of shared employees and equipment between a city or town and its utilities or between utilities should be prorated in a rational manner.

CLERK-TREASURER
TOWN OF GEORGETOWN
AUDIT RESULTS AND COMMENTS
(Continued)

Establishment of a Cash Reserve Fund permits transfer of surplus utility funds to the city or town general fund. After appropriation, such transferred funds may then be used for any legal general fund purpose.

(The Cities and Towns Bulletin and Uniform Compliance Guidelines, June 2021, page 14)

CLERK-TREASURER
TOWN OF GEORGETOWN
EXIT CONFERENCE

The contents of this report were discussed on June 20, 2024, with Julia Keibler, Clerk-Treasurer; Christopher Loop, President of the Town Council; and Reny Keener, Town Manager.

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TOWN COUNCIL
TOWN OF GEORGETOWN

TOWN COUNCIL
TOWN OF GEORGETOWN
AUDIT RESULTS AND COMMENTS

CONFLICT OF INTEREST

Condition and Context

The Town did not have internal controls in place to ensure compliance with filing of conflict of interest statements.

Monocle Investments, LLC, a company owned by the Town Council President, Christopher Loop, and his wife, Jenna Loop, received a \$5,000 grant from the Town Redevelopment Commission's Façade Grant Program for improvements to property in which Christopher Loop had an ownership interest. Based upon the circumstances, the Indiana State Board of Accounts would have expected to receive a conflict of interest disclosure for this related-party transaction pursuant to Indiana Code 35-44.1-1-4, Indiana's Conflict of Interest statute. There was not one on file during the audit period that covered this matter. The façade grant expenditure was considered an ineligible expenditure since a conflict of interest statement was not filed by Christopher Loop.

Criteria

Indiana Code 35-44.1-1-4(d) states in part:

"A disclosure must:

- (1) be in writing;
- (2) describe the contract or purchase to be made by the governmental entity;
- (3) describe the pecuniary interest that the public servant has in the contract or purchase;
- (4) be affirmed under penalty of perjury;
- (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity before final action on the contract or purchase;
- (6) be filed within fifteen (15) days after final action on the contract or purchase with:
 - (A) the state board of accounts; and
 - (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase . . ."

Conflict of interest disclosures must be completed on Gateway.

The attorney for the unit or a private attorney must be consulted in regard to whether a conflict of interest disclosure statement must be filed and whether the format of the disclosure is sufficient.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN COUNCIL
TOWN OF GEORGETOWN
AUDIT RESULTS AND COMMENTS
(Continued)

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Christopher Loop was requested to repay the ineligible façade improvement grant payments in the amount of \$5,000. (See Summary of Charges, page 29)

CONTRACT FOR WASTEWATER FACILITY MANAGEMENT

Condition and Context

The Town contracts with an outside company to operate its wastewater treatment plant and perform other services related to its wastewater utility. Per the contract, the company is allowed to purchase supplies and perform repairs upon approval. The contract allows for annual increases in the contract price based upon the annual consumer price index (CPI). A review of the contract payments identified deficiencies in the Town's internal controls over the contract payments.

During the current audit period, upon completion of the wastewater treatment plant expansion, the company began invoicing the Town an additional \$7,084 per month. Company officials stated that the extra costs were due to the additional workload incurred by the company due to the doubling in size of the wastewater treatment plant, and that the contract increase had been approved by the Town Council. However, a review of the October 15, 2018 Town Council meeting minutes, while documenting a discussion of the expanded work and contract increased, did not indicate any approval of an amendment to the company's contract to reflect this, nor was an amended contract presented for audit.

The Town does not have a process in place to verify the amounts charged were in accordance with the terms of the contract. The Town did not verify the CPI calculation for the yearly increases in the base contract amount or the rate charges for additional services performed per the contract rate schedule. In addition, the Town does not have an inventory system in place for supplies purchased, as allowed by the contract, to ensure all supplies have been properly received and used by the company hired to manage the wastewater facilities.

TOWN COUNCIL
TOWN OF GEORGETOWN
AUDIT RESULTS AND COMMENTS
(Continued)

Invoices submitted for additional services were not always itemized. Of the 8 invoices reviewed, 4 did not properly detail the supplies purchased or truck rental costs, including the miles driven, location, and reason for the rental. Documentation was not provided to show the approval of the purchase of supplies or repairs prior to the items being purchased/invoiced by the management company.

Criteria

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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WATER OPERATING FUND DISBURSEMENTS

A similar comment also appeared in prior Report B55254, entitled *WATER OPERATING FUND DISBURSEMENTS*.

Condition and Context

The Town did not have internal controls in place to ensure costs were properly charged to funds and compliance with policies adopted.

On November 15, 2017, the Town sold the assets of its Water Utility to Indiana-American Water Company, Inc. The proceeds of the sale were deposited into the nonreverting Waterwork Proceeds trust fund, as directed by Town Ordinance G-17-03. Subsequent to the sale, and after all operating expenses had been paid, the Water Utility-Operating fund had a cash balance remaining.

TOWN COUNCIL
TOWN OF GEORGETOWN
AUDIT RESULTS AND COMMENTS
(Continued)

On April 17, 2018, the Town consulted with the Indiana State Board of Accounts regarding how to handle the remaining fund balance in the Water Utility-Operating fund. Town Officials were advised that the balance in the Water Utility-Operating fund should be transferred to the General fund upon the fund being declared dormant by the Town Council. The balance in the Water Utility-Customer Deposit fund should be refunded to customers or upon approval applied to existing customer bills for wastewater, stormwater, or sanitation.

A review of the Water Utility-Operating fund financial activity in 2019 and 2020 revealed disbursements from the fund that were not water utility related. In 2019, disbursements were made in the amount of \$102,816 for capital equipment. On May 18, 2020, the Town passed Resolution R-20-08 declaring the Water Operating fund dormant and approved a transfer of \$51,598 to the General fund. The transfer was made; however, the amount of the transfer was not sufficient as the fund still had a balance of \$224 at December 31, 2022. The Water Utility-Customer Deposit fund had a balance of \$3,972 during the engagement period.

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)

Assets of the unit may not be used in a manner unrelated to the functions and purpose of the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Each unit is responsible for complying with the ordinance, resolutions, and policies it adopts. (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. . . ."

Expenses paid from utility funds should be directly related to the operation of the municipally owned utility. Expenditures for city and town operating costs should not be paid from utility funds. Furthermore, utility funds should not be used to pay for personal items. The cost of shared employees and equipment between a city or town and its utilities or between utilities should be prorated in a rational manner.

Establishment of a Cash Reserve Fund permits transfer of surplus utility funds to the city or town general fund. After appropriation, such transferred funds may then be used for any legal general fund purpose.

(The Cities and Towns Bulletin and Uniform Compliance Guidelines, June 2021)

TOWN COUNCIL
TOWN OF GEORGETOWN
AUDIT RESULTS AND COMMENTS
(Continued)

UTILITY OPERATING FUNDS USED FOR TOWN EXPENSES

Condition and Context

The Town did not have internal controls in place to ensure documentation was properly maintained to support the allocation of costs charged to funds.

Salaries for the Clerk-Treasurer's office staff were paid from the wastewater utility fund without documentation to support the rationale as to how the costs were allocated between the Town and utility funds.

Criteria

Indiana Code 36-9-23-25 states in part:

"(a) Subject to section 37 of this chapter, the municipal legislative body shall, by ordinance, establish just and equitable fees for the services rendered by the sewage works, and provide the dates on which the fees are due.

(b) Just and equitable fees are the fees required to maintain the sewage works in the sound physical and financial condition necessary to render adequate and efficient service. The fees must be sufficient to:

- (1) pay all expenses incidental to the operation of the works, including legal expenses, maintenance costs, operating charges, repairs, lease rentals, and interest charges on bonds or other obligations;
- (2) provide the sinking fund required by section 21 of this chapter;
- (3) provide adequate money to be used as working capital; and
- (4) provide adequate money for improving and replacing the works. . . ."

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 COUNCIL
TOWN OF GEORGETOWN
AUDIT RESULTS AND COMMENTS
(Continued)

Expenses paid from utility funds should be directly related to the operation of the municipally owned utility. Expenditures for city and town operating costs should not be paid from utility funds. Furthermore, utility funds should not be used to pay for personal items. The cost of shared employees and equipment between a city or town and its utilities or between utilities should be prorated in a rational manner.

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Attorneys at Law

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Phone (812) 944-2500 / Fax (812) 944-7707

LICENSED TO PRACTICE LAW IN INDIANA AND KENTUCKY

OFFICIAL RESPONSE

June 27, 2024

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

RE: Town of Georgetown Auditing Ending December 31, 2022 – Official Response to Conflict of Interest Finding

To Whom it May Concern,

The façade grant awarded by the Georgetown Redevelopment Commission to Monocle Investment, LLC, a company owned in part by Town Council President, Christopher Loop, was not a conflict as set out and defined in Indiana Code 35-44.1-1-1-4 (a) and (b) and therefore no disclosure was required under Indiana Code 35-44.1-1-1-4(d).

A Governmental entity is defined under Indiana Code 35-44.1-1-1-4(a)(2) as an entity that is the “immediate governmental entity being served by a public servant.” Indiana Code 35-44.1-1-1-4(b) goes on to require that the public servant must act “knowingly or intentionally” in connection with a contract or purchase with the governmental entity (immediate governmental entity) served by the public servant. If the above definitions apply, then a disclosure under Indiana Code 35-44.1-1-1-4(d) would be appropriate.

A Redevelopment Commission is a separate political subdivision, Indiana Code 36-1-2-13, and a separate special taxing district, Indiana Code 36-1-2-18, that has its own rights and powers under the statutes, Indiana Code 36-7-14-12.2. The powers of the Redevelopment Commission include the right to sue and be sued (I.C. 36-7-14-12.2(a)(11)), to expend all or any part of the money of the special taxing district (I.C. 36-7-14-12.2(a)(20)), and to purchase, sell, exchange, gift, lease, etc. real property (I.C. 36-7-14-12.2(a)(1)). Further, the Redevelopment Commission is not a municipal corporation, Indiana Code 36-1-2-10, like a Town is, Indiana Code 36-1-2-11 and 36-1-2-23.

In this situation, Mr. Loop was not serving the Georgetown Redevelopment Commission when the façade grant was awarded to him. Mr. Loop was on the Town Council, which was the immediate governmental entity he served at the time of the façade grant award. The Georgetown Redevelopment Commission implemented and runs a façade grant program. That program is

solely monitored, managed, decided, and funded by the Georgetown Redevelopment Commission, a five (5) member board with an additional non-voting school advisory member. The Town Council is not the entity, or governmental body, which makes decisions or has any say (voting power) or control over the award of grants in façade grant program conducted by the Georgetown Redevelopment Commission. The Georgetown Redevelopment Commission receives all applications under the program, hears all requests and applications, and votes on whether to grant the application and if so for how much. The Georgetown Redevelopment Commission is also the entity that pays the grant funds.

It is clear the Georgetown Redevelopment Commission is a separate entity, separate from the Town Council, and Mr. Loop did not serve the Georgetown Redevelopment Commission at the time of the façade grant. The Georgetown Redevelopment Commission was not the immediate governmental entity being served by Mr. Loop and therefore no conflict existed which required disclosure.

In addition, back on September 8, 2021, the Town reached out to the Indiana State Board of Accounts, Mr. Todd Caldwell, to request guidance on the necessity to complete a conflict form if Mr. Loop sought the façade grant. The response received was that it could be legal advice and the Town should consult an attorney. The request was for guidance on whether Indiana State Board of Accounts would take exception to such an award and whether Mr. Loop should complete a conflict disclosure form, which he was willing and able to do. If Indiana State Board of Accounts would find an exception and problem with the action, why did the representative that was asked about it not have that answer and direct that the Town complete a conflict disclosure – not legal advice but rather audit advice – i.e. when we audit you, we will have a problem with this. Indiana State Board of Accounts should be supportive of municipalities to help ensure compliance and proper measures are taken – especially given that the State Board of Accounts will ultimately handle the audit. The intent of the Town reaching out to Indiana State Board of Accounts was to ensure audit compliance.

The Redevelopment statutes indicate that completion of a conflict form and recusal from voting on a matter is not sufficient for a Redevelopment Commission member, therefore Mr. Loop resigned from the Redevelopment Commission. No disclosure was required since he did not serve the Redevelopment Commission and the Town Council, the entity he did serve, was not voting on the matter.

Mr. Loop did not knowingly or intentionally have a pecuniary interest in, or derive a profit from, any action by the immediate entity, the Town Council, he serves and therefore did not commit a conflict of interest and was not required to file a disclosure. In addition, Mr. Loop was willing, able and would have completed a disclosure if the statute required him to do so. The Town Council was not voting on or taking action on the facade grant he requested, nor did the Town Council pay for the grant. Mr. Loop did not serve on the board that voted or paid on the grant, which was the Redevelopment Commission. No one intended to circumvent the rules or ignore them, the Town made every effort to follow the rules and ensure compliance and even sought State Board of Accounts guidance on whether it would be an audit problem.

The façade grant money was used to improve the aesthetics of property within the Town of Georgetown, which is the very intent of the façade grant program designed by the Georgetown Redevelopment Commission. All required façade grant documentation was supplied and is of record with the Georgetown Redevelopment Commission.

The Town, and Mr. Loop, took every reasonable step to comply with the statute and with the expectations of the Indiana State Board of Accounts. The Town Council would respectfully request that this matter and this Official Response be given consideration and appropriate action taken to remove the audit finding regarding a conflict of interest by Mr. Loop.

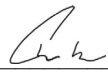
Please do not hesitate to call if you have any questions or concerns regarding this matter.

Sincerely,

Kristi L. Fox

Kristi L. Fox
Attorney at Law
Fox Law Offices, LLC
409 Bank Street
New Albany, IN 47150
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E: kfox@thefoxlawoffices.com


This letter and official response, as well as the contents herein, is approved and joined in individually by each of the below Town Council Members:



Name: Christopher Loop
Date: 06 / 28 / 2024



Name: Brandon Hopf
Date: 06 / 28 / 2024



Name: Doug Wacker
Date: 06 / 28 / 2024



Name: Jason Parrish

Page 3 of 4

Date: 06 / 28 / 2024

Matt Nolan

Name: Matt Nolan

Date: 06 / 28 / 2024

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TOWN COUNCIL
TOWN OF GEORGETOWN
EXIT CONFERENCE

The contents of this report were discussed on June 20, 2024, with Julia Keibler, Clerk-Treasurer; Christopher Loop, President of the Town Council; and Reny Keener, Town Manager.

TOWN OF GEORGETOWN
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Christopher Loop, President of the Town Council: Conflict of Interest, pages 18 and 19	\$ 5,000	\$ -	\$ 5,000
Totals	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ 5,000</u>

This report was forwarded to the local prosecuting attorney and the Office of the Indiana Attorney General.

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AFFIDAVIT

STATE OF INDIANA))
HARRISON COUNTY)

We, Melissa Hayes and William Mehling, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Town of Georgetown, Floyd County, Indiana, for the period from January 1, 2019 to December 31, 2022, is true and correct to the best of our knowledge and belief.

Melissa Hayes
William Mehling
Field Examiners

Subscribed and sworn to before me this 18 day of July, 2024.

Barbara Lynn Fleace
Notary Public

My Commission Expires: Feb 14, 2032

County of Residence: Harrison

