

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

COMPLIANCE EXAMINATION REPORT

OF

TOWN OF GENEVA

ADAMS COUNTY, INDIANA

January 1, 2022 to December 31, 2022



FILED

02/27/2024



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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To: The Officials of the Town of Geneva
Town of Geneva
Adams County, Indiana

This report is supplemental to the audit report of the Town of Geneva (Town), for the period January 1, 2022 to December 31, 2022. It has been provided as a separate report so that the reader may easily identify any Examination Findings that pertain to the Town. It should be read in conjunction with the financial statement audit report of the Town, which provides an opinion 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 engaged private examiners under our review to perform the audit of the Town and perform procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Examination Findings and Results contained herein describe the identified reportable instances of noncompliance found as a result of these procedures.

We have reviewed the Supplemental Audit Report for the Town of Geneva prepared by Crowe LLP, Independent Public Accountants, for the period January 1, 2022 to December 31, 2022. In our opinion, the Supplemental Audit Report was prepared in accordance with the guidelines established by the Indiana State Board of Accounts.

We call your attention to the findings in the report on pages 3 through 6.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in black ink that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

COMPLIANCE EXAMINATION OF
TOWN OF GENEVA
Adams County, Indiana
January 1, 2022 to December 31, 2022

TOWN OF GENEVA

Adams County, Indiana
January 1, 2022 to December 31, 2022

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TOWN OF GENEVA
SCHEDULE OF OFFICIALS (Unaudited)
December 31, 2022

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	John Buckingham (Vacant) Anthony Davidson (Vacant)	01-01-22 to 05-06-22 05-07-22 to 05-08-22 05-09-22 to 12-09-22 12-10-22 to 12-31-22
President of the Town Council	Agnes Schoch	01-01-22 to 12-31-22
Superintendent of Wastewater Utility	Doug Busse	01-01-22 to 12-31-22
Superintendent of Water Utility	Trent Shaffer	01-01-22 to 12-31-22

INDEPENDENT ACCOUNTANT'S REPORT

To the Indiana State Board of Accounts and
Management of the Town of Geneva

We have examined the Town of Geneva's ("Town") compliance with the Indiana State Board of Accounts' *Accounting and Uniform Compliance Guidelines Manual For Cities and Towns* during the period January 1, 2022 to December 31, 2022. Management of the Town is responsible for the Town's compliance with the specified requirements. Our responsibility is to express an opinion on the Town's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Town complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our qualified opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the Town's compliance with specified requirements.

Our examination disclosed material noncompliance with the *Accounting and Uniform Compliance Guidelines Manual for Cities and Towns* applicable to the Town during the period January 1, 2022 to December 31, 2022, as described in items 2022-001 through 2022-011 on the following Schedule of Examination Findings and Results.

In our opinion, except for the material noncompliance described in the preceding paragraph, the Town complied, in all material respects, with the aforementioned requirements during the period January 1, 2022 to December 31, 2022.


Crowe LLP

Indianapolis, Indiana
February 16, 2024

TOWN OF GENEVA
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2022 to December 31, 2022

FINDING 2022-001: DISBURSEMENTS – SUPPORTING DOCUMENTS

Criteria: Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual for Cities and Towns states in part, *“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.”*

Condition: During testing of disbursements, we noted 5 instances, in a sample of 22, in which supporting invoice documentation was not provided.

FINDING 2022-002: OVERDRAWN CASH BALANCES

Criteria: Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual for Cities and Towns states in part, *“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.”*

Condition: During testing of cash fund balances, we noted the following clearing funds that were not cost-reimbursement grant based with a cash balance below zero as of December 31, 2022:

Fund	Amount Overdrawn December 31, 2022
Payroll State W/H	\$ 3,754
Payroll County Adj. Gro	367
Payroll PERF W/H	588
Payroll Child Support	798
Payroll Komputrol Tax AT	912

FINDING 2022-003: CAPITAL ASSETS

Criteria: Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual for Cities and Towns states in part, *“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.”*

Condition: During testing of capital assets, we noted the Town did not have a written policy concerning capital assets and the threshold at which an item is considered a capital asset. The Town did not have an organized or complete detailed listing of capital assets. We noted that a physical inventory was not taken at least once every two years.

(Continued)

TOWN OF GENEVA
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2022 to December 31, 2022

FINDING 2022-004: MINIMUM LEVEL OF INTERNAL CONTROLS

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: "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. . . ."

The same comment also appeared in prior Report B60835.

Condition: During testing, we noted that the Town did have formal documentation surrounding the implementation of the minimum level of internal controls. We also noted recurring lack of segregation of duties over controls as it pertains to the recording of receipts and the Annual Financial Report submission.

FINDING 2022-005: INTERNAL CONTROLS – TRAINING

Criteria: Indiana Code 5-11-1-27(h) states in part, "After June 30, 2016, the fiscal officer of a political subdivision shall certify in writing that: . . . (2) personnel, who are not otherwise on leave status, have received training as required by subsection (g)(2)."

Condition: During testing, we noted that the Town had not met the minimum standards for training set in Indiana Code 5-11-1-27(h). The Town was unable to provide documentation supporting that required internal control trainings had been completed.

FINDING 2022-006: GATEWAY UPLOADS

Criteria: The Indiana State Board of Accounts (SBOA) Directive 2018-1 states in part, " Beginning with July 2018 files, which will be due September 15, 2018, all cities, towns, townships, Districts, 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. This remote process will provide for more efficient data processing and save audit costs for our clients.

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

- Bank Reconcilements, Bank Statements, and Outstanding Check Lists
- Approved Board Minutes, please see the user guide for more information and examples
- Funds Ledger, summarizing total receipts, disbursements, and beginning and ending balances by fund

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

- Detail of Receipts for the year
- Detail of Disbursements for the year
- Current year Salary Ordinance (or Schedule)

(Continued)

TOWN OF GENEVA
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2022 to December 31, 2022

FINDING 2022-006: GATEWAY UPLOADS (Continued)

- Annual Vendor History Report
- Annual Payroll History Report, without social security numbers
- Annual Funds Ledger, summarizing year-to-date total receipts, year-to-date disbursements, and beginning and ending balances by fund

The same comment appeared in the prior Report B60835.

Condition: During testing, we noted the Town had not uploaded the April 2023 Council meeting minutes or any of the November 2023 required monthly uploads.

FINDING 2022-007: MOTOR VEHICLE HIGHWAY FUNDS

Criteria: On the chart of accounts, the MVH Fund and MVH Restricted sub-fund shall be shown as follows: "...*Cities and Towns Fund 201 MVH Fund 203 MVH Restricted. Together, MVH and MVH Restricted shall constitute the total MVH Fund. MVH and MVH Restricted will be shown separately on the Annual Financial*

Report..." (State Examiner Directive 2018-2). "*The political subdivision posted, at the time of the receipt of the distribution from the State MVH Account, fifty percent (50%) of the distribution to MVH Restricted*" (State Examiner Directive 2018-2). Indiana Code 8-14-1-5(c) states: "*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 county's highways.*"

The same comment appeared in the prior Report B60835.

Condition: The Town created the Motor Vehicle Highway (MVH) Restricted fund as required. However, the Town did not allocate or deposit at least 50 percent of the distribution from the State Motor Vehicle Highway Account at the time of the receipt into the MVH Restricted fund during 2022.

FINDING 2022-008: RECEIPT ISSUANCE

Criteria: Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual for Cities and Towns states in part, "*Receipts shall be issued and recorded at the time of the transaction.*"

Condition: During testing of utility fee receipts, we noted that the Town does not record customer utility fee receipts as they occur. Utility fee receipts are recorded at month end and allocated to funds and accounts using a fixed percentage split.

FINDING 2022-009: RECORD OF HOURS WORKED

Criteria: Indiana Code 5-11-9-4(b) states in part, "*The state board of accounts shall require that records be maintained showing which hours are worked each day by officers and employees.*"

Condition: During testing of payroll, we noted one employee, in a sample of ten, in which one timecard (out of four) for the month selected for testing was not found by management.

(Continued)

TOWN OF GENEVA
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2022 to December 31, 2022

FINDING 2022-010: COMPENSATION AND BENEFITS

Criteria: Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual for Cities and Towns states in part, *“All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements.”*

Condition: During testing of payroll expenditures, we noted one employee, the Fire Chief of the Volunteer Fire Department, was not paid in accordance with Council approved rate ordinance.

FINDING 2022-011: UTILITY RECEIPTS – SUPPORTING DOCUMENTS

Criteria: Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual for Cities and Towns states in part, *“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.”*

Condition: We selected a sample of ten customer bills to test to verify rates are being charged in accordance with Council approved rate ordinances for Town utility services. Management was unable to provide customer bills for any of the ten selections.

TOWN OF GENEVA
EXIT CONFERENCE
January 1, 2022 to December 31, 2022

The contents of this report were discussed on February 16, 2024 with Morgan Schwartz, Clerk-Treasurer and Agnes Schoch, President of the Town Council.