

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, 2017 to December 31, 2018



FILED
05/14/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Brent M. Fender Julia Keibler	01-01-15 to 05-13-18 05-14-18 to 12-31-22
President of the Town Council	Everett Pullen Christopher Loop	01-01-17 to 12-31-19 01-01-20 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF THE TOWN OF GEORGETOWN, FLOYD COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Georgetown (Town), for the period from January 1, 2017 to December 31, 2018. 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 our Financial Statement Audit Report of the Town, which provides our opinions on the Town's financial statement. 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.

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

April 20, 2020

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CLERK-TREASURER
TOWN OF GEORGETOWN

CLERK-TREASURER
TOWN OF GEORGETOWN
AUDIT RESULTS AND COMMENTS

CONDITION OF RECORDS

A similar comment regarding the issuance of receipts also appeared in prior Report B48948, entitled *RECEIPT ISSUANCE*.

Condition and Context

The financial statement presented for audit was inaccurate and not reflective of the financial activity of the Town's underlying financial records. In addition, the Town's underlying financial records contained a number of errors in the recording of the financial activity.

The financial statement and financial records contained the following errors:

1. The financial statement presented for audit did not agree with the underlying financial records. The following adjustments were proposed, accepted by the Town, and made to the financial statement:
 - a. The Broadband Operating fund's beginning cash balance at January 1, 2017, of \$293, was omitted, and the disbursements for 2017, were understated in the amount of \$293.
 - b. The disbursements of the Parks and Recreation fund, for the year 2017, were understated by \$78.
 - c. Receipts and disbursements for the Waterworks Proceeds fund, in the year 2018, were both overstated by \$5,000,000.
 - d. Disbursements in 2017, totaling \$233,883 for the Wastewater Utility-Operating fund, were omitted from the financial statement.
2. Financial activity was not recorded in the financial records, and, therefore, not included on the financial statement, for the following:
 - a. In 2017, the Town sold its assets of the Water Utility (Utility). Proceeds from the sale of the Utility in the amount of \$308,096 were not recorded in the financial records, and a corresponding disbursement, in the same amount used for the early pay off of water utility revenue bonds, was not recorded.
 - b. Loan proceeds derived from a State Revolving Loan in the amount of \$91,951, were not reported as receipts in 2018, and related debt issuance costs for the same amount were not recorded as disbursements.

Adjustments were proposed, accepted by the Town, and made to the financial statement.

3. Financial activity was not properly recorded to the financial records. A number of errors were identified:
 - a. Receipt and disbursement transactions (including payroll and electronic disbursements) recorded to the financial records did not always have an identifying reference number to allow for the tracing of financial activity back to the source document.

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

b. Numerous adjustment or correction entries were posted to the financial records. Adequate documentation was not maintained to support the amount of, and the reason for, the adjustment or correction. In addition, attempts to correct errors were recorded incorrectly. Instances were identified where checks were issued in error and funds were subsequently returned. The funds returned were recorded as negative disbursement transactions in the original fund but not always to the original disbursement classification.

c. In some instances financial activity was combined into one entry, or multiple transactions were netted and recorded as one entry.

d. Financial activity was not properly classified in the financial records or was recorded to the wrong fund, or both, as follows:

In 2018, expenditures related to employer's FICA contributions were all payed from the General fund, instead of the cost being allocated to the various funds from which the salaries were charged.

Transfers between funds were not always recorded correctly. Some transfers out were recorded as negative receipts in the fund making the transfer, and in other instances recorded as negative disbursements in the receiving fund. Some transfers in were incorrectly classified as miscellaneous revenue or interest income. Several debt payments were incorrectly recorded as a transfer out. As a result, during 2017 and 2018, we have identified receipts in the amount of \$18,471 and \$448,733, respectively, and disbursements in the amounts of \$254,796 and \$1,402,282, respectively, that were incorrectly classified.

4. Transactions were not recorded to the financial records in a timely manner, resulting in some transactions being recorded in the wrong accounting period.

At December 31, 2018, a disbursement was made from the Wastewater Utility-Operating fund to the Wastewater Util-Bond and Interest fund in the amount of \$11,667; however, the corresponding transfer in receipt was not recorded until January 2019.

At December 31, 2016, transfer out disbursements from the Wastewater Utility-Operating fund to the Wastewater Util-Bond and Interest fund in the amount of \$21,168, were recorded; however, the related transfer in receipt was not recorded until January 2017.

Checks totaling \$3,085, were recorded to the financial records in December 2018; however, the checks were dated January 2019.

Instances were identified where payroll tax payments for the month were recorded at one time, instead of as individual transactions on the date of the actual payment.

5. Receipts were not issued for all collections during the audit period to properly document the source of the monies received.

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

Criteria

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

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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](#)."

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

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

INTERNAL CONTROLS

The same comment also appeared in prior Report B48948.

Condition and Context

There were several deficiencies in the internal control system for the Town related to financial transactions and reporting. The Town had not separated incompatible activities related to cash and investments, receipts, disbursements, and financial close and reporting. There were no controls in place such as an oversight, review, or approval process to ensure the accuracy of the financial transactions and reports.

A process was not in place to develop a complete system of internal controls taking into consideration the Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring Activities. The failure to establish a proper system of internal controls enabled material misstatements or irregularities to occur and remain undetected as described in the *Condition of Records* comment.

The following deficiencies in the internal control system were identified:

Cash and Investments

The employee performing the reconciliation of the depository accounts with the record balance was the same individual responsible for recording receipts, preparing bank deposits, and recording and issuing vendor checks. There was no evidence of an oversight, review, or approval process to ensure the accuracy of the reconciliations.

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

Receipts

There was no evidence of an overall review of the receipt financial activity, in a timely manner, by someone not involved in the receipting process to identify potential errors, omissions, or incorrect financial reporting.

Town Receipts

The same employee responsible for recording receipt transactions was responsible for preparing the bank deposit tickets; performing bank reconciliations; and recording and issuing vendor checks.

Monies collected are remitted to the Deputy Clerk-Treasurer for the preparation of the deposit ticket and the recording of transactions. There was no documentation to show the transfer of funds from one individual to another. There is no evidence of a review by another individual that total monies remitted agree with the total monies shown on the deposit ticket and recorded.

Utility Receipts

The same employee responsible for issuing receipts for customer deposits, connectivity fees, and plan fees, was also responsible for recording the transactions to the ledger.

The same employee responsible for collecting utility monthly usage fees, prepared and posted customer billings to the customer accounts, recorded payments received to the customer accounts, recorded adjustments to customer accounts, and prepared the bank deposit tickets.

There was no evidence of a review of the adjustments actually recorded to the customer accounts to the adjustments approved by the Utility Superintendent to ensure only approved adjustments have been recorded to the customer accounts.

An accounts receivable control memo account is not maintained and reconciled with the detail subsidiary record of customer account balances.

A reconciliation of the customer deposit control account with the subsidiary detail customer meter deposit account was not performed to ensure all financial activity recorded to the subsidiary record had been recorded in the financial ledger.

Disbursements

There was no evidence of an overall review of the disbursement financial activity, in a timely manner, by someone not involved in the disbursement process to identify potential errors, omissions, or incorrect financial reporting.

Vendor Disbursements

The same employee responsible for processing, posting, and paying vendors and payroll deductions also performed the monthly bank reconciliation, prepared bank deposit tickets, and recorded receipts. The employee routinely stamped the Clerk-Treasurer's signature on checks.

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

The Clerk-Treasurer is the authorized signer for checks. The blank check stock was not stored in a secure location to restrict unauthorized access. The Clerk-Treasurer's signature stamp, although stored in a secure location, was accessible to all staff.

Payroll Disbursements

The employee responsible for processing payroll was also the same individual responsible for adding new employees, inactivating employees, and entering pay rates without any oversight or review to ensure the accuracy of the information.

Records of hours worked for some employees were not approved by those employees' supervisor prior to payment being made.

A detail payroll register showing payments made to each employees is not presented to and approved by the Town Council to allow the council to be able to verify employees are being properly paid.

A review of the balance in the payroll clearing account to supporting payroll deductions was not performed to verify the accuracy of the ending balance in the clearing account.

Financial Close and Reporting

The Clerk-Treasurer entered and submitted financial information for the Town into the Indiana Gateway for Government Units financial reporting system, which was the source for the Annual Financial Report and the financial statement. There was no evidence of an oversight, review, or approval process to ensure the accuracy of the information entered and submitted.

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 environment, risk assessment, control activities, information and communication and monitoring activities. According to this manual:

Control Environment

"The control environment is the basic commonality for all and comprises the integrity and ethical values of the political subdivision established by the oversight body and management. The standards, processes, and structures which form the control environment pervasively impact the overall system of internal control. The oversight body and management convey leadership expectations, and overall tone which are reinforced by all officials and management throughout the various offices and departments. The control environment also contains the overall accountability structure for all employees through performance and reward measures. Within this structure, leadership demonstrates commitment to the political subdivision by having a process for attracting, developing, and retaining competent individuals. This component is static in that its underpinnings do not generally change with a given objective."

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

Risk Assessment

"Risk is the possibility that an event will occur and adversely affect the achievement of objectives. Risk assessment is the process used to identify and assess internal and external risks to the achievement of objectives, and then establish risk tolerances. Each identified risk is evaluated in terms of its impact and likelihood of occurrence. Overall, risk assessment is the basis for determining how risk will be managed. . . .

Management identifies risks to the achievement of the political subdivision's objectives across the unit as a whole and within each office or department. Analysis of risk through determination of objective measures and variance tolerance is the basis for determining how the risks should be managed. The response to risk is selected: acceptance, avoidance, reduction, or sharing. . . .

Internal control is a process, and part of that process is the responsibility for management to be continually aware of changes, both external and internal, that could affect the achievement of the political subdivision's objectives. Those changes should be analyzed for both their immediate effect and for any future impact. Management would then determine any modifications needed in the internal control process to adapt to these changes."

Control Activities

"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. . . ."

Information and Communication

"Relevant information from both internal and external sources is necessary to support the functioning of the other components of internal control. Communication is the continual process of providing, sharing, and obtaining necessary information. Internal communication enables personnel to receive a clear message that control responsibilities are taken seriously by the organization. External communication enables relevant outside information to be internalized and internal information to be clearly communicated to external parties."

Monitoring Activities

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

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

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

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)

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)

ERRORS ON CLAIMS

The same comment also appeared in prior Report B48948.

Condition and Context

The following deficiencies were noted:

1. Of the disbursements tested, 10 percent lacked adequate supporting documentation.
2. During 2018, the Town discontinued the use of Accounts Payable Vouchers and Accounts Payable Voucher Registers, which are prescribed forms.
3. After the Town discontinued the use of the Accounts Payable Vouchers during 2018, disbursements did not contain evidence that the invoice was approved by the officer or person receiving the goods and services. Additionally, disbursements were not certified by the Clerk-Treasurer.

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;

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

- (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. . . ."

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)

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)

FUND SOURCES AND USES

Condition and Context

Information was not presented for audit to document approval by the Town Council for transfers between funds totaling \$359,700 during the audit period. This amount included \$300,000 that was transferred from the General fund to the Storm Water Utility-Operating fund. The Indiana State Board of Accounts is not aware of any authority authorizing the transfer from the General fund to a Storm Water Utility fund.

Criteria

Indiana Code 36-5-4-13(a) states in part:

". . . Except as provided in subsection (c), this subsection applies to a town with a population of five hundred (500) or less. Notwithstanding the provisions of any other statute, a town may transfer money from any town fund to another town fund after the passage of an ordinance or a resolution by the town legislative body specifying the:

- (1) amount of the transfer;
- (2) funds involved;
- (3) date of the transfer; and
- (4) general purpose of the transfer."

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)

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

WATER OPERATING FUND DISBURSEMENTS

Condition and Context

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 Waterworks 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.

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 should be transferred to the General fund upon the fund being declared dormant by the Town Council. As of March 4, 2020, the Town Council had not declared the fund dormant, or transferred the cash balance to the General fund.

Our review of the Water Utility-Operating fund subsequent to the sale of the Water Utility, and after payment of all water operating related expenses, showed disbursements from the fund that were not water utility related. These disbursements included:

1. A portion of salaries for the Town's elected officials and employees in the amount of \$47,390.
2. Legal fees related to the establishment of a Tax Increment Financing District in the amount of \$17,469.
3. Various other expenses in the amount of \$27,469.

Criteria

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. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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 purposes of the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CAPITAL ASSETS

Condition and Context

The Town and utilities did not properly maintain a complete inventory of capital assets owned. A detail 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.

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

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)

PUBLIC RECORDS RETENTION

Condition and Context

The following monthly utility billing reports were not retained for audit:

Utility Service Billings - July 2017, December 2017, February 2018

Late Payment Penalty Charges - April 2018

Criteria

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

LATE SUBMISSION OF ANNUAL FINANCIAL REPORT

The same comment also appeared in prior Report B48948, entitled *ANNUAL FINANCIAL REPORT*.

Condition and Context

The Town's Annual Financial Report for 2017 was not filed electronically until May 22, 2018, which was 82 days past the due date.

Criteria

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

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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](#)."



April 30, 2020

OFFICIAL RESPONSE

Indiana State Board of Accounts
302 W. Washington Street, Room E418
Indianapolis, IN 46204-2765
ldavid@sboa.in.gov

This is the Official Response of the Town of Georgetown regarding the recently completed Audit for the period examined January 1, 2017 to December 31, 2018.

Corrective Action Plan

The Town of Georgetown has submitted a corrective action plan on the items requested in the audit report. The Town intends to work with State Board of Accounts to ensure this plan to approved and implemented for the Town.

Conflict of Interest

The Town of Georgetown plans to house of copy of the sample Conflict of Interest Statement in the Clerk's office. The Town officials have reviewed and are now aware of the recommended Statement and the statute requiring written disclosure. The Town will utilize this Statement going forward.

Adoption and Training of Internal Control Standards

The Town of Georgetown is working to ensure the proper people within the Town are set up to receive new guidance and information from State Board of Accounts and the State of Indiana on training and requirements placed on Towns to ensure the Town stays in compliance. The Town officials, appointees, and employees will be completing the required training and will complete the certification required after the training is completed.

The Town Council intends to adopt the State Board of Accounts Uniform Internal Control Standards at the next public meeting of the Town once the State of Emergency is lifted.

Water Operating Fund Disbursements

The Town of Georgetown sold its Water Utility in November 2017. After the closing of the sale items remained to finalize and close out the sale of the water utility and wrap up work necessary to finalize billing, legal requirements of the sale, and employee work on



transferring the assets and accounts associated with the Water Utility. The Town believes the items identified were as a result of the Water Utility and finalizing the sale and transfer and were appropriate expenditures from that fund.

Fund Sources and Uses

The Town of Georgetown is aware of the statute allowing the transfer of money from any town fund to another town fund after passage of an ordinance or resolution that was cited in the report. The Town is unaware of any statute prohibiting the transfer of funds from the General Fund to Storm Water Operating Fund. The Town passed a resolution authorizing the transfer of \$300,000 from the General Fund to the Water Operating Fund. The remaining transfers of \$57,900 were made in error and moving forward documentation and approval of any errors will be provided.

The Town Council intends to declare the fund for Water Operating dormant and transfer the remaining funds to the general fund at the next public meeting of the Town once the State of Emergency is lifted.

Capital Assets

The Town of Georgetown is aware of the capital assets requirement at this time and plans to comply as required. A complete inventory of capital assets owned will be compiled and a detailed listing of all acquisitions will be provided. A physical inventory will take place every two years.

Public Records Retention

An electronic file and a paper copy of all monthly billing reports will be maintained.

It is the Town's goal to comply with all Indiana guidelines regarding the finances of the Town of Georgetown both now and in the future to ensure compliance, protection and stability of our community.

Thank you.

A handwritten signature in black ink, appearing to read "Chris Loop".

Chris Loop
President of Georgetown Town Council

A handwritten signature in blue ink, appearing to read "Julia Keibler".

Julia Keibler,
Clerk Treasurer of the Town of Georgetown

CLERK TREASURER
TOWN OF GEORGETOWN
EXIT CONFERENCE

The contents of this report were discussed on April 20, 2020, with Julia Keibler, Clerk-Treasurer, and Christopher Loop, President of the Town Council.

TOWN COUNCIL
TOWN OF GEORGETOWN

TOWN COUNCIL
TOWN OF GEORGETOWN
AUDIT RESULTS AND COMMENTS

CONFLICT OF INTEREST

Condition and Context

During 2018, the Town purchased a parcel of real estate in the amount of \$46,905, from Town Council member, Kathy Haller. Ms. Haller abstained from voting on matters related to the Town's purchase of the property; however, she did not file a Conflict of Interest Statement covering the transaction as required by statute.

Criteria

Indiana Code 35-44.1-1-4 states in part:

". . . (b) A public servant who knowingly or intentionally:

- (1) has a pecuniary interest in; or
- (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Level 6 felony.

(c) It is not an offense under this section if any of the following apply: . . .

(6) A public servant makes a disclosure that meets the requirements of subsection (d) or (e) and is . . .

(B) appointed by an elected public servant;

(C) employed by the governing body of a school corporation and the contract or purchase involves the employment of a dependent or the payment of fees to a dependent;

(D) elected; or

(E) a member of, or a person appointed by, the board of trustees of a state supported college or university. . . .

(d) 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;

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

(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 . . ."

ADOPTION OF AND TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

As of March 4, 2020, the Town had not adopted the acceptable minimum level of internal control standards, as defined by the Indiana State Board of Accounts, and required personnel had not received training over the internal control standards.

Criteria

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

WATER OPERATING FUND DISBURSEMENTS

Condition and Context

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 Waterworks 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.

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 should be transferred to the General fund upon the fund being declared dormant by the Town Council. As of March 4, 2020, the Town Council has not declared the fund dormant, or transferred the cash balance to the General fund.

Our review of the Water Utility-Operating fund subsequent to the sale of the Water Utility, and after payment of all water operating related expenses, showed disbursements from the fund that were not water utility related. These disbursements included:

1. A portion of salaries for the Town's elected officials and employees in the amount of \$47,390.

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

2. Legal fees related to the establishment of a Tax Increment Financing District in the amount of \$17,469.
3. Various other expenses in the amount of \$27,469.

Criteria

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. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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 purposes of the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

FUND SOURCES AND USES

Condition and Context

Information was not presented for audit to document approval by the Town Council for transfers between funds totaling \$359,700, during the audit period. This amount included \$300,000 that was transferred from the General fund to the Storm Water Utility-Operating fund. The Indiana State Board of Accounts is not aware of any authority authorizing the transfer from the General fund to a Storm Water Utility fund.

Criteria

Indiana Code 36-5-4-13(a) states:

"Except as provided in subsection (c), this subsection applies to a town with a population of five hundred (500) or less. Notwithstanding the provisions of any other statute, a town may transfer money from any town fund to another town fund after the passage of an ordinance or a resolution by the town legislative body specifying the:

- (1) amount of the transfer;
- (2) funds involved;
- (3) date of the transfer; and
- (4) general purpose of the transfer."

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)



April 30, 2020

OFFICIAL RESPONSE

Indiana State Board of Accounts
302 W. Washington Street, Room E418
Indianapolis, IN 46204-2765
ldavid@sboa.in.gov

This is the Official Response of the Town of Georgetown regarding the recently completed Audit for the period examined January 1, 2017 to December 31, 2018.

Corrective Action Plan

The Town of Georgetown has submitted a corrective action plan on the items requested in the audit report. The Town intends to work with State Board of Accounts to ensure this plan to approved and implemented for the Town.

Conflict of Interest

The Town of Georgetown plans to house of copy of the sample Conflict of Interest Statement in the Clerk's office. The Town officials have reviewed and are now aware of the recommended Statement and the statute requiring written disclosure. The Town will utilize this Statement going forward.

Adoption and Training of Internal Control Standards

The Town of Georgetown is working to ensure the proper people within the Town are set up to receive new guidance and information from State Board of Accounts and the State of Indiana on training and requirements placed on Towns to ensure the Town stays in compliance. The Town officials, appointees, and employees will be completing the required training and will complete the certification required after the training is completed.

The Town Council intends to adopt the State Board of Accounts Uniform Internal Control Standards at the next public meeting of the Town once the State of Emergency is lifted.

Water Operating Fund Disbursements

The Town of Georgetown sold its Water Utility in November 2017. After the closing of the sale items remained to finalize and close out the sale of the water utility and wrap up work necessary to finalize billing, legal requirements of the sale, and employee work on



transferring the assets and accounts associated with the Water Utility. The Town believes the items identified were as a result of the Water Utility and finalizing the sale and transfer and were appropriate expenditures from that fund.

Fund Sources and Uses

The Town of Georgetown is aware of the statute allowing the transfer of money from any town fund to another town fund after passage of an ordinance or resolution that was cited in the report. The Town is unaware of any statute prohibiting the transfer of funds from the General Fund to Storm Water Operating Fund. The Town passed a resolution authorizing the transfer of \$300,000 from the General Fund to the Water Operating Fund. The remaining transfers of \$57,900 were made in error and moving forward documentation and approval of any errors will be provided.

The Town Council intends to declare the fund for Water Operating dormant and transfer the remaining funds to the general fund at the next public meeting of the Town once the State of Emergency is lifted.

Capital Assets

The Town of Georgetown is aware of the capital assets requirement at this time and plans to comply as required. A complete inventory of capital assets owned will be compiled and a detailed listing of all acquisitions will be provided. A physical inventory will take place every two years.

Public Records Retention

An electronic file and a paper copy of all monthly billing reports will be maintained.

It is the Town's goal to comply with all Indiana guidelines regarding the finances of the Town of Georgetown both now and in the future to ensure compliance, protection and stability of our community.

Thank you.

A handwritten signature in black ink, appearing to read "Chris Loop".

Chris Loop
President of Georgetown Town Council

A handwritten signature in blue ink, appearing to read "Julia Keibler".

Julia Keibler,
Clerk Treasurer of the Town of Georgetown

TOWN COUNCIL
TOWN OF GEORGETOWN
EXIT CONFERENCE

The contents of this report were discussed on April 20, 2020, with Julia Keibler, Clerk-Treasurer, and Christopher Loop, President of Town Council.