

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF GENEVA

ADAMS COUNTY, INDIANA

January 1, 2019 to December 31, 2021



FILED
03/01/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jane Kaverman	01-01-19 to 12-31-21
	John Buckingham	01-01-22 to 05-06-22
	(Vacant)	05-07-22 to 05-08-22
	Anthony Davidson	05-09-22 to 12-09-22
	(Vacant)	12-10-22 to 01-26-23
President of the Town Council	Agnes Schoch	01-01-19 to 12-31-23
Superintendent of Wastewater Utility	Scott Smith	01-01-19 to 02-15-20
	Doug Busse	02-16-20 to 12-31-23
Superintendent of Water Utility	Scott Smith	01-01-19 to 06-14-19
	Trent Shaffer	06-15-19 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF GENEVA, ADAMS COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Geneva (Town), for the period from January 1, 2019 to December 31, 2021. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the Town. It should be read in conjunction with our 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.

A handwritten signature in blue ink that reads "Beth Kelley".

Beth Kelley, CPA, CFE
Deputy State Examiner

January 26, 2023

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CLERK-TREASURER
TOWN OF GENEVA

CLERK-TREASURER
TOWN OF GENEVA
AUDIT RESULTS AND COMMENTS

MONTHLY AND ANNUAL UPLOADS

Condition and Context

The Town did not upload the required December 2021 monthly files and the 2021 annual files to the Indiana Gateway for Government Units financial reporting system.

Criteria

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the 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.

A user guide for the Engagement Uploads is available and located at: <https://gateway.ifionline.org/userguides/engagementguide> **It is pertinent that this user guide be used in conjunction with this Directive.** It provides critical information to you that will help guide you to uploading the correct documents. (Amended State Examiner Directive 2018-1)

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)

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

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 2019 and 2020. In 2020, the Town did not adopt an ordinance or resolution authorizing the allocation of more than 50 percent of the distribution from the Motor Vehicle Highway fund to the MVH Restricted fund. Additionally, out of ten disbursements tested from the MVH Restricted fund in 2021, five were not deemed as Construction, Reconstruction, or Preservation expenses.

Criteria

Starting on January 1, 2019, the political subdivision must post at the time of receipt of the distribution from the State Motor Vehicle Highway Account fifty percent (50%) of the distribution to MVH Restricted.

The political subdivision, by ordinance or resolution, may elect to allocate more than fifty percent (50%) of the distributions to MVH Restricted. During the same fiscal year, the political subdivision may transfer, by ordinance or resolution, the amount allocated in excess of the 50% requirement from MVH Restricted to MVH. ***In no event can any transfers from MVH Restricted to MVH reduce the fiscal year distributions from the State Motor Vehicle Highway Account below the 50% requirement for MVH Restricted.*** (State Examiner Directive 2018-2)

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

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 city's or town's highways."

INTERNAL CONTROLS

Condition and Context

There were deficiencies in the internal control system of the Town related to financial transactions and reporting.

Receipts

The Town had not established a system of internal control or separated incompatible activities related to receipts. One employee was responsible for collecting, depositing, and posting receipts to the Town's accounting system.

Financial Close and Reporting

The Town had not established a system of internal control or separated incompatible activities related to financial close and reporting. There was no evidence that someone with knowledge of the Town's financial activities reviewed the Annual Financial Report prior to submission into the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statements.

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. . . ."

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

UTILITY BILLINGS

Condition and Context

The Town's utility billing software was not updated with the applicable minimum monthly charges for the year 2020, in accordance with the Town's utility rate ordinance. The Town's 2020 utility billing rates were not verified by Town personnel, which resulted in utility customers being charged at an incorrect rate.

Criteria

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF GENEVA
EXIT CONFERENCE

The contents of this report were discussed on January 26, 2023, with Agnes Schoch, President of the Town Council, and Bill Warren, Office Staff member.

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TOWN COUNCIL
TOWN OF GENEVA

TOWN COUNCIL
TOWN OF GENEVA
AUDIT RESULT AND COMMENT

SUBSEQUENT EVENT - VACANCY IN OFFICE

Condition and Context

The office of Clerk-Treasurer was vacated on December 9, 2022, and remains vacant as of February 24, 2023.

Criteria

Indiana Code 3-13-11-16 states:

"In accordance with section 12 of this chapter, if a chief deputy employee does not exist in the office of clerk or clerk-treasurer of a city or town, or the chief deputy employee declines or is ineligible to serve, the mayor of the city or the president of the town council shall appoint, as soon as is reasonably possible, a person to assume the duties of the office until the office is filled under this chapter."

Indiana Code 3-13-9-1 states: "A vacancy in a town office that was last held by a person elected or selected as a candidate of a major political party of the state shall be filled by a caucus under IC 3-13-11."

Indiana Code 36-5-6-9 states:

"(a) This section applies if an office of town clerk-treasurer is vacant and the town legislative body is unable to fill the office under IC 3-13-9-3.

(b) The town legislative body may select a town legislative body member, who shall assume the duties of the office of town clerk-treasurer. For purposes of Article 2, Section 9 of the Constitution of the State of Indiana and Indiana law, if a town legislative body member serves as the ex officio town clerk-treasurer, the duties assumed by the town legislative body member:

- (1) are considered part of the duties prescribed by law for the office of town legislative body member; and
- (2) are not considered a second office.

A town legislative body member may not receive any additional compensation for assuming the duties of the town clerk treasurer.

(c) The town legislative body may enter into an interlocal agreement under IC 36-1-7 with the town clerk-treasurer and town legislative body of another town in the state to assist the town legislative body member selected under subsection (b) in performing the duties of the clerk-treasurer's office. The agreement may not last longer than the remainder of the vacant clerk-treasurer's term and must meet the requirements of IC 36-1-7.

(d) If an agreement cannot be reached under subsection (c), the town legislative body may enter into a contract with a certified public accountant to assist the town legislative body member selected under subsection (b) in performing the duties of the clerk-treasurer's office. The contract may not last longer than the remainder of the vacant clerk-treasurer's term."

TOWN COUNCIL
TOWN OF GENEVA
EXIT CONFERENCE

The contents of this report were discussed on February 24, 2023, with Agnes Schoch, President of the Town Council.