

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF ATLANTA

HAMILTON COUNTY, INDIANA

January 1, 2022 to December 31, 2022



**FILED**  
09/12/2023



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jennifer Farley	01-01-22 to 12-31-23
President of the Town Council	Murry Dixon	01-01-22 to 12-31-23



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF ATLANTA, HAMILTON COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Atlanta (Town), for the period from January 1, 2022 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 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/](http://www.in.gov/sboa/).

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE  
Deputy State Examiner

August 30, 2023

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CLERK-TREASURER  
TOWN OF ATLANTA

CLERK-TREASURER  
TOWN OF ATLANTA  
AUDIT RESULTS AND COMMENTS

**FINANCIAL TRANSACTIONS AND REPORTING**

*Condition and Context*

The Town had not properly designed or implemented a system of internal controls, which would include appropriate segregation of duties, related to financial transactions and reporting that would likely be effective in preventing, or detecting and correcting, errors.

The Town is required to complete the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The information reported in the AFR is the basis for the Town's financial statement and the Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis reported as Required Supplementary Information (RSI). The Town had not established effective internal controls over the AFR information entered into Gateway.

The Town was awarded funding from the Indiana Finance Authority (IFA) for its approved wastewater system improvement project through the State Water Infrastructure or Transportation (SWIF) grant program and the State Revolving Fund (SRF) loan program. The Town submitted disbursement requests with the associated invoices/bills to the IFA for payment related to the project. The IFA reviewed the requests, then if approved, payment was sent directly to the vendor from the IFA. As part of this process, the Town should have recorded the receipts and disbursements for these transactions in its financial ledger and in its AFR; however, the Town did not record or report the amounts.

Due to the lack of effective internal controls, the financial statement and the RSI presented for audit included the following errors:

1. The State Water Infrastructure Fund Grant was omitted from the financial statement. This resulted in the receipts and disbursements both being understated by \$800,000.
2. In addition, the SRF Forgivable BAN was omitted from the financial statement. This resulted in the receipts and disbursements both being understated by \$748,244.

Audit adjustments were proposed, approved by the Town, and made to the financial statement and the RSI presented in the Financial Statement Audit Report.

*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. . . .

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AUDIT RESULTS AND COMMENTS  
(Continued)

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. . . ."

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](#)."

## **CAPITAL ASSETS**

### *Condition and Context*

The Town maintained a detailed listing of capital assets; however, the asset records provided for audit did not reflect all additions for the current audit period. Construction In Progress was not included in the capital asset records. Also, no supporting documentation was presented to show that an inventory of capital assets was conducted on an annual basis as required by the Town Resolution No.R-07-01-08. Therefore, the capital asset information reported on the Annual Financial Report in the Indiana Gateway for Government Units financial reporting system was not accurate and thus was excluded from presentation in the Financial Statement Audit Report.

### *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 Indiana Cities and Towns, Chapter 1)

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](#)."

## **CONTRACTS**

### *Condition and Context*

The Town entered into a contract for a construction project in the amount of \$84,840. The Town obtained quotes as would have been required for a contract of this dollar amount. However, the Town elected to change the scope of the project once the funding was awarded to cover additional improvements. As the scope of the project changed and the total price increased to over \$429,000, more than 20 percent above of the original contract price, the project should have been reviewed and bid out. The Town did not solicit sealed bids.

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TOWN OF ATLANTA  
AUDIT RESULTS AND COMMENTS  
(Continued)

In addition, the Town purchased equipment for \$84,100, but did not enter into a contract for this purchase.

*Criteria*

Indiana Code 5-22-8-3 states in part:

"(a) This section applies only if the purchasing agent expects the purchase to be:

- (1) at least fifty thousand dollars (\$50,000); and
- (2) not more than one hundred fifty thousand dollars (\$150,000). . . .

(d) If the purchasing agent receives a satisfactory quote, the purchasing agent shall award a contract to the lowest responsible and responsive offeror for each line or class of supplies required. . . ."

Indiana Code 36-1-12-4 states in part:

"(a) This section applies whenever the cost of a public work project will be at least one hundred fifty thousand dollars (\$150,000).

(b) The board must comply with the following procedure:

- (1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. If the project involves the resurfacing (as defined by [IC 8-14-2-1](#)) of a road, street, or bridge, the specifications must show how the weight or volume of the materials will be accurately measured and verified.
- (2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3).
- (3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with [IC 5-3-1](#) calling for sealed proposals for the public work needed. . . .
- (4) The notice must specify the place where the plans and specifications are on file and the date fixed for receiving bids.
- (5) The period of time between the date of the first publication and the date of receiving bids shall be governed by the size of the contemplated project in the discretion of the board. The period of time between the date of the first publication and receiving bids may not be more than:
  - (A) six (6) weeks if the estimated cost of the public works project is less than twenty-five million dollars (\$25,000,000); and

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(Continued)

- (B) ten (10) weeks if the estimated cost of the public works project is at least twenty-five million dollars (\$25,000,000).
- (6) The board shall require the bidder to submit a financial statement, a statement of experience, a proposed plan or plans for performing the public work, and the equipment that the bidder has available for the performance of the public work. The statement shall be submitted on forms prescribed by the state board of accounts.
- (7) The board may not require a bidder to submit a bid before the meeting at which bids are to be received. The meeting for receiving bids must be open to the public. All bids received shall be opened publicly and read aloud at the time and place designated and not before. Notwithstanding any other law, bids may be opened after the time designated if both of the following apply:
- (A) The board makes a written determination that it is in the best interest of the board to delay the opening.
- (B) The day, time, and place of the rescheduled opening are announced at the day, time, and place of the originally scheduled opening.
- (8) Except as provided in subsection (c), the board shall:
- (A) award the contract for public work or improvements to the lowest responsible and responsive bidder; or
- (B) reject all bids submitted.
- (9) If the board awards the contract to a bidder other than the lowest bidder, the board must state in the minutes or memoranda, at the time the award is made, the factors used to determine which bidder is the lowest responsible and responsive bidder and to justify the award. The board shall keep a copy of the minutes or memoranda available for public inspection.
- (10) In determining whether a bidder is responsive, the board may consider the following factors:
- (A) Whether the bidder has submitted a bid or quote that conforms in all material respects to the specifications.
- (B) Whether the bidder has submitted a bid that complies specifically with the invitation to bid and the instructions to bidders.
- (C) Whether the bidder has complied with all applicable statutes, ordinances, resolutions, or rules pertaining to the award of a public contract.
- (11) In determining whether a bidder is a responsible bidder, the board may consider the following factors:
- (A) The ability and capacity of the bidder to perform the work.
- (B) The integrity, character, and reputation of the bidder.
- (C) The competence and experience of the bidder.

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(Continued)

(12) The board shall require the bidder to submit an affidavit:

(A) that the bidder has not entered into a combination or agreement:

- (i) relative to the price to be bid by a person;
- (ii) to prevent a person from bidding; or
- (iii) to induce a person to refrain from bidding; and

(B) that the bidder's bid is made without reference to any other bid. . . ."

Indiana Code 36-1-12-18 states:

"(a) If, in the course of the construction, reconstruction, or repair of a public work project, it becomes necessary to change or alter the original specifications, a change order may be issued to add, delete, or change an item or items in the original contract. The change order becomes an addendum to the contract and must be approved and signed by the board and the contractor.

(b) If a licensed architect or engineer is assigned to the public work project, the change order must be prepared by that person.

(c) A change order may not be issued before commencement of the actual construction, reconstruction, or repairs except in the case of an emergency. In that case, the board must make a declaration, and the board's minutes must show the nature of the emergency.

(d) The total of all change orders issued that increase the scope of the project may not exceed twenty percent (20%) of the amount of the original contract. A change order issued as a result of circumstances that could not have been reasonably foreseen does not increase the scope of the project.

(e) All change orders must be directly related to the original public work project.

(f) If additional units of materials included in the original contract are needed, the cost of these units in the change order must be the same as those shown in the original contract."

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)

CLERK-TREASURER  
TOWN OF ATLANTA  
EXIT CONFERENCE

The contents of this report were discussed on August 30, 2023, with Jennifer Farley, Clerk-Treasurer; Murry Dixon, President of the Town Council; and Pam VanHook, Town Council member.