

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF ATTICA

FOUNTAIN COUNTY, INDIANA

January 1, 2023 to December 31, 2023



FILED
09/21/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Joanne Broadwater	01-01-23 to 12-31-24
Mayor	Duane Roderick Larry Grant	01-01-23 to 12-31-23 01-01-24 to 12-31-24
President of the Board of Public Works	Andy Smart	01-01-23 to 12-31-24
President of the Common Council	Larry Grant Scott Voorhees	01-01-23 to 12-31-23 01-01-24 to 12-31-24
Superintendent of the Streets and Utilities	Eric Swank	01-01-23 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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TO: THE OFFICIALS OF THE CITY OF ATTICA, FOUNTAIN COUNTY, INDIANA

This report is supplemental to the audit report of the City of Attica (City), for the period from January 1, 2023 to December 31, 2023. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the City. It should be read in conjunction with the Financial Statement Audit Report of the City, which provides our opinions on the City'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.

Beth Kelley, CPA, CFE
Deputy State Examiner

August 29, 2024

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CLERK-TREASURER
CITY OF ATTICA

CLERK-TREASURER
CITY OF ATTICA
AUDIT RESULTS AND COMMENTS

CEMETERY FUND

Condition and Context

Internal controls were not in place to ensure that the City complied with transfer requirements. The Cemetery fund balance was moved to the General Fund in the amount of \$66,360. The transfer was made by a representative of the software vendor; however, the transaction was not recorded in the City's ledger. Because the Cemetery fund no longer had a tax rate, the Common Council approved the transfer to close the fund. Although there was no current tax levy, the purpose of the levy had not been fulfilled and funds levied for the operation and maintenance of the cemetery should not have been transferred to another fund.

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. . . ."

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)

BANK ACCOUNT RECONCILIATIONS

Condition and Context

The Deputy Clerk-Treasurer completed the bank reconciliations for the operating account, investment account, and Bank of New York accounts. The Mayor reviewed the completed bank reconciliations; however, the internal control was not effective and did not prevent or detect and allow correction of errors.

Due to the lack of effective internal controls, the December 31, 2023 bank reconciliation included the following errors:

- The bank reconciliation for the general bank account included an outstanding check in the amount of \$28,438 dated June 6, 2023, for a disbursement made to the Bank of New York for the monthly debt payment. However, the transaction was voided in the software system on December 23, 2023, and reissued on February 26, 2024.

CLERK-TREASURER
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(Continued)

- The bank reconciliation for the Bank of New York SRFDW Attica Construction account included an outstanding check in the amount of \$161,502. The amount consisted of \$128,591 that was posted in the City's ledger on December 5, 2023, and \$8,250 that was posted in the City's ledger on December 19, 2023. However, these two amounts were reflected on the January 2024 Bank of New York bank statement as being disbursed on January 4, 2024, and January 18, 2024. The amount also consisted of \$24,661 indicated as a disbursement on September 5, 2023. However, that amount had already been disbursed and included in a previous transaction of \$90,680 dated September 14, 2023.
- The bank reconciliation for the Bank of New York SRFDW Attica Reserve account included a deposit in transit in the amount of \$1,095. The amount was posted in the City's ledger on May 31, 2023, and indicated as interest earned but there was no supporting documentation for this transaction.
- There were 11 outstanding checks from the General bank account and the Court bank account that were written in 2018 and 2020, totaling \$6,746, that were still outstanding as of December 31, 2023.
- There were 4 outstanding cash adjustment transactions from the General bank account from 2018, totaling \$1,455, that were still outstanding as of December 31, 2023.
- There was 1 deposit in transit from 2019 and one deposit in transit from 2020 for the Court bank account, totaling \$478, that were still outstanding as of December 31, 2023.

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 as set forth in the uniform compliance guidelines. 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](#)."

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."

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void. . . ."

Indiana Code 5-11-10.5-3 states:

"Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the:

CLERK-TREASURER
CITY OF ATTICA
AUDIT RESULTS AND COMMENTS
(Continued)

- (1) board of finance of the political subdivision; or
- (2) fiscal body of a city or town.

The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

Indiana Code 5-11-10.5-5 states in part:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision. . . ."

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. . . ."

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
CITY OF ATTICA
AUDIT RESULTS AND COMMENTS
(Continued)

CONFLICT OF INTEREST DISCLOSURE OF RELATED-PARTY TRANSACTIONS

Condition and Context

Due to lack of internal controls, a Uniform Conflict of Interest Disclosure Statement was not filed by Duane A. Roderick, former Mayor, who managed Niemann Foods, Inc. with the Indiana State Board of Accounts (SBOA) for 2023. The City made payments to Niemann Foods, Inc. in the amount of \$1,090. The SBOA would have expected to receive a conflict of interest disclosure for this related-party transaction. There was not one on file during the audit period.

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;
- (6) be filed within fifteen (15) days after final action on the contract or purchase with:

CLERK-TREASURER
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AUDIT RESULTS AND COMMENTS
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(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 . . ."

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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GRANT FUNDS IN SEPARATE FUNDS

Condition and Context

Internal controls were not in place to ensure that the City complied with grant requirements. The City received a Community Development Block Grant (CDBG) in the amount of \$408,483 that was receipted into the General Fund. A separate fund was not created for each new grant. Grant money received should be placed in a separate grant fund to ensure proper accounting of the grant monies and compliance with those specific grant funds and uses.

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:

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An integral part of the control activity component is segregation of duties. . . .

CLERK-TREASURER
CITY OF ATTICA
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. . . ."

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Non-compliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Accurate financial recordkeeping, including the timely deposit, disbursement and accounting of Community Development Block Grant (CDBG) funds is crucial to the successful management of a CDBG-funded project. Grantees must take the following steps to prepare a financial management system to receive and utilize CDBG grant funds:

1. Appoint a person to be responsible for Financial Management;
2. Establish accounting records;
3. Set up bank accounts or separate ledger accounts, and establish receipting procedures;
and
4. Establish procedures for approving invoices, submitting claims, and issuing payment to vendors. . . .

CDBG funds must be maintained in a separate account or in a separate fund within an existing account. (Indiana CDBG Handbook)

LARRY GRANT, MAYOR
JOANNE BROADWATER, CLERK-TREASURER
MARK W. MASON, CITY JUDGE
JUD BARCE, CITY ATTORNEY



CITY COUNCIL
DUANE RODERICK, AT LARGE
SCOTT VOORHEES, DISTRICT 2
NATHAN MAUS, DISTRICT 3
KAYLIE CARNAHAN, DISTRICT 4
RONDA DELONG, DISTRICT 5

City of Attica

A BICENTENNIAL CITY
305 East Main St., Attica, Indiana 47918 • 765-762-2467

OFFICIAL RESPONSE

Date: September 7, 2024

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

Re: Cemetery Fund finding in City of Attica Audit

This response was prepared in regard to the Cemetery Fund finding in the City of Attica's audit. The finding reads:

"Internal Controls were not in place to ensure that the city complied with transfer requirements. The Cemetery Fund balance was moved to the General Fund in the amount of \$66,360. The transfer was made by a representative of the software vendor; however, the transaction was not recorded in the City's ledger. Because the Cemetery Fund no longer had a tax rate, City governance approved the transfer to close the fund. Although there was no current tax levy, the purpose of the levy had not been fulfilled and funds levied for the operation and maintenance of the cemetery should not have been transferred to another fund."


This comment cites two issues. The first is the statement from SBOA that the transaction for the transfer of cash made by a representative of the City's software vendor was not recorded in the City's ledger. However, there was an entry made in the City's accounting software to record the transfer of cash. The City's software system is a system that processes debits and credits and can process these against a cash account. As such, a credit entry was made to the Cash Cemetery account on 11/30/2023 (account number 2205.000.1100) in the amount of \$66,359.64 and the corresponding debit to this entry was made to the Cash General Fund account (account number 1101.000.1100). The transaction number for tracking purposes for this entry was transaction number 252. This entry was the recording of the transfer in the City's ledger. The entry does not appear in a revenue detail or expense detail report as it's a direct entry made to cash accounts but was still recorded in the City's ledger and can be found in the cash accounts. As such, this entry was recorded in the City's annual report for 2023 as a transfer out of cemetery and a transfer in to general.

The second issue the comment cites is that the purpose of the tax levy had not been fulfilled and funds levied for the operation and maintenance of the cemetery should not have been transferred to another fund. It is the position of the City that at the time of the transfer, the purpose of the levy and the fund had been fulfilled and thus the transfer should've been allowed. The final year of tax levy for the cemetery fund was in 2022. The purpose of this 2022 tax levy was to fund cemetery related expenses for 2022. The money received from the tax levy was in fact used to fund the cemetery expenses for 2022 and at the end of the year there remained an unused and unencumbered balance in this fund. To simplify the City's

financials, it was determined prior to 2023 that beginning in 2023 and moving forward, the City would pay for cemetery related expenses from a cemetery department established in the General Fund and would at that time no longer pay for cemetery related expenses from a separate cemetery fund. As such, when the City prepared its budget for 2023, \$195,000 was budgeted for cemetery related expenses from this department of the General Fund. Conversely, in the Cemetery fund, the only expense that was budgeted for 2023 was a transfer out to the General fund of any remaining unused balance in the Cemetery fund at the end of 2022. Because cemetery related expenses from 2022 were fully funded by the 2022 tax levy in cemetery and moving forward beginning in 2023 any cemetery related expenses were to be paid out of the General Fund, the purpose of the tax levy in cemetery in 2022 had been fulfilled. Additionally, as there were no other cemetery expenditures remaining to be paid from the cemetery fund beginning in 2023, the cemetery fund no longer had a purpose. At that point there was an unused and unencumbered balance that remained in the fund. Indiana Code 36-1-8-5 states in part:

- (a) This section applies to all funds raised by a general or special tax levy on all taxable property of a political subdivision
- (b) Whenever the purposes of a tax levy have been fulfilled and an unused and unencumbered balance remains in the fund, the fiscal body of the political subdivision shall order the balance of that fund to be transferred as follows, unless a statute provides that it be transferred otherwise:
 - (2) Funds of a municipality, to the general fund or rainy-day fund of the municipality, as provided in section 5.1 of this chapter.

As described above, the purposes of the cemetery fund tax levy had been fulfilled and there remained an unused and unencumbered balance in this fund. As such, in accordance with this section of Indiana Code, the fiscal body of the City ordered the balance of the fund to be transferred to the City's general fund. It is my belief that this transfer was allowable per state statute and was correctly accounted for in the City's financial software.


Ms. Joanne Broadwater
City of Attica
Clerk-Treasurer

CLERK-TREASURER
CITY OF ATTICA
EXIT CONFERENCE

The contents of this report were discussed on August 29, 2024, with Larry Grant, Mayor; Joanne Broadwater, Clerk-Treasurer; Scott Voorhees, President of the Common Council; Nathan Maus, Common Council member; and Mikki Hubbard, Deputy Clerk-Treasurer.