

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, 2021 to December 31, 2022



FILED

09/21/2024

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Results and Comments:	
Capital Assets	6
Financial Transactions and Reporting	7
Conflict of Interest Disclosure of Related-Party Transactions	8-9
Conflict of Interest Disclosure of Related-Party Transactions and Questioned Cost	9-11
Exit Conference	12

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Joanne Broadwater	01-01-21 to 12-31-24
Mayor	Duane Roderick Larry Grant	01-01-21 to 12-31-23 01-01-24 to 12-31-24
President of the Board of Public Works	Andy Smart	01-01-21 to 12-31-24
President of the Common Council	Larry Grant Scott Voorhees	01-01-21 to 12-31-23 01-01-24 to 12-31-24
Superintendent of the Streets and Utilities	Eric Swank	01-01-21 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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, 2021 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 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

(This page intentionally left blank.)

CLERK-TREASURER
CITY OF ATTICA

CLERK-TREASURER
CITY OF ATTICA
AUDIT RESULTS AND COMMENTS

CAPITAL ASSETS

Condition and Context

Due to the lack of internal controls, we were unable to verify the capital asset amounts reported in the Annual Financial Report (AFR) in Gateway for 2021. The City did not provide a detailed listing of capital assets for 2021, and deletions to the capital asset ledger were not properly recorded to ensure an accurate record of capital assets during the audit period.

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 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](#)."

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. . . ."

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)

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

FINANCIAL TRANSACTIONS AND REPORTING

The same comment also appeared in prior Reports B55517 and B58773.

Condition and Context

There were deficiencies in the internal control system of the City related to financial transactions and reporting. Financial and other information are required to be entered annually into the AFR via the Indiana Gateway for Government Units (Gateway) financial reporting system. The Clerk-Treasurer compiled and submitted the financial information into Gateway, which was the source of the AFR and the financial statement. The Deputy Clerk-Treasurer reviewed and approved the financial information prior to submission to ensure the accuracy. However, the internal controls in place were not effective and did not detect and allow correction of errors prior to submission.

Due to the lack of effective internal controls, the financial statement presented for audit excluded the Bank of New York (BONY SRFWW Attica B and I [Fund 6202 - Sewage UTL Bond & Int]) fund, which was related to the Bank of New York account and not accurately reported on the City's ledger, AFR, or financial statement for 2022. This resulted in a total understatement of beginning cash balances of \$291,581, overstatement of receipts of \$992,144, overstatement of disbursements of \$737,833, and an understatement of ending cash balances of \$37,270. Additionally, there were immaterial errors in three funds for receipts and disbursements during the audit period.

Audit adjustments were proposed, approved by the City, and made to the financial statement presented in the Financial Statements Audit Report of the City.

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 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](#)."

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
CITY OF ATTICA
AUDIT RESULTS AND COMMENTS
(Continued)

CONFLICT OF INTEREST DISCLOSURE OF RELATED-PARTY TRANSACTIONS

A similar comment appeared in a Management Letter addressed to the Clerk-Treasurer for the audit period ending December 31, 2020.

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 2021 and 2022. The City made payments to Niemann Foods, Inc. in the amount of \$1,310 in 2021 and \$1,849 in 2022. The SBOA would have expected to receive a conflict of interest disclosure for this related-party transaction; however, 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;

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

- (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:
 - (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:

"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. . . ."

Conflict of interest disclosures must be completed on Gateway. (Accounting and Uniform Compliance Guidelines Manual For Cities and Towns, Chapter 1)

The attorney for the unit or a private attorney must be consulted in regard to whether a conflict of interest disclosure statement must be filed and whether the format of the disclosure is sufficient. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**CONFLICT OF INTEREST DISCLOSURE OF RELATED-PARTY
TRANSACTIONS AND QUESTIONED COST**

A similar comment appeared in a Management Letter addressed to the Clerk-Treasurer for the audit period ending December 31, 2020.

Condition and Context

Due to lack of internal controls, a Uniform Conflict of Interest Disclosure Statement was not filed by Andy Smart, President of the Board of Public Works, who owned Smart Lawns Landscaping and Hauling, Inc., with the Indiana State Board of Accounts (SBOA) for 2021 and 2022. 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 that covered this matter.

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

The City used Smart Lawns Landscaping and Hauling, Inc. for its sidewalk program. The program was available to residents of the City to apply to have their sidewalk replaced. The cost of the sidewalk replacement was split between the resident and the City. The hiring of Smart Lawns Landscaping and Hauling, Inc. was not approved in the Board of Public Works minutes.

A copy of the signed Uniform Conflict of Interest Disclosure Statement was presented during the investigation, but not during the normal course of the audit. The statement was signed and approved by Andy Smart, instead of the Mayor who should have approved the statement. Andy Smart sold the landscaping business in January 2022.

The City made payments to Smart Lawns Landscaping and Hauling, Inc. in the amount of \$18,220 in 2021 and \$1,695 in January 2022 that are being considered questioned cost.

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;

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

- (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:
 - (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:

"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. . . ."

Conflict of interest disclosures must be completed on Gateway. (Accounting and Uniform Compliance Guidelines Manual For Cities and Towns, Chapter 1)

The attorney for the unit or a private attorney must be consulted in regard to whether a conflict of interest disclosure statement must be filed and whether the format of the disclosure is sufficient. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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.