

**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, 2017 to December 31, 2019



**FILED**  
08/03/2020



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Susan Stoll Joanne Broadwater	01-01-17 to 12-31-19 01-01-20 to 12-31-20
Mayor	Duane Roderick	01-01-17 to 12-31-20
President of the Board of Public Works	Andy Smart	01-01-17 to 12-31-20
President of the Common Council	Josh Hall Larry Grant	01-01-17 to 12-31-17 01-01-18 to 12-31-20
Superintendent of Streets and Utilities	Ronald Jean Eric Swank	01-01-17 to 06-06-19 06-07-19 to 12-31-20



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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TO: THE OFFICIALS OF THE CITY OF ATTICA, FOUNTAIN COUNTY, INDIANA

This report is supplemental to our audit report of the City of Attica (City), for the period from January 1, 2017 to December 31, 2019. 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 our Financial Statements Audit Report of the City, which provides our opinions on the City's financial statements. 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.

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

June 18, 2020

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COMMON COUNCIL  
CITY OF ATTICA

COMMON COUNCIL  
CITY OF ATTICA  
AUDIT RESULTS AND COMMENTS

**FINANCIAL TRANSACTIONS AND REPORTING**

*Condition and Context*

There were several deficiencies in the internal control system of the City related to financial transactions and reporting. The City had not separated incompatible activities related to receipts and financial reporting.

*Receipts*

The City had not segregated key functions related to receipts. The Clerk-Treasurer received an electronic funds transfer notice for the distributions that were deposited into the City's bank account. The Deputy Clerk-Treasurer wrote the receipts and posted to the ledger. The Utility Clerk calculated the monthly bills, received the money for utility payments, and posted to the customer accounts. The City had not implemented a system of oversight, review, or approval process to ensure that they were posted for the right amount, fund or accounting period.

*Financial Reporting*

The Clerk-Treasurer compiled and submitted the financial information into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report (AFR) and the financial statements. There were no controls in place, such as an oversight, review, or approval process, to ensure the accuracy prior to submission. The lack of internal controls allowed the following errors to remain undetected:

Funds related to Bank of New York accounts, which accounted for the sewer project, were not included on the City's ledger, AFR, or financial statements. This resulted in an understatement of receipts in the amount of \$3,596,419 and an understatement of disbursements in the amount of \$3,109,550.

Audit adjustments were proposed, approved by the City, and made to 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.

COMMON COUNCIL  
CITY OF ATTICA  
AUDIT RESULTS AND COMMENTS  
(Continued)

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. . . ."

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](#)."

### **TRAINING ON INTERNAL CONTROL STANDARDS**

#### *Condition and Context*

Training on internal control standards and procedures had not been provided to all City personnel.

#### *Criteria*

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

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

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

### **ORDINANCES AND RESOLUTIONS**

#### *Condition and Context*

Ordinance #9-2000 for swimming fees didn't include any daily admission fees, but the pool was charging a daily rate. There were no Park Board (Board) minutes for review to determine if the Board approved the admission fees.

Salaries for several positions of the City were being paid from multiple funds. The salary ordinance didn't specify which salaries should be split from multiple funds.

#### *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)

COMMON COUNCIL  
CITY OF ATTICA  
EXIT CONFERENCE

The contents of this report were discussed on June 18, 2020, with Joanne Broadwater, Clerk-Treasurer; Valarie Maus, Common Council member; Duane Roderick, Mayor; Patricia Hargan, Common Council member; Scott Voorhees, Common Council member; Kaylie Carnahan, Common Council member; Larry Grant, President of the Common Council; Susan Stoll, former Clerk-Treasurer; Lisa M. Hubbard, Deputy Clerk-Treasurer; and Nancy Roderick, Utility Clerk.

CLERK-TREASURER  
CITY OF ATTICA

CLERK-TREASURER  
CITY OF ATTICA  
AUDIT RESULTS AND COMMENTS

**CONDITION OF RECORDS**

*Condition and Context*

In 2017, four LIT Economic Development distributions, totaling \$28,586, were posted to the wrong fund. In 2018, three Wheel Tax and Surtax distributions, totaling \$3,685, and eight police reimbursements, totaling \$7,470, were posted to the correct fund, but the wrong account.

*Criteria*

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)

**FINANCIAL TRANSACTIONS AND REPORTING**

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

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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. . . ."

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**CERTIFICATION ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

The City incorrectly certified on the Annual Financial Reports for all years during the audit period that personnel had completed the training on internal control standards. Personnel had not received training on the standards.

*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](#)."

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

**ERRORS ON CLAIMS**

*Condition and Context*

The transactions for the wastewater construction project, in the amount of \$4,471,023, were not presented to the governing body for approval. Disbursements did not have supporting documentation attached to the voucher for 7 percent of the 2018 disbursements tested. Disbursements were not certified by the fiscal officer or the governing body for eight percent of the 2019 disbursements tested.

*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;
- (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. . . ."

**ORDINANCES AND RESOLUTIONS**

*Condition and Context*

Utility customers were allowed to make payments for utility deposits. The Utility ordinance did not state that making payments for utility deposits was allowable.

Ordinance #9-2000 for swimming fees didn't include any daily admission fees, but the pool was charging a daily rate. There were no Park Board (Board) minutes for review to determine if the Board approved the admission fees.

The amount collected per parking ticket didn't match what was stated in the ordinance. Ordinance #6-1991 for parking fees states that a violation of the ordinance is a penalty of 5 dollars. The City collected 10 dollars per ticket.

The City did not bill all of its customers at the correct monthly wastewater billing charge. A commercial customer was under billed in the amount of \$278,644.

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

The salary ordinance permitted the Mayor to authorize an additional pay at a maximum of 25 cents per hour to hourly employee rates, in addition to the established maximum rate, with the approval of the Common Council. The Mayor authorized a raise that exceeded the 25 cents per hour, in which one employee received a raise of 67 cents per hour that didn't get the approval of the Common Council.

Salaries for several positions of the City were being paid from multiple funds. The salary ordinance didn't specify which salaries should be split from multiple funds.

*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)

**FUND SOURCES AND USES**

*Condition and Context*

In 2018, the City spent \$72,500 from the Public Safety fund on the demolition of buildings located downtown. The demolition of buildings is not an allowable expense from the Public Safety fund.

Additionally, the City spent \$11,605 from the General Fund for Christmas gift certificates for employees, and \$1,040 for the police department to have Christmas dinners at local restaurants.

*Criteria*

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  
CITY OF ATTICA  
EXIT CONFERENCE

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