

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, 2020 to December 31, 2020



FILED
03/11/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Joanne Broadwater	01-01-20 to 12-31-22
Mayor	Duane Roderick	01-01-20 to 12-31-22
President of the Board of Public Works	Andy Smart	01-01-20 to 12-31-22
President of the Common Council	Larry Grant	01-01-20 to 12-31-22
Superintendent of Streets and Utilities	Eric Swank	01-01-20 to 12-31-22



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, 2020 to December 31, 2020. 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 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

February 23, 2022

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COMMON COUNCIL
CITY OF ATTICA

COMMON COUNCIL
CITY OF ATTICA
AUDIT RESULT AND COMMENT

FINANCIAL TRANSACTIONS AND REPORTING

The same comment appeared in prior Report B55517.

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 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 (Gateway) financial reporting system, which was the source of the Annual Financial Report and the financial statement. There were no internal 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:

The BONY SRFWW Attica B And I, BONY SRFWW Attica DSR, and BONY SRFWW Attica 18 funds were related to Bank of New York bank accounts, which accounted for the sewer project, were not included on the City's ledger, Annual Financial Report, or financial statement. This resulted in a total understatement of beginning cash balances of \$600,835; understatement of receipts of \$352,346; understatement of disbursements of \$346,650; and an understatement of ending cash balances of \$606,528.

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

COMMON COUNCIL
CITY OF ATTICA
AUDIT RESULT AND COMMENT
(Continued)

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. . . ."

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](#)."

COMMON COUNCIL
CITY OF ATTICA
EXIT CONFERENCE

The contents of this report were discussed on February 23, 2022, with Duane Roderick, Mayor; Joanne Broadwater, Clerk-Treasurer; Larry Grant, President of the Common Council; and Lisa M. Hubbard, Deputy Clerk-Treasurer.

CLERK-TREASURER
CITY OF ATTICA

CLERK-TREASURER
CITY OF ATTICA
AUDIT RESULTS AND COMMENTS

ACCOUNTING FOR CORONAVIRUS RELIEF FUNDS

Condition and Context

The City did not properly account for the Coronavirus Relief Fund in accordance with the options outlined in State Examiner Directive 2020-3.

The City received the Indiana Finance Authority reimbursement for public health and safety payroll costs of \$103,268 into the CARES COVID Relief Reimbursement fund (CARES fund). Expenditures for non-payroll expenses totaling \$32,270 were then inappropriately reversed and moved to the CARES fund leaving a year-end balance of \$70,998. The expenditures upon which the reimbursement was based should have been recorded in the CARES fund, or the reimbursed amount transferred through the claims process to the general fund, which would have allowed the money to be expended for any general unit purpose with appropriation. Either of these two methods would have allowed for the proper processing and recording of subsequent expenditures.

As of December 31, 2021, the CARES fund had a balance of \$69,537, which should immediately be claimed to the General fund. This would allow for the money to be expended for any general unit purpose with appropriation.

Criteria

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)

Transactions for public health and safety payroll costs must be accounted for through one of these two prescribed options.

Option One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. The reimbursed amount for public health and safety payroll costs originally incurred in the general fund (or other fund) will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the general fund (or other fund) cash balance and re-appropriate the general fund (or other fund) in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the general fund (or other fund), it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

Once option one is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund.** . . .

Option Two. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. A claim will be created against the separate CARES grant fund for the reimbursed amount in favor of the general fund. This claim must be supported by documentation of the public health and safety payroll costs that have been expensed from the general fund or other funds.

The amount of the claim will be receipted into the general fund cash balance. Normal appropriation procedures will apply to these funds.

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

Once option two is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. This option requires a resolution or ordinance as detailed in the memorandum CARES Reimbursement of Public Health and Safety Payroll Costs, September 30, 2020.** . . . (State Examiner Directive 2020-3)

GRANT FUNDS IN SEPARATE FUNDS

Condition and Context

The City received grant funds from the Indiana Criminal Justice Institute, Indiana Department of Transportation, and a Community Development Block Grant from the Department of Housing and Urban Development. A separate fund was not created for each new grant. Grant money received should have their own separate grant fund to ensure properly accounting of the grant monies and compliance with those specific grant funds and uses.

Criteria

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)

FINANCIAL TRANSACTIONS AND REPORTING

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CLERK-TREASURER
CITY OF ATTICA
AUDIT RESULTS AND COMMENTS
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