

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF LAPORTE

LAPORTE COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
06/16/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Teresa L. Ludlow	01-01-12 to 12-31-15
Mayor	Blair E. Milo	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Blair E. Milo	01-01-12 to 12-31-15
President Pro Tempore of the Common Council	Steve Luscomb Roger A. Galloway	01-01-13 to 12-31-13 01-01-14 to 12-31-14
Superintendent of Water Utility	Todd A. Taylor	01-01-13 to 12-31-14
Superintendent of Wastewater Utility	Jerry P. Jackson	01-01-13 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF LAPORTE, LAPORTE COUNTY, INDIANA

This report is supplemental to our audit report of the City of LaPorte (City), for the period from January 1, 2013 to December 31, 2013. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the City, which provides our opinions on the City's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Finding, identified in the above referenced audit report, is included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

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.

The Corrective Action Plan for the Federal Finding, incorporated within this report, was not verified for accuracy.

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

May 7, 2014

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CLERK-TREASURER
CITY OF LAPORTE

CLERK-TREASURER
CITY OF LAPORTE
FEDERAL FINDING

***FINDING 2013-001 - INTERNAL CONTROLS AND COMPLIANCE
OVER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The City did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Clerk-Treasurer independently prepares the SEFA for inclusion in the financial report without oversight, review, or approval. A lack of segregation of duties within an internal control system could allow material misstatements of the SEFA to remain undetected. A proper system of internal controls would include segregation of duties by having a proper oversight, review, or approval process and would allow the City to prevent, or detect and correct, errors on the SEFA in a timely manner.

In failing to establish controls to effectively identify and report federal financial assistance, the City incorrectly identified federal programs and incorrectly reported federal expenditures for 2013 as follows:

1. The program titles for five programs were incorrect.
2. Three programs were reported incorrectly. The project names, identifying numbers, and amounts were incorrect.

Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CLERK-TREASURER
CITY OF LAPORTE
FEDERAL FINDING
(Continued)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states in part:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available."

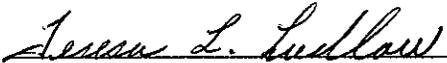


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Corrective Action Plan for Audit Findings for Period 1-1-13 to 12-31-13

Finding 2013-001 Internal Controls Over Schedule of Expenditures of Federal Awards

The City of LaPorte, (City) in the future will utilize the CFDA website to determine the grant program titles to be used when preparing the Schedule of Expenditures of Federal Awards. The City will also report all future federal expenditures by project identification number.


Teresa L. Ludlow, Clerk-Treasurer

Date: May 7, 2014

CLERK-TREASURER
CITY OF LAPORTE
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCES

The financial statement presented for the City included the following funds with overdrawn cash balances at December 31, 2013:

<u>Fund</u>	<u>Amount</u>
General Fund	\$ 641,479
Transit	101,073
G.O. Bonds of 2012	85,977
Bond-Debt Service	92,962
Fire Equip Lease Bonds	98,751
Park Bond Debt Service	<u>85,182</u>
Total	<u>\$ 1,105,424</u>

Funds with a cash deficit not listed above are the result of grant expenditures for which reimbursements had not been received prior to December 31, 2013.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CLERK-TREASURER
CITY OF LAPORTE
EXIT CONFERENCE

The contents of this report were discussed on May 7, 2014, with Teresa L. Ludlow, Clerk-Treasurer; Joanne Layman, Chief Deputy Clerk-Treasurer; Roger A. Galloway, President Pro Tempore of the Common Council; Rebecca Meyer McCuaig, City Attorney; and Blair E. Milo, Mayor.

PARK DEPARTMENT
CITY OF LAPORTE

PARK DEPARTMENT
CITY OF LAPORTE
AUDIT RESULT AND COMMENT

DAILY DEPOSITS - BEECHWOOD GOLF COURSE

Beechwood Golf Course receipts were routinely deposited later than the next business day. For example, between August 1, 2013 and August 18, 2013, only four deposits were made: August 6, 2013; August 13, 2013; August 15, 2013; and August 19, 2013.

Indiana Code 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

PARK DEPARTMENT
CITY OF LAPORTE
EXIT CONFERENCE

The contents of this report were discussed on May 7, 2014, with Teresa L. Ludlow, Clerk-Treasurer; Joanne Layman, Chief Deputy Clerk-Treasurer; Roger A. Galloway, President Pro Tempore of the Common Council; Rebecca Meyer McCuaig, City Attorney; Brian Nicksch, Park Superintendent; Kyle Cashmer, Golf Professional; and Blair E. Milo, Mayor.