

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF LOGANSPOUR

CASS COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED

11/20/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Carol Sue Hayworth	01-01-12 to 12-31-15
Mayor	Ted Franklin	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Ted Franklin	01-01-12 to 12-31-15
President Pro Tempore of the Common Council	Joseph Buck	01-01-13 to 12-31-14
Chairman of the Utility Service Board	John Davis Jay King	08-01-12 to 07-31-13 08-01-13 to 07-31-14
Superintendent of Utilities	Paul Hartman	01-01-13 to 12-31-14
Utility Office Manager	LuAnn Davis	01-01-13 to 12-31-14



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 LOGANSPORT, CASS COUNTY, INDIANA

This report is supplemental to our audit report of the City of Logansport (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 Findings, identified in the above referenced audit report, are 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.

Any Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

June 25, 2014

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CLERK-TREASURER
CITY OF LOGANSPORT

CLERK-TREASURER
CITY OF LOGANSPOUT
FEDERAL FINDINGS

FINDING 2013-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the City related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. **Preparing Financial Statements:** Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the City's audited financial statement and then determining how those identified risks should be managed. The City has not identified risks to the preparation of a reliable financial statement and, as a result, has failed to design effective controls over the preparation of the financial statement to prevent, or detect and correct, material misstatements, including notes to the financial statement. In addition, management of the City has not established a process for final review of the financial statement after compilation.
2. **Reconciliation:** The City has not identified risks to the reconciliation of City funds to bank and investment balances and, as a result, has failed to design effective controls over the reconciliation process to prevent, or detect and correct, material misstatements. Specifically, while adequate segregation of duties exists to provide a separate reconciliation for each bank account, there is no final reconciliation of combined cash and investment balances to the total funds balance.
3. **Monitoring of Controls:** Effective internal control over financial reporting requires the Common Council to monitor and assess the quality of the City's system of internal control. The Common Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the City at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Common Council has no process to identify or communicate corrective actions to improve controls.

During the audit of the City's financial statement, we noted several funds which were not reported or reported for the incorrect amount. The failure to properly report these funds resulted in the Beginning Cash and Investment Balances, Receipts, Disbursements and Ending Cash and Investment Balances on City's financial statement presented for audit to be understated by \$9,786,483, \$2,456,930, \$8,949,332, and \$2,919,749, respectively. Audit adjustments were proposed, accepted by the City, and made to the City's financial statement presented in this report. These adjustments resulted in a presentation of the City's financial statement that is materially correct.

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 LOGANSPOBT
FEDERAL FINDINGS
(Continued)

Indiana Code 5-11-1-4 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 filed electronically, in a manner prescribed by in the manner prescribed under IC 5-14-3.8-7."

***FINDING 2013-002 - CONTROLS AND COMPLIANCE OVER THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The City did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted federal awards for two grants were not reported. The failure to report these grants resulted in the expenditures on the SEFA presented for audit to be understated by \$3,253,851. 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)

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:

CLERK-TREASURER
CITY OF LOGANSPOUR
FEDERAL FINDINGS
(Continued)

- (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."

FINDING 2013-003 - MANAGEMENT CONTROLS

We noted deficiencies in the overall management procedures within the City. We believe the following deficiencies constitute material weaknesses:

1. Public Purchases: The City failed to solicit bids for the purchase of a new fire truck for \$475,000 and, therefore, was not in compliance with Indiana Code 5-22-7-2. The failure to exercise their oversight responsibility places the City at risk that controls may not be designed or operating effectively to provide reasonable assurance that material misstatements will be prevented, or detected and corrected, in a timely manner.

Indiana Code 5-22-7-2(a) states: "A purchasing agent shall issue an invitation for bids."

2. Agreements and Contracts: Certain statutory procedures were not followed by the City and the Utility Service Board: instead, the ratification procedures in IC 36-1-4-16 were used. Post-action ratification clarified to the public the Administrative record between the City of Logansport Common Council and the actions of the Logansport Utility Service Board pertaining to a contract.

There was no formal process for documenting the monitoring of an economic development agreement. Proper internal controls for monitoring require discussions be evidenced and supporting documentation be retained.

The City should establish and follow controls over record maintenance and contracting. The failure to do so could cause material misstatements or irregularities to go undetected and could place the City at risk such that financial information may not be reliable.

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. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)



**CAROL SUE HAYWORTH
CITY OF LOGANSPORT - CLERK/TREASURER**

CORRECTIVE ACTION PLAN

**FINDING 2013-01 INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND
REPORTING**

Carol Sue Hayworth
574 739-1416

Description of Corrective Action Plan:

1. The Annual Report is prepared using the City's financial software Gateway Module. This program pulls all required data that is imported into the state's Gateway reporting system. Once this data is imported into Gateway one person other than the person that prepared the data along with a third person will audit the reports based on the City's year end trial balances, cash statements, investment statements and bank reconciliations. After an internal audit of the data, the Clerk/Treasurer will approve and submit the Financial Statements.
2. The City has resolved this finding. Currently, all bank statements are reconciled by someone other than the person(s) responsible for the account activity (receipts and disbursements). Upon recommendation of the Auditors, the City now has assigned the duty of a combined reconciliation to an employee who does not reconcile any individual bank statement. This procedure has been followed for the last two months and copies of this combined reconciliation will be provided upon request.
3. It is the intent of the Clerk/Treasurer to meet with the Board Members by July 31st, 2014 to discuss a need for their oversight of internal control and to set up an action plan. It is our intent to have a Board member come in on a monthly basis to review bank reconciliations and financial statements for any inconsistencies.

Anticipated Completion Date: July 31, 2014

Carol Sue Hayworth
(Signature)

Logansport Clerk - Treasurer
(Title)

6-25-2014
(Date)



CORRECTIVE ACTION PLAN
CAROL SUE HAYWORTH
CITY OF LOGANSPORT - CLERK/TREASURER

FINDING 2013-02 MATERIAL ERRORS TO THE SEFA

Carol Sue Hayworth
574 739-1416

Description of Corrective Action Plan:

1. Currently, the person preparing the Federal Grant Report for annual reporting co-ordinates with the City's grant overseer to input data regarding federal receipts and disbursements. To improve the city's record keeping relating to federal awards, the grant overseer will provide to the person preparing the Annual Report a detailed spread sheet for every federal grant received by the city. Once the data is entered into the Annual Report, another employee in the office will audit the data based on the City's year-end financial reports which will include Trial Balances, Cash Reports and Bank Reconciliations. The grant overseer will keep detailed records of the activity for each award along with copies of award claims and expense disbursement checks.

Anticipated Completion Date: This process will begin as soon as the Clerk/Treasurer meets with the grant overseer and any other office employees who will participate in this process. Process completed.

Carol Sue Hayworth
(Signature)

Logansport Clerk Treasurer
(Title)

6-25-2014
(Date)



**CAROL SUE HAYWORTH
CITY OF LOGANSPORT - CLERK/TREASURER**

CORRECTIVE ACTION PLAN

FINDING 2013-03 Management Controls

Carol Sue Hayworth
754-739-1416

Description of Corrective Action Plan:

1. The Clerk/Treasurer immediately upon being informed of this non-compliance issue is requiring a minimum of three bids to be in compliance with IC 5-22-7-2.
2. The City will establish and implement controls over record maintenance and contracting.

Anticipated Completion Date: Notification of all parties has been completed.

Carol Sue Hayworth

(Signature)

Logansport Clerk Treas.

(Title)

11-17-14

(Date)

CLERK-TREASURER
CITY OF LOGANSPOUR
AUDIT RESULTS AND COMMENTS

SUPPORTING DOCUMENTATION

On November 13, 2013, the City paid \$20,250.09 for expenses for a technical review team that included various City officials. The original invoice contained documentation of reimbursable expenses totaling \$13,058.55. At the time of payment, there was no documentation for the remaining \$7,191.54. A new "Addendum IV" (to the original \$250,038 contract for Phase I) for a fixed fee not to exceed \$30,000 was signed by the Utility Superintendent, and was subsequently approved at the April 29, 2014 Board of Public Works and Safety meeting and the May 5, 2014 Common Council/Utility Service Board meeting.

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."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OFFICIAL BONDS NOT RECORDED

The following official bonds were not filed in the Office of the County Recorder: The Clerk-Treasurer, Utility Service Board Members, Redevelopment Commissioner, and the Police Pension Secretary.

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

Indiana Code 5-4-1-18 states in part:

"(a) Except as provided in subsection (b), the following city . . . officers and employees shall file an individual surety bond:

(1) City judges, controllers, clerks, and clerk-treasurers. . . . (5) Those employees directed to file an individual bond by the fiscal body of a city, town or county. . . .

(b) The fiscal body of a city . . . may by ordinance authorize the purchase of a blanket bond or a crime insurance policy . . . to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit, including those officers described in subsection (a).

(c) . . . the fiscal bodies of the respective units shall fix the amounts of the bond of city controllers, city clerk- treasurers . . . Barrett Law fund custodians . . . as follows:

(1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).

(2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) . . . The amount of the bond of any other person required to file an individual bond shall be fixed by the fiscal body of the unit at not less than fifteen thousand dollars (\$15,000)."

Indiana Code 5-4-1-19 states:

"The bonds prescribed by IC 5-4-1-18 cover the faithful performance of the duties of the officer or employee, including the duty to comply with IC 35-44-1-2 and the duty to account properly for all monies and property received by virtue of his position or employment."

All official bonds, employee blanket bonds, and crime insurance policies which are to be obtained under Indiana Code 5-4-1-18 shall be filed in the office of the County Recorder. All other bonds and crime insurance policies shall also be filed in the office of the County Recorder. [IC 5-4-1-5.1]

CLERK-TREASURER
CITY OF LOGANSPORT
EXIT CONFERENCE

The contents of this report were discussed on June 25, 2014, with Carol Sue Hayworth, Clerk-Treasurer; Ted Franklin, Mayor; and Joseph Buck, President Pro Tempore of the Common Council.

COMMON COUNCIL
CITY OF LOGANSPORT

COMMON COUNCIL
CITY OF LOGANSPORT
FEDERAL FINDINGS

FINDING 2013-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the City related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. **Preparing Financial Statements:** Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the City's audited financial statement and then determining how those identified risks should be managed. The City has not identified risks to the preparation of a reliable financial statement and, as a result, has failed to design effective controls over the preparation of the financial statement to prevent, or detect and correct, material misstatements, including notes to the financial statement. In addition, management of the City has not established a process for final review of the financial statement after compilation.
2. **Reconciliation:** The City has not identified risks to the reconciliation of City funds to bank and investment balances and, as a result, has failed to design effective controls over the reconciliation process to prevent, or detect and correct, material misstatements. Specifically, while adequate segregation of duties exists to provide a separate reconciliation for each bank account, there is no final reconciliation of combined cash and investment balances to the total funds balance.
3. **Monitoring of Controls:** Effective internal control over financial reporting requires the Common Council to monitor and assess the quality of the City's system of internal control. The Common Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the City at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Common Council has no process to identify or communicate corrective actions to improve controls.

During the audit of the City's financial statement, we noted several funds which were not reported or reported for the incorrect amount. The failure to properly report these funds resulted in the Beginning Cash and Investment Balances, Receipts, Disbursements and Ending Cash and Investment Balances on City's financial statement presented for audit to be understated by \$9,786,483, \$2,456,930, \$8,949,332, and \$2,919,749, respectively. Audit adjustments were proposed, accepted by the City, and made to the City's financial statement presented in this report. These adjustments resulted in a presentation of the City's financial statement that is materially correct.

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.

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COMMON COUNCIL
CITY OF LOGANSPORT
FEDERAL FINDINGS
(Continued)

Indiana Code 5-11-1-4 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 filed electronically, in a manner prescribed by in the manner prescribed under IC 5-14-3.8-7."

FINDING 2013-003 - MANAGEMENT CONTROLS

We noted deficiencies in the overall management procedures within the City. We believe the following deficiencies constitute material weaknesses:

1. **Public Purchases:** The City failed to solicit bids for the purchase of a new fire truck for \$475,000 and, therefore, was not in compliance with Indiana Code 5-22-7-2. The failure to exercise their oversight responsibility places the City at risk that controls may not be designed or operating effectively to provide reasonable assurance that material misstatements will be prevented, or detected and corrected, in a timely manner.

Indiana Code 5-22-7-2(a) states: "A purchasing agent shall issue an invitation for bids."

2. **Agreements and Contracts:** Certain statutory procedures were not followed by the City and the Utility Service Board: instead, the ratification procedures in IC 36-1-4-16 were used. Post-action ratification clarified to the public the Administrative record between the City of Logansport Common Council and the actions of the Logansport Utility Service Board pertaining to a contract.

There was no formal process for documenting the monitoring of an economic development agreement. Proper internal controls for monitoring require discussions be evidenced and supporting documentation be retained.

The City should establish and follow controls over record maintenance and contracting. The failure to do so could cause material misstatements or irregularities to go undetected and could place the City at risk such that financial information may not be reliable.

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. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)



**CAROL SUE HAYWORTH
CITY OF LOGANSPORT - CLERK/TREASURER**

CORRECTIVE ACTION PLAN

FINDING 2013-01 INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Carol Sue Hayworth
574 739-1416

Description of Corrective Action Plan:

1. The Annual Report is prepared using the City's financial software Gateway Module. This program pulls all required data that is imported into the state's Gateway reporting system. Once this data is imported into Gateway one person other than the person that prepared the data along with a third person will audit the reports based on the City's year end trial balances, cash statements, investment statements and bank reconciliations. After an internal audit of the data, the Clerk/Treasurer will approve and submit the Financial Statements.
2. The City has resolved this finding. Currently, all bank statements are reconciled by someone other than the person(s) responsible for the account activity (receipts and disbursements). Upon recommendation of the Auditors, the City now has assigned the duty of a combined reconciliation to an employee who does not reconcile any individual bank statement. This procedure has been followed for the last two months and copies of this combined reconciliation will be provided upon request.
3. It is the intent of the Clerk/Treasurer to meet with the Board Members by July 31st, 2014 to discuss a need for their oversight of internal control and to set up an action plan. It is our intent to have a Board member come in on a monthly basis to review bank reconciliations and financial statements for any inconsistencies.

Anticipated Completion Date: July 31, 2014

Carol Sue Hayworth
(Signature)

Logansport Clerk - Treasurer
(Title)

6-25-2014
(Date)



**CAROL SUE HAYWORTH
CITY OF LOGANSPORT – CLERK/TREASURER**

CORRECTIVE ACTION PLAN

FINDING 2013-03 Management Controls

Carol Sue Hayworth
754-739-1416

Description of Corrective Action Plan:

1. The Clerk/Treasurer immediately upon being informed of this non-compliance issue is requiring a minimum of three bids to be in compliance with IC 5-22-7-2.
2. The City will establish and implement controls over record maintenance and contracting.

Anticipated Completion Date: Notification of all parties has been completed.

Carol Sue Hayworth

(Signature)

Logansport Clerk Treas.

(Title)

11-17-14

(Date)

COMMON COUNCIL
CITY OF LOGANSPORT
AUDIT RESULT AND COMMENT

PUBLIC PURCHASES

The City purchased a piece of equipment (2004 Ladder Fire Truck) on December 6, 2013. The original cost was \$475,000; however, there was no evidence presented for audit that the City issued an invitation for bids.

Indiana Code 5-22-7-2(a) states: "A purchasing agent shall issue an invitation for bids."

Indiana Code 5-22-7-5(a) states: "The purchasing agency shall give notice of the invitation for bids in the manner required by IC 5-3-1."

Indiana Code 5-22-7-6 states: "The purchasing agent shall open bids publicly in the presence of one (1) or more witnesses at the time and place designated in the invitation for bids."

Indiana Code 5-22-7-7 states:

"Bids must be:

- (1) unconditionally accepted without alteration or correction, except as provided in sections 11 through 13 of this chapter; and
- (2) evaluated based on the requirements provided in the invitation for bids."

Indiana Code 5-22-7-8 states: "A contract must be awarded with reasonable promptness by written notice to the lowest responsible and responsive bidder."

COMMON COUNCIL
CITY OF LOGANSPORT
EXIT CONFERENCE

The contents of this report were discussed on June 25, 2014, with Joseph Buck, President Pro Tempore of the Common Council, and Ted Franklin, Mayor.

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UTILITY SERVICE BOARD
CITY OF LOGANSPORT

UTILITY SERVICE BOARD
CITY OF LOGANSPOUR
FEDERAL FINDING

FINDING 2013-003 - MANAGEMENT CONTROLS

We noted deficiencies in the overall management procedures within the City. We believe the following deficiencies constitute material weaknesses:

1. **Public Purchases:** The City failed to solicit bids for the purchase of a new fire truck for \$475,000 and, therefore, was not in compliance with Indiana Code 5-22-7-2. The failure to exercise their oversight responsibility places the City at risk that controls may not be designed or operating effectively to provide reasonable assurance that material misstatements will be prevented, or detected and corrected, in a timely manner.

Indiana Code 5-22-7-2(a) states: "A purchasing agent shall issue an invitation for bids."

2. **Agreements and Contracts:** Certain statutory procedures were not followed by the City and the Utility Service Board: instead, the ratification procedures in IC 36-1-4-16 were used. Post-action ratification clarified to the public the Administrative record between the City of Logansport Common Council and the actions of the Logansport Utility Service Board pertaining to a contract.

There was no formal process for documenting the monitoring of an economic development agreement. Proper internal controls for monitoring require discussions be evidenced and supporting documentation be retained.

The City should establish and follow controls over record maintenance and contracting. The failure to do so could cause material misstatements or irregularities to go undetected and could place the City at risk such that financial information may not be reliable.

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. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)



CAROL SUE HAYWORTH
CITY OF LOGANSPORT - CLERK/TREASURER

CORRECTIVE ACTION PLAN

FINDING 2013-03 Management Controls

Carol Sue Hayworth
754-739-1416

Description of Corrective Action Plan:

1. The Clerk/Treasurer immediately upon being informed of this non-compliance issue is requiring a minimum of three bids to be in compliance with IC 5-22-7-2.
2. The City will establish and implement controls over record maintenance and contracting.

Anticipated Completion Date: Notification of all parties has been completed.

Carol Sue Hayworth

(Signature)

Logansport Clerk Treas.

(Title)

11-17-14

(Date)

UTILITY SERVICE BOARD
CITY OF LOGANSPORT
AUDIT RESULTS AND COMMENTS

RATIFICATION

Logansport Municipal Utilities entered into a three phase agreement which was later ratified as allowed under IC 36-1-4-16 instead of following the statutory procedure under IC 8-1.5-3-4. Post-action ratification clarified to the public the Administrative record between the City of Logansport Common Council and the actions of the Logansport Utility Service Board pertaining to this contract. However, the City and the Utility Service Board should establish and follow controls over record maintenance and contracting.

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. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.
 - (B) A description of the premises, as shown by the records of the county auditor.
 - (C) The amount of the delinquent fees, together with the penalty.
- (2) An individual instrument for each lot or parcel of real property on which the fees are delinquent.

(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . .

(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May."

UTILITY SERVICE BOARD
CITY OF LOGANSPOUR
EXIT CONFERENCE

The contents of this report were discussed on June 25, 2014, with Ted Franklin, Mayor.

The contents of this report were discussed on June 26, 2014, with Paul Hartman, Superintendent of Utilities.