

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF LOGANSPORT

CASS COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
06/13/2016

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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
	Stacy L. Cox	01-01-16 to 12-31-19
Mayor	Ted Franklin	01-01-12 to 12-31-15
	Dave Kitchell	01-01-16 to 12-31-19
President of the Board of Public Works and Safety	Ted Franklin	01-01-12 to 12-31-15
	Dave Kitchell	01-01-16 to 12-31-19
President Pro Tempore of the Common Council	Joseph Buck	01-01-14 to 12-31-15
	Teresa Popejoy	01-01-16 to 12-31-16
Chairman of the Utility Service Board	Jay King	08-01-13 to 07-31-14
	Martin Monahan	08-01-14 to 07-31-15
	Daniel H. Slusser	08-01-15 to 07-31-16
Superintendent of Utilities	Paul A. Hartman	01-01-14 to 12-31-16
Utility Office Controller	LuAnn Davis	01-01-14 to 12-31-16



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, 2014 to December 31, 2014. 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

March 14, 2016

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CLERK-TREASURER
CITY OF LOGANSPORT

CLERK-TREASURER
CITY OF LOGANSPOUT
FEDERAL FINDINGS

FINDING 2014-001 - FINANCIAL TRANSACTIONS AND REPORTING

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

1. **Lack of Segregation of Duties:** The City has not separated incompatible activities related to receipts. The same employee issues receipts, prepares deposit slips, takes the deposits to the bank, and posts receipts to the City's financial ledger. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.
2. **Preparation of the Financial Statement:** The City should have proper controls in place over the preparation of the financial statement to ensure accurate, complete, and reliable reporting of the City's financial activity. Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the City's 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.

A financial consulting firm was contracted to complete the Gateway Annual Financial Report (AFR) which is used to generate the financial statement. The Clerk-Treasurer did not adequately review the AFR in order to detect and correct errors before it was submitted.

3. **Preparation of the Schedule of Federal Awards (SEFA):** The City did not have a proper system of internal control in place to prevent, or detect and correct, errors on the 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.

A financial consulting firm was contracted to complete the AFR which is used to generate the SEFA. The Clerk-Treasurer did not adequately review the AFR in order to detect and correct errors before it was submitted.

4. **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 controls. 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 City has no process to identify or communicate corrective actions to improve controls.

The Clerk-Treasurer is responsible for reporting all financial information in the AFR, which includes a SEFA (grant schedule). The AFR and grant schedule are then used to compile the financial statement and the SEFA. The financial statement and SEFA presented for audit included the following errors and omissions:

CLERK-TREASURER
CITY OF LOGANSPORT
FEDERAL FINDINGS
(Continued)

AFR: Several funds were either not reported or were reported for incorrect amounts in the AFR which resulted in the following:

1. Beginning cash and investment balances were understated by \$3,212,866.
2. Receipts were overstated by \$2,008,185.
3. Disbursements were understated by \$7,177,657.
4. Ending cash and investment balances were overstated by \$5,972,976.

SEFA:

1. Federal awards which totaled \$1,597,694 for two grants were not reported.
2. Local or state receipts which totaled \$119,391 were reported as federal awards for three grants.

Audit adjustments were proposed, accepted by the City, and made to the financial statement and the SEFA presented in this report.

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)

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."

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."

CLERK-TREASURER
CITY OF LOGANSPOBT
FEDERAL FINDINGS
(Continued)

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.
..."

FINDING 2014-003 - SPECIAL TESTS AND PROVISIONS - ARRA REQUIREMENTS

Federal Agency: Environmental Protection Agency
Federal Program: ARRA - Capitalization Grants for Clean Water State Revolving Funds, Recovery Act
CFDA Number: 66.458
Federal Award Number (or Other Identifying Number): WW12091703
Pass-Through Entity: Indiana Finance Authority

Management of the City has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Special Tests and Provisions - American Recovery and Reinvestment Act of 2009 (ARRA) compliance requirements. The failure to establish an effective internal control system places the city at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

The City has not designed or implemented internal control procedures to ensure compliance with the requirements for Special Tests and Provisions - ARRA. The City did not have controls in place to ensure that ARRA funded federal awards were properly reported on the SEFA. An oversight, review, or approval process was not established.

Federal awards with ARRA funding must be reported separately on the SEFA. A financial consulting firm was contracted to complete the AFR which is used to generate the SEFA. The Clerk-Treasurer did not adequately review the AFR in order to detect and correct errors before it was submitted. The City did not report the expenditures of federal awards for an ARRA funded grant on their SEFA for 2014.

CLERK-TREASURER
CITY OF LOGANSPOUT
FEDERAL FINDINGS
(Continued)

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

2 CFR section 176.210 (b) states:

"For recipients covered by the Single Audit Act Amendments of 1996 and OMB Circular A-133, 'Audits of States, Local Governments, and Non-Profit Organizations,' recipients agree to separately identify the expenditures for Federal awards under the Recovery Act on the Schedule of Expenditures of Federal Awards (SEFA) and the Data Collection Form (SF-SAC) required by OMB Circular A-133. OMB Circular A-133 is available at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>. This shall be accomplished by identifying expenditures for Federal awards made under the Recovery Act separately on the SEFA, and as separate rows under Item 9 of Part III on the SF-SAC by CFDA number, and inclusion of the prefix 'ARRA-' in identifying the name of the Federal program on the SEFA and as the first characters in Item 9d of Part III on the SF-SAC."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the City.

We recommended that the City's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements for Special Tests and Provisions - ARRA. We also recommended that the City comply with the grant agreement and the compliance requirements for Special Tests and Provisions - ARRA.



STACY COX
CLERK-TREASURER

CORRECTIVE ACTION PLAN

FINDING 2014-001

Contact Person Responsible for the Corrective Action Plan: Stacy L. Cox
Contact Phone Number: (574) 739-1416

Description of Corrective Action Plan:

1. With regards to the lack of segregation of duties related to the receipts process, the following procedures will be implemented to increase internal controls. The accounts receivable clerk will issue receipts for all money received. Another deputy will prepare the deposit. The accounts receivable clerk will take the deposit to the bank. The chief deputy will then review the batches before they are posted to the ledger. Internal controls will be increased by having two or three deputies involved in the cash receipts procedure.
2. Preparation of the financial statement will now be handled entirely by the Clerk Treasurer's office rather than an outside financial consulting firm. The work papers will be prepared by the Deputy Clerks and reviewed and submitted by the Clerk Treasurer. With this internal preparation and thorough review, the City will be able to adequately identify and correct errors and prevent material misstatements in financial reporting.
3. Regarding the preparation of the Schedule of Expenditures of Federal Awards (SEFA), the Clerk Treasurer's office will improve internal controls. This will be accomplished by assigning the Deputy Grants Administrator to the preparation of the SEFA. The Clerk Treasurer will then review the SEFA to prevent, identify and correct errors. During the review process, the ledger will be checked to ensure no funds are omitted and no local awards are reported in error. With these changes, the City will have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards.
4. The issues with the lack of monitoring controls will be remedied by involving the Common Council regularly. The Common Council will evaluate the City's system of internal controls. A report of internal controls will be provided to the Common Council quarterly. Their review will be documented and filed in the Clerk Treasurer's office.

Anticipated Completion Date: 4/30/2016

Stacy L. Cox
(Signature)

Clerk Treasurer
(Title)

March 14, 2016
(Date)

Laura Replogle
(Signature)

Common Council President
(Title)

March 14, 2016
(Date)



STACY COX
CLERK-TREASURER

CORRECTIVE ACTION PLAN


FINDING 2014-003

Contact Person Responsible for the Corrective Action Plan: Stacy L. Cox
Contact Phone Number: (574) 739-1416

Description of Corrective Action Plan:

1. With regards to ARRA Requirements and the preparation of the Schedule of Expenditures of Federal Awards (SEFA), the Clerk Treasurer's office will improve procedures to ensure accuracy and completeness. The Clerk Treasurer and Utilities Controller will work together to improve communication and coordination in preparing the SEFA. We will develop a combined reconciliation process to improve internal controls and facilitate a better method for review. This enhanced review of the SEFA prior to submission will allow us to prevent, identify and correct errors. With these changes, the City will have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards, especially the ARRA Federal programs.

Anticipated Completion Date: 4/30/2016



(Signature)

Clerk Treasurer
(Title)

March 14, 2016
(Date)



(Signature)

Common Council President
(Title)

March 14, 2016
(Date)

CLERK-TREASURER
CITY OF LOGANSPOUR
AUDIT RESULTS AND COMMENTS

ERRORS ON UTILITIES' CLAIMS

A test of claims identified that all utility claims were not certified by the City's fiscal officer, the Clerk-Treasurer. Also, Utilities' payroll disbursements were not approved by the Clerk-Treasurer.

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

In testing payments of claims, we noted four purchases totaling \$1,720 which did not include proper supporting documentation. In two of these instances, supporting documentation corresponding to charges on a credit card statement was missing; one of these exceptions included meal expenditures for which documentation to detail the participants and support the business nature of the expense was not available. Due to the lack of supporting documentation, we could not verify the business purpose of the disbursements.

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)

Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CLERK-TREASURER
CITY OF LOGANSPORT
EXIT CONFERENCE

The contents of this report were discussed on March 14, 2016, with Carol Sue Hayworth, former Clerk-Treasurer; Stacy L. Cox, Clerk-Treasurer; Dave Kitchell, Mayor; and Teresa Popejoy, President Pro Tempore of the Common Council.

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COMMON COUNCIL
CITY OF LOGANSPORT

COMMON COUNCIL
CITY OF LOGANSPORT
FEDERAL FINDING

FINDING 2014-001 - FINANCIAL TRANSACTIONS AND REPORTING

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COMMON COUNCIL
CITY OF LOGANSPORT
FEDERAL FINDING
(Continued)

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Audit adjustments were proposed, accepted by the City, and made to the financial statement and the SEFA presented in this report.

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)

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."

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."

COMMON COUNCIL
CITY OF LOGANSPORT
FEDERAL FINDING
(Continued)

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.
..."



STACY COX
CLERK-TREASURER

CORRECTIVE ACTION PLAN

FINDING 2014-001

Contact Person Responsible for the Corrective Action Plan: Stacy L. Cox
Contact Phone Number: (574) 739-1416

Description of Corrective Action Plan:

1. With regards to the lack of segregation of duties related to the receipts process, the following procedures will be implemented to increase internal controls. The accounts receivable clerk will issue receipts for all money received. Another deputy will prepare the deposit. The accounts receivable clerk will take the deposit to the bank. The chief deputy will then review the batches before they are posted to the ledger. Internal controls will be increased by having two or three deputies involved in the cash receipts procedure.
2. Preparation of the financial statement will now be handled entirely by the Clerk Treasurer's office rather than an outside financial consulting firm. The work papers will be prepared by the Deputy Clerks and reviewed and submitted by the Clerk Treasurer. With this internal preparation and thorough review, the City will be able to adequately identify and correct errors and prevent material misstatements in financial reporting.
3. Regarding the preparation of the Schedule of Expenditures of Federal Awards (SEFA), the Clerk Treasurer's office will improve internal controls. This will be accomplished by assigning the Deputy Grants Administrator to the preparation of the SEFA. The Clerk Treasurer will then review the SEFA to prevent, identify and correct errors. During the review process, the ledger will be checked to ensure no funds are omitted and no local awards are reported in error. With these changes, the City will have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards.
4. The issues with the lack of monitoring controls will be remedied by involving the Common Council regularly. The Common Council will evaluate the City's system of internal controls. A report of internal controls will be provided to the Common Council quarterly. Their review will be documented and filed in the Clerk Treasurer's office.

Anticipated Completion Date: 4/30/2016

Stacy L. Cox
(Signature)

Clerk Treasurer
(Title)

March 14, 2016
(Date)

Laura Replogle
(Signature)

Common Council President
(Title)

March 14, 2016
(Date)

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MUNICIPAL UTILITIES
CITY OF LOGANSPORT

MUNICIPAL UTILITIES
CITY OF LOGANSPORT
FEDERAL FINDING

FINDING 2014-002 - DAVIS-BACON ACT

Federal Agency: Environmental Protection Agency
Federal Program: ARRA - Capitalization Grants for Clean Water State Revolving Funds, Recovery Act
CFDA Number: 66.458
Federal Award Number (or Other Identifying Number): WW12091703
Pass-Through Entity: Indiana Finance Authority

Management of the City has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Davis-Bacon Act compliance requirements. The failure to establish an effective internal control system places the City at risk of noncompliance with the grant agreement and the applicable compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

The City has not designed or implemented adequate policies and procedures to ensure compliance with the Davis-Bacon Act requirements of the program. There were no controls in place to ensure that required certified payrolls from contractors were obtained and reviewed for compliance. An adequate oversight or review process was not implemented.

The City was required to comply with the requirements of the Davis-Bacon Act that are applicable to construction work financed with a federal award. The City was required to ensure that certified payrolls from construction contractors were obtained and reviewed by a Labor Standards Administrator (LSA). The review must ensure that the prevailing wage rates were paid to contractors and subcontractors on applicable projects.

The City did not obtain nine of thirteen certified payrolls from the LSA for review. When the additional certified payrolls were requested, only eight could be provided. Therefore, it could not be established that the City monitored the applicable contractors' payrolls to ensure that prevailing wage rates were paid.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities over compliance requirements. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

MUNICIPAL UTILITIES
CITY OF LOGANSPOUT
FEDERAL FINDING
(Continued)

40 CFR 31.36(i) states in part:

"*Contract provisions.* A grantee's and subgrantee's contracts must contain provisions in paragraph (i) of this section. Federal agencies are permitted to required changes, remedies, changed conditions, access and records retention, suspension of work, and other clauses approved by the Office of Federal Procurement Policy. . . .

- (5) Compliance with the Davis-Bacon Act (40 U.S.C. 276a to 276a-7) as supplemented by Department of Labor regulations (29 CFR part 5). (Construction contracts in excess of \$2000 awarded by grantees and subgrantees when required by Federal grant program legislation)"

29 CFR 5.5(a)(3) states in part:

"(ii) (A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner as the case may be, for transmission to the (write in name of agency). The payrolls submitted shall set out accurately and completely all of the information required to be maintained under 29 CFR 5.5(a)(3)(i), except that full social security numbers and home addresses shall not be included on weekly transmittals. Instead the payrolls shall only need to include an individually identifying number for each employee (e.g., the last four digits of the employee's social security number). The required weekly payroll information may be submitted in any form desired. Optional Form WH-347 is available for this purpose from the Wage and Hour Division Web site at <http://www.dol.gov/esa/whd/forms/wh347instr.htm> or its successor site. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors. . . .

(B) Each payroll submitted shall be accompanied by a 'Statement of Compliance,' signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract and shall certify the following: . . .

(iii) The contractor or subcontractor shall make the records required under paragraph (a) (3)(i) of this section available for inspection, copying, or transcription by authorized representatives of the (write the name of the agency) or the Department of Labor, and shall permit such representatives to interview employees during working hours on the job. If the contractor or subcontractor fails to submit the required records or to make them available, the Federal agency may, after written notice to the contractor, sponsor, applicant, or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds. Furthermore, failure to submit the required records upon request or to make such records available may be grounds for debarment action pursuant to 29 CFR 5.12."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the City.

We recommended that the City's management establish and implement controls, including segregation of duties, to ensure compliance with the grant agreement and the Davis-Bacon Act compliance requirements. We also recommended that the City comply with the grant agreement and the Davis-Bacon Act compliance requirements.



LOGANSPORT MUNICIPAL UTILITIES

Paul A. Hartman, Superintendent

*601 E. Broadway, Room 101
Logansport, IN 46947
Telephone: 574.753.6231
Fax: 574.753.9828*

CORRECTIVE ACTION PLAN

March 9, 2016

FINDING 2014-002 DAVIS BACON

Federal Agency: Environmental Protection Agency
Federal Program: ARRA - Capitalization Grants for Clean Water State Revolving Funds, Recovery Act
CFDA Number: 66.458
Federal Award Number and Year (or Other Identifying Number): WW12091703
Pass-Through Entity: Indiana Finance Authority

Contact Person Responsible for Corrective Action: Paul A. Hartman
Utilities Superintendent

Contact Phone Number: 574-753-6232

Description of Corrective Action Plan:

- 1) Logansport Municipal Utilities (LMU) will continue to enhance our internal control and improve our oversight functions. LMU will work hand in hand with the LSA to ensure they, as well as the City, have copies of all information related to contractors and subcontractors on all projects.

Anticipated Completion Date: March 21, 2016

- 2) LMU has instituted a segregation of duties, to ensure compliance with both the grant agreement and the Davis Bacon compliance requirements. The LSA will first submit to the Project Engineer for review and verification, then jointly to LMU for additional oversight verification and to the City Clerk-Treasurer's Office for filing so that compliance with the Davis Bacon Act is easily accessible.

Anticipated Completion Date: March 9, 2016

- 3) LMU will commit to training of employees involved in projects with federal funding so that they understand the requirements of the Davis Bacon Act.

LOGANSPORT MUNICIPAL UTILITIES

UTILITY SERVICE BOARD

Paul A. Hartman, Superintendent

Dan Slusser, Chairman

MUNICIPAL UTILITIES
CITY OF LOGANSPORT
AUDIT RESULT AND COMMENT

ERRORS ON UTILITIES' CLAIMS

A test of claims identified that utility payroll disbursements were not approved by the Utility Service Board.

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."



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OFFICIAL RESPONSE

March 18, 2016

Unit Examined: City of Logansport
Period Examined: 1-1-14 to 12-31-14
Date of Conference: March 14, 2016
Office or Department: Municipal Utilities

Contact Person Responsible: Paul A. Hartman
Utilities Superintendent

Contact Phone Number: 574-753-6232

We seek to add as our response and corrective action taken to date, Logansport Common Council Resolution 2016-12, which was passed and ordained as of March 7th of 2016.

This Logansport Council Resolution was expedited in a timely fashion to address the results and comments found by State Board of Accounts examiners in their audit identified above.

The Resolution 2016-12 is included herein on the following pages of this OFFICIAL RESPONSE.

LOGANSPORT MUNICIPAL UTILITIES

Paul A. Hartman, Superintendent

RESOLUTION 2016 – 12

A RESOLUTION OF THE COMMON COUNCIL OF THE CITY OF LOGANSPORT, INDIANA APPROVING THE UTILITY SERVICE BOARD RESOLUTION 2016-04 REGARDING PAYMENT OF CLAIMS AS STIPULATED BY THE INDIANA STATE BOARD OF ACCOUNTS

WHEREAS: The City of Logansport Utilities Service Board, adopted resolution 2016-04 on February 23rd of 2016; and,

WHEREAS: Resolution 2016-04 was adopted in accordance to the Indiana State Board of Accounts, IC 36-4-8-14 and IC 36-5-4-12 which permits a city or town council “to adopt an ordinance allowing the city or town fiscal officer to pay certain types of claims prior to board allowance”; and,

WHEREAS: To that effect Resolution 2016-04 states that: *“the types of claims which could be paid before board allowance include:*

- 1. Property or services purchased from the US. Government,*
- 2. License or permit fees ,*
- 3. Insurance premiums ,*
- 4. Utility payments or connect charges,*
- 5. General grant programs where advance refunding is not prohibited and the contracting party posts sufficient security to cover the amount advanced,*
- 6. Grants of State funds ,*
- 7. Maintenance or service agreements,*
- 8. Leases or rental agreements,*
- 9. Bond or coupon payments , IOJ Payroll,*
- 10. State, federal or county taxes,*
- 11. Expenses that must be paid because of emergency circumstances, and*
- 12. Expenses described in an ordinance.*

That “each payment of expenses must be supported by a fully itemized claim and certified by the fiscal officer and must be reviewed by the proper board at its next regular or special meeting. And that, “each payment of expenses must be supported by a fully itemized claim and certified by the fiscal officer and must be reviewed by the proper board at its next regular or special meeting.” and,

WHEREAS: The City of Logansport Utilities Service Board petitions the Common Council of the City of Logansport to amend Resolution 2016-04, and approve the amended Resolution 2016-04; and,

WHEREAS: To that effect the enumerated portion Resolution 2016-04 should be amended

to read *the types of claims which could be paid before board allowance include:*

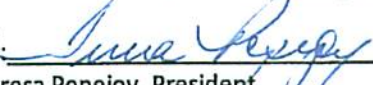
- 1) *Property or services purchased from the U.S. Government,*
- 2) *License or permit fees,*
- 3) *Insurance premiums,*
- 4) *Utility payments or connect charges,*
- 5) *General grant programs where advance refunding is not prohibited and the contracting party posts sufficient security to cover the amount advanced,*
- 6) *Grants of State funds,*
- 7) *Maintenance or service agreements,*
- 8) *Leases or rental agreements,*
- 9) *Bond or coupon payments,*
- 10) *Payroll,*
- 11) *State, federal or county taxes,*
- 12) *Expenses that must be paid because of emergency circumstances, and*
- 13) *Expenses described in an ordinance.*
 - (a) *Petty cash replenishment*
 - (b) *Discounted & late charged invoices*
 - (c) *Travel claims*

NOW THEREFORE BE IT RESOLVED:

WHEREAS: This Council adopts the amended Resolution 2016-04, satisfying the requirements of the Indiana State Board of Accounts, IC 36-4-8-14 and IC 36-5-4-12 which permits a city or town council "to adopt an ordinance allowing the city or town fiscal officer to pay certain types of claims prior to board allowance"

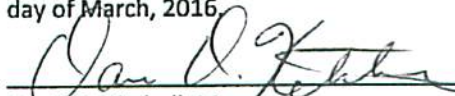
DULY PASSED, ORDAINED, AND ADOPTED this 7th day of March, 2016 by the Common Council of the City of Logansport, Cass County, Indiana, by a vote of 7 in favor and 0 opposed.

Common Council of the City of Logansport, Indiana

By: 
Teresa Popejoy, President

ATTEST: 
Stacy L. Cox, Clerk-Treasurer

Submitted to, approved by and signed by me, the Mayor of the City of Logansport, Indiana, this 7th day of March, 2016.


David D. Kitchell, Mayor

MUNICIPAL UTILITIES
CITY OF LOGANSPORT
EXIT CONFERENCE

The contents of this report were discussed on March 14, 2016, with Paul A. Hartman, Superintendent of Utilities; LuAnn Davis, Utility Office Controller; and Daniel H. Slusser, Chairman of the Utility Service Board.