

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

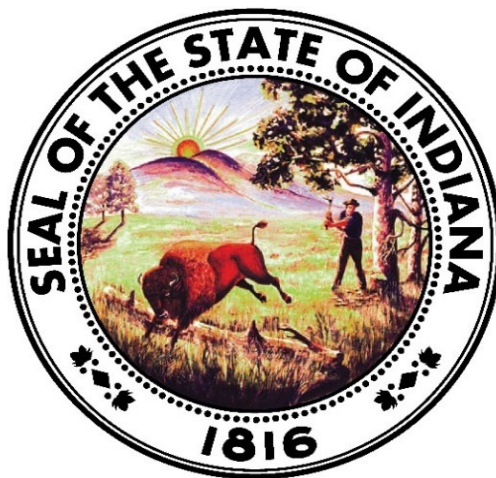
SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF LOGANSPORT

CASS COUNTY, INDIANA

January 1, 2022 to December 31, 2022



**FILED**

08/10/2023



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Duane Ullom	01-01-22 to 12-31-23
Mayor	Chris Martin	01-01-22 to 12-31-23
President of the Board of Public Works and Safety	Chris Martin	01-01-22 to 12-31-23
President Pro Tempore of the Common Council	Jacob LeDonne	01-01-22 to 12-31-23
Superintendent of Utilities	Greg Toth	01-01-22 to 12-31-23
Utility Vice President of Finance	Harold Allen	01-01-22 to 12-31-23



**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 LOGANSPOET, CASS COUNTY, INDIANA

This report is supplemental to the audit report of the City of Logansport (City), for the period from January 1, 2022 to December 31, 2022. 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 the 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/](http://www.in.gov/sboa/).

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE  
Deputy State Examiner

July 26, 2023

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CLERK-TREASURER  
CITY OF LOGANSPORT

CLERK-TREASURER  
CITY OF LOGANSPORT  
AUDIT RESULTS AND COMMENTS

**FINANCIAL TRANSACTIONS AND REPORTING**

*Condition and Context*

There were deficiencies in the internal control system of the City related to financial transactions and reporting.

*Financial Statement*

The City had not established effective internal controls over the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the City's financial statement.

The City failed to properly review the financial information prepared and submitted in Gateway. Although one employee prepared and entered the financial information into Gateway and another employee reviewed and approved the information entered, the internal control was not effective and did not detect and allow correction of errors prior to submission.

Due to the lack of effective internal controls, the financial statement presented for audit included the following errors:

1. The City utilized two separate funds, the LMU Payroll W/H Clearing fund and the Payroll Fund, to account for the payroll clearing activity of the City and the Utilities. The receipts and disbursements of the LMU Payroll W/H Clearing fund were each overstated by \$4,543,899. The receipts and disbursements of the Payroll Fund were each overstated by \$1,152,729.
2. The City issued two Taxable Economic Development Revenue Bonds and, subsequently, loaned the proceeds to developers for projects occurring within the City. The financial activity related to the bonds was omitted from the financial statement, which understated both receipts and disbursements by \$6,212,000.
3. The City passed Resolution 2022-151 Authorizing the Transfer of Funds for Police Station Renovations into the City of Logansport Project Fund at a financial institution in the name of the City (bank account). The transferred amount of \$4,015,000 and the City's Local Income Tax Revenue Bond proceeds of \$2,100,000 were deposited into the bank account. The activity of the bank account, including interest earned and project costs, was not recorded in the ledger or on the City's financial statement. This caused receipts, disbursements, and the ending cash and investments balance to be understated by \$6,136,756; \$1,626,043; and \$4,510,713; respectively.
4. The City issued Redevelopment District Bonds, Series 2022 in the amount of \$2,250,000. The City initially recorded the receipt of the bonds into the TIF East End fund. They later transferred the funds into newly established bank accounts created to account for the bond proceeds. The activity of these bank accounts was not posted to the ledger or the City's financial statement until the subsequent year using these funds - the TIF LV Debt Service Reserve, the TIF LV Construction Fund, the LV Bond Issuance Expense, and the LV Bond Interest Fund. This caused receipts, disbursements, and ending cash and investments balance for 2022 to be understated by \$2,216,250; \$115,050; and \$2,101,200; respectively.

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

Adjustments were proposed, accepted by the City, and made to the financial statement presented in the Financial Statement Audit Report for the City.

*Cash and Investments*

The City had not properly designed or implemented a system of internal controls, which would include appropriate segregation of duties, that would likely be effective in preventing, or detecting and correcting, errors related to cash and investments.

Although one employee prepared the bank reconciliation, and another employee reviewed and approved the information, the internal control was not effective and did not detect that five bank accounts were omitted from the reconciliation.

*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](#)."

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

**ANNUAL FINANCIAL REPORT**

*Condition and Context*

Required supplementary information, supplementary information, and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The City had not established effective internal controls over the AFR information entered into Gateway which resulted in incorrect reporting of the AFR.

*Required Supplementary Information*

The City failed to properly review the financial information prepared and submitted in Gateway. Although one employee prepared and entered the financial information into Gateway, and another employee reviewed and approved the information entered, the internal control was not effective and did not detect and allow correction of errors prior to submission.

Due to the lack of effective internal controls, the required supplementary information presented for audit included the errors described above in the *Financial Transactions and Reporting* comment.

Adjustments were proposed, accepted by the City, and made to the Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented in the Financial Statement Audit Report as Required Supplementary Information.

*Grants - Supplementary Information*

The City had not established effective internal controls over the federal award information entered into Gateway, which was the source of the City's Schedule of Expenditures of Federal Awards (SEFA).

The City failed to properly review the federal grant information prepared and submitted in Gateway. Although one employee prepared and entered the federal award information into Gateway, and another employee reviewed and approved the information entered, the internal control was not effective and did not detect or correct errors prior to submission.

Due to the lack of effective internal controls, the SEFA presented for audit included the following errors:

1. The Community Development Block Grants/State's program and the Non-Entitlement Grants in Hawaii expenditures were overstated by \$317,596.
2. The Outdoor Recreation Acquisition, Development and Planning expenditures were overstated by \$204,900.
3. The COVID-19 - Coronavirus State and Local Fiscal Recovery Funds passed through to subrecipient amount was overstated by \$1,984,992.
4. The COVID-19 - Coronavirus State and Local Fiscal Recovery Funds expenditures were overstated by \$873,957.
5. Additional grants had individually immaterial errors that resulted in misstatements of expenditures of \$54,725, in total.

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

Adjustments were proposed, accepted by the City, and made to the SEFA presented in the Federal Compliance Audit Report for the City.

*Leases and Debt*

The leases and debt information entered into Gateway contained the following errors:

1. The lease with the Logansport Municipal Building Corporation was not properly classified as a lease. This resulted in the overstatement of the Ending Principal Balance by \$1,660,000 and Principal Due Within One Year by \$245,000. The Annual Lease Payment was understated by \$304,000.
2. The Taxable Economic Development Revenue Bonds, Series 2022 (Hotel Project), Local Income Tax Revenue Bonds of 2022, Taxable Economic Development Revenue Bonds, Series 2022 (Junction Project), and Redevelopment District Bonds, Series 2022 were not reported on the AFR. This resulted in understatements of the Ending Principal Balance by \$10,562,000 and Principal Due Within One Year by \$169,000.

Adjustments were proposed, accepted by the City, and made to the Schedule of Leases and Debt reported as Other Information in the Financial Statement Audit Report.

*Criteria*

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](#)."

**BANK ACCOUNT RECONCILIATIONS**

*Condition and Context*

The City established five new bank accounts in November and December of 2022 that were not included as part of their monthly reconciliation. The total balance in the accounts was \$6,611,922 at December 31, 2022.

*Criteria*

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

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

***TIMELY RECORDING***

*Condition and Context*

The proceeds and the subsequent disbursements from three bonds issued during the audit period were not recorded to the City's records at the time of transaction.

*Criteria*

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER  
CITY OF LOGANSPORT  
EXIT CONFERENCE

The contents of this report were discussed on July 26, 2023, with Duane Ullom, Clerk-Treasurer; David Morris, Common Council member; Hayley Zinsmaster, Common Council member; Jacob Pomasl, Deputy Mayor; Robin Rozzi, Chief Deputy Clerk-Treasurer; and Kelly Leeman, City Attorney.