

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

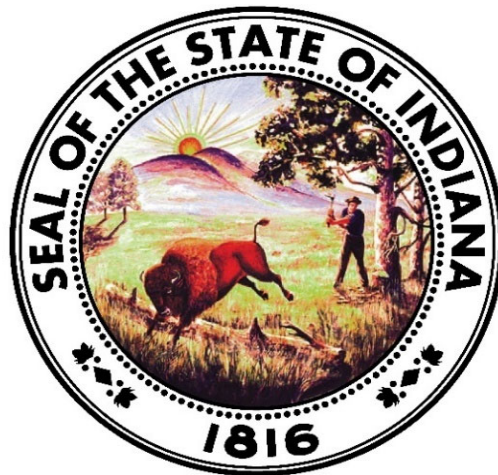
COMPLIANCE EXAMINATION REPORT

OF

CITY OF LOGANSPORT

CASS COUNTY, INDIANA

January 1, 2023 to December 31, 2023



**FILED**  
09/24/2024



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Duane Ullom Tyler Peterson	01-01-23 to 12-31-23 01-01-24 to 12-31-24
Mayor	Chris Martin	01-01-23 to 12-31-24
President of the Board of Public Works and Safety	Chris Martin	01-01-23 to 12-31-24
President Pro Tempore of the Common Council	Dave Morris	01-01-23 to 12-31-24



INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE FOR THE U.S. DEPARTMENT OF THE  
TREASURY CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS PROGRAM (SLFRF)  
REQUIREMENTS FOR AN ALTERNATIVE SLFRF COMPLIANCE EXAMINATION ENGAGEMENT

TO: THE MANAGEMENT OF THE CITY OF LOGANSPORT, CASS COUNTY, INDIANA

We were engaged to examine the City of Logansport's (City) compliance with the compliance requirements "activities allowed or unallowed" and "allowable costs/cost principles" (the specified requirements) as described in the Part IV "Requirements for an Alternative Compliance Examination Engagement for Recipients That Would Otherwise be Required to Undergo a Single Audit or Program-Specific Audit as a Result of Receiving SLFRF Awards" of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) section of the 2023 OMB *Compliance Supplement* (referred to herein as "Requirements for an Alternative SLFRF Compliance Examination Engagement") during the period January 1, 2023 to December 31, 2023.

Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

We are required to be independent and meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the City's compliance with the specified requirements referenced above.

As described in the accompanying Schedule of Findings and Responses, we were unable to obtain sufficient appropriate audit evidence supporting the City's compliance with the "activities allowed or unallowed" and "allowable costs/costs principles" requirements as described in item 2023-001. As a result, we were unable to determine whether the City complied with the requirements applicable to the Alternative SLFRF Compliance Examination Engagement.

Because of the limitation on the scope of our examination discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the City's compliance with the compliance requirements "activities allowed or unallowed" and "allowable costs/cost principles" as described in Part IV "Requirements for an Alternative Compliance Examination Engagement for Recipients That Would Otherwise be Required to Undergo a Single Audit or Program-Specific Audit as a Result of Receiving SLFRF Awards" of the SLFRF section of the 2023 OMB *Compliance Supplement* during the period January 1, 2023 to December 31, 2023.

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE FOR THE U.S. DEPARTMENT OF THE  
TREASURY CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS PROGRAM (SLFRF)  
REQUIREMENTS FOR AN ALTERNATIVE SLFRF COMPLIANCE EXAMINATION ENGAGEMENT  
(Continued)

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud; and noncompliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on the City's compliance with the specified requirements and any other instances that warrant the attention of those charged with governance. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on the City's compliance with the specified requirements and not for the purpose of expressing an opinion on the internal control over the specified requirements or on compliance and other matters; accordingly, we express no such opinions.

Certain findings identified as item 2023-001 that are required to be reported under *Government Auditing Standards* were identified. Those findings, along with the *Views of Responsible Officials*, are described in the attached Schedule of Findings and Responses.

**Intended Purpose**

The purpose of this examination report is solely to express an opinion on whether the City complied, in all material respects, with the specified requirements referenced above during the period January 1, 2023 to December 31, 2023. Accordingly, this report is not suitable for any other purpose.



Beth Kelley, CPA, CFE  
Deputy State Examiner

September 19, 2024

CITY OF LOGANSPORT  
SCHEDULE OF FINDINGS AND RESPONSES

***FINDING 2023-001***

Subject: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds -  
Activities Allowed or Unallowed, Allowable Costs/Cost Principles  
Federal Agency: Department of the Treasury  
Federal Program: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds  
Assistance Listings Number: 21.027  
Federal Award Number and Year (or Other Identifying Number): FY2023  
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles  
Audit Findings: Material Weakness, Modified Opinion

*Condition and Context*

Prior to receipt of direct State and Local Fiscal Recovery Funds (SLFRF) award funds, all eligible entities were required to execute a Financial Assistance Agreement (Agreement), which included the Award Terms and Conditions that recipients must comply with in carrying out the objectives of their award. Per the Agreement, the City was responsible for the effective administration of the federal award, as well as the application of sound management practices and administration of federal funds in a manner consistent with program objectives and terms and conditions of the award.

*Activities Allowed or Unallowed, Allowable Costs/Cost Principles*

Recipients may use SLFRF funds for any eligible expenses subject to the restrictions set forth in sections 602 and 603 of the Social Security Act as added by section 9901 of the American Rescue Plan Act of 2021 and amended by the Consolidated Appropriations Act of 2023. The SLFRF program provides substantial flexibility for each recipient to meet local needs within seven separate eligible use categories. Recipients may use SLFRF funds to:

- Respond to the COVID-19 public health emergency and its negative economic impacts;
- Respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers of eligible employers that have eligible workers who are performing essential work;
- Provide government services, to the extent COVID-19 caused a reduction in revenues collected in the most recent full fiscal year of the recipient;
- Make necessary investments in water, sewer, or broadband infrastructure;
- Provide emergency relief from natural disasters or their negative economic impacts;
- Fund eligible Surface Transportation projects; and
- Fund Title I projects that are eligible activities under the Community Development Block Grant and Indiana Community Development Block Grant programs.

As part of sound management of the federal award, the City was responsible for implementing a system of internal controls that would ensure compliance with the applicable requirements. The City had not properly designed or implemented such a system. There was no evidence of segregation of duties, such as an oversight, review, or approval process that would have ensured that expenditures of award funds were made only for activities and costs that were allowable under the federal award and federal regulations.

CITY OF LOGANSPORT  
SCHEDULE OF FINDINGS AND RESPONSES  
(Continued)

The total population of claims for SLFRF funds consisted of ten accounts payable voucher's (APV's). All ten APV's were tested for compliance. Two of the ten claims tested were paid without itemized invoices and adequate supporting documentation to support amounts paid.

Additionally, the City did not ensure a proper system of internal controls were in place to accurately track expenditures for the SLFRF funds. In 2022, \$2,500,000 of SLFRF funds were moved out of the City's SLFRF fund within in its main bank account and placed into a separate bank account in the name of the City along with \$3,636,756 of nonfederal funds as part of a Build Operate Transfer (BOT) Agreement. During 2022, \$1,626,043 was disbursed from the bank account and was determined to be SLFRF expenditures. At the end of 2022, \$4,510,713 remained in the bank account, \$873,957 of which were SLFRF funds. During 2023, the City disbursed \$4,369,454 from the bank account but did not retain documentation to support which expenditures were associated with the remaining \$873,957 of SLFRF funds. Therefore, the \$873,957 of SLFRF funds expended from the bank account could not be tested to ensure compliance with activities allowed or unallowed and allowable costs/cost principles.

The lack of internal controls and noncompliance was a systemic issue throughout the audit period.

*Criteria*

2 CFR 200.302 states in part:

"(a) Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. . . .

(b) The financial management system of each non-Federal entity must provide for the following . . .

- (1) Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include, as applicable, the Assistance Listings title and number, Federal award identification number and year, name of the Federal agency, and name of the pass-through entity, if any.
- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.328 and 200.329. . . .
- (3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, financial obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.
- (4) Effective control over, and accountability for, all funds, property, and other assets. . . ."

CITY OF LOGANSPORT  
SCHEDULE OF FINDINGS AND RESPONSES  
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.400 states in part:

"The application of these cost principles is based on the fundamental premises that:

(a) The non-Federal entity is responsible for the efficient and effective administration of the Federal award through the application of sound management practices.

(b) The non-Federal entity assumes responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award.

(c) The non-Federal entity, in recognition of its own unique combination of staff, facilities, and experience, has the primary responsibility for employing whatever form of sound organization and management techniques may be necessary in order to assure proper and efficient administration of the Federal award. . . ."

2 CFR 200.403(g) states in part: "(g) Be adequately documented. . . ."

2 CFR 200.404 states in part:

"A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when the non-Federal entity is predominantly federally-funded. In determining reasonableness of a given cost, consideration must be given to: . . .

(e) Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost."

*Cause*

A proper system of internal controls was not designed by management of the City. Embedded within a properly designed and implemented internal control system should be internal controls consisting of policies and procedures. Policies reflect the City's management statements of what should be done to effect internal controls, and procedures should consist of actions that would implement these policies. Due to the lack of internal controls, the City was unable to differentiate expenditures made from federal and non-federal funds once it commingled nonfederal funds and federal grant awards in a single bank account. Additionally, they did not obtain appropriate supporting documentation for federal expenditures.

CITY OF LOGANSPOUR  
SCHEDULE OF FINDINGS AND RESPONSES  
(Continued)

*Effect*

Without the proper implementation of an effectively designed system of internal controls, the internal control system was not effective in preventing, or detecting and correcting, material noncompliance within the grant. The City was unable to identify all the expenditures paid with federal funds and cannot ensure nor can we determine expenditures of the grant were not unallowable and adhered to established practices and policies. Additionally, the City was unable to provide appropriate documentation supporting expenditures paid with federal grant funds.

*Questioned Costs*

We identified \$1,273,975 in known questioned costs as noted above in the *Condition and Context*.

*Recommendation*

We recommended that management of the City establish a system of internal controls to ensure that grant award funds are accounted for and tracked in a designated grant fund. All activity of the grant should be in this fund with supporting documentation for each transaction. Additionally, the City should obtain appropriate supporting documentation for all federal grant expenditures.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the City. The document is presented as intended by the City.



## Logansport Clerk-Treasurer's Office

**TYLER PEARSON**  
CLERK-TREASURER

### CORRECTIVE ACTION PLAN

#### **FINDING 2023-001**

**Finding Subject: Coronavirus State and Local Fiscal Recovery Funds - Activities Allowed or Unallowed, Allowable Costs/Cost Principles**

**Summary of Finding:**

The City passed Ordinance 2022-45 approving a "commitment of up to but not to exceed \$400,000 for Infrastructure at the Junction". However, the City made no formal agreements for the payment of claims in relation to the "Junction" Project. Of the ten claims paid with SLFRF funds during 2023, two claims totaling \$400,000 were for the "Junction" project. Both claims were paid without itemized invoices and adequate supporting documentation to support amounts paid.

The City did not ensure a proper system of internal controls were in place to accurately track expenditures for the State and Local Fiscal Recovery Funds (SLFRF) Grant. In 2022, \$2.5 million of SLFRF grant funds were transferred out of the City's SLFRF fund into the City of Logansport Project Fund at a financial institution in the name of the City (bank account) and were subsequently comingled with other non-federal funds, as part of a Build Operate Transfer (BOT) Agreement. Of this \$2.5 million, \$1,626,043 was spent during 2022, leaving \$873,957 of the original \$2.5 million to be spent in 2023. During 2023 the City disbursed \$4,369,453.99 from its BOT bank account where SLFRF and other funding sources were comingled without tracking which expenditures were expressly for the purpose of SLFRF. It was not possible to obtain a population of federal expenditures, for the BOT expenditures, due to this comingling, therefore a portion of the Activities Allowed or Unallowed & Allowable Costs/ Cost Principles could not be tested.

The lack of internal controls and

**Contact Person Responsible for Corrective Action: Tyler Pearson**

**Contact Phone Number and Email Address: 574-739-1416**

**Views of Responsible Officials:**

We concur with the finding from the audit.

**Description of Corrective Action Plan:**

As a measure of corrective action, I will be implementing a check sheet that will be attached to every claim sheet. This new procedure requires that you go through the check sheet and initial each item to ensure that all procedures have been followed correctly before submission.

Additionally, I will also maintain a check sheet in my office since I am the last person to review each claim. This will help to ensure thoroughness and accuracy in our claims processing.

Furthermore, moving forward, any grant funds will be placed into their own individual funds and distributed through an individual account. This approach will allow us to track payments for any expenses associated with these funds more effectively.

**Anticipated Completion Date:**

I anticipate the check sheets be completed and fully implemented by October 1, 2024.

Sincerely,

A handwritten signature in black ink, appearing to read 'TP', is written over a horizontal line. The signature is stylized and cursive.

Tyler Pearson  
Clerk-Treasurer

## OTHER REPORTS

In addition to this report, other reports may have been issued for the City. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.