

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, 2018 to December 31, 2019



FILED
03/10/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Stacy L. Cox Duane Ullom	01-01-17 to 12-31-19 01-01-20 to 12-31-21
Mayor	Dave Kitchell Chris Martin	01-01-17 to 12-31-19 01-01-20 to 12-31-21
President of the Board of Public Works and Safety	Dave Kitchell Chris Martin	01-01-17 to 12-31-19 01-01-20 to 12-31-21
President Pro Tempore of the Common Council	Teresa Popejoy David Morris	01-01-17 to 12-31-18 01-01-19 to 12-31-21
Chairman of the Utility Service Board	Daniel H. Slusser Jay King	08-01-16 to 07-31-17 08-01-17 to 07-31-21
Superintendent of Utilities	Paul A. Hartman Greg Toth	01-01-17 to 12-31-20 01-01-21 to 12-31-21
Utility Office Controller	LuAnn Davis Tammy Baumgardner	01-01-17 to 12-31-19 01-01-20 to 12-31-21



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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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, 2018 to December 31, 2019. 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 our 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/.

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.

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

February 9, 2021

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CLERK-TREASURER
CITY OF LOGANSPORT

CLERK-TREASURER
CITY OF LOGANSPORT
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Condition and Context

A similar comment also appeared in prior Report B50900, entitled *BANK ACCOUNT RECONCILIATIONS*.

The City's reconciliation as of December 31, 2018, did not reconcile to the financial statement presented for audit. Our review discovered the following issues with the December 31, 2018 reconciliation:

- On December 31, 2018, the City posted a \$16,365 Receipt to the Police Pension fund from the Rainy Day fund. The transfer of funds between the bank accounts wasn't made until February 28, 2019. The City showed an outstanding deposit of \$16,365 in the Police Pension fund's bank account, but did not show a corresponding outstanding withdrawal from the Rainy Day fund's bank account.
- The December 31, 2018 outstanding check list for the City's AP bank account included \$1,569,412 in checks, mostly dated January 2018, that did not clear in January 2019, or appear to be voided, and did not appear on the January 31, 2019 outstanding check list.
- The December 31, 2018 outstanding deposit list for the City's AP bank account included \$1,485,242 in deposits, all dated January 2018, that did not clear in January 2019, or appear to be voided, and did not appear on the January 31, 2019 outstanding deposit list.

After consideration of the items above, the December 31, 2018 reconciled bank balance was \$31,920 short of the financial statement balance. Accrual basis amounts were included in the financial statement and Annual Financial Report, which made it difficult or impossible to verify bank reconciliations.

As of December 31, 2019, the reconciled bank balance was \$186,756 short of the financial statement balance. Our review discovered the following issues with the December 31, 2019 reconciliation:

- The Fire Pension fund balance on the financial statement is overstated by \$904.
- The Trash & Garbage Pickup fund balance on the financial statement is overstated by \$185,845. The overage in the Trash & Garbage Pickup fund was the result of three months of trash collections being posted to the General fund with the corresponding deposits being deposited into the Trash bank account. Upon completing the December 31, 2019 reconciliation, the City showed a deposit outstanding to the General fund's bank account and, instead of showing an outstanding disbursement from the Trash bank account, an adjusting journal entry was made to post \$185,845 as additional revenue to the Trash & Garbage Pickup fund.

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 LOGANSPOUR
AUDIT RESULTS AND COMMENTS
(Continued)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

MVH RESTRICTED FUND

Condition and Context

The City has inappropriately paid general MVH expenses from the MVH Restricted fund for payroll, payroll benefits, fuel, stone, and equipment, instead of using the funds for construction, reconstruction, and preservation of the City's highways as required. In addition, the large amount of expenditures running through the MVH Restricted fund also caused a \$203,051 deficit cash balance at December 31, 2019.

Criteria

Indiana Code 8-14-1-5(c) states: "For funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

PENALTIES, INTEREST, AND OTHER CHARGES

Condition and Context

The City paid \$1,935 in penalties and interest to the Internal Revenue Service during the period beginning October 4, 2016 through July 28, 2020. The interest and penalties were assessed on Form 941, Employer's Quarterly Federal Tax Return, and Form 945, Annual Return of Withheld Federal Income Tax, for the quarters ending in March, June, and December of 2016, and December 2018 and 2019.

Criteria

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (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 February 9, 2021, with Stacy L. Cox, former Clerk-Treasurer; Dave Kitchell, former Mayor; Duane Ullom, Clerk-Treasurer; Robin Rozzi, Deputy Clerk-Treasurer; Chris Martin, Mayor; Jacob Pomasl, Deputy Mayor; David Morris, President Pro Tempore of the Common Council; Greg Toth, LMU Superintendent; Tammy Baumgardner, LMU Controller; Amy Densborn, Common Council member; Jonathan Nelms, Common Council member; Jake LeDonne, Common Council member; and Mike Meagher, Utility Service Board member.

MAYOR
CITY OF LOGANSPORT

MAYOR
CITY OF LOGANSPOUT
AUDIT RESULT AND COMMENT

TAX SALE PROPERTY - COLLECTION OF AMOUNTS DUE

Condition and Context

In August 2018, Mayor Dave Kitchell attended a Cass County tax sale and purchased two properties with City funds with the intent of reselling the properties to owners who would improve the properties and put them back on the tax rolls. There was no prior discussion or authorization by the Common Council for these purchases. On August 30, 2018, the Clerk-Treasurer's office issued a check for \$21,492 to fulfil the commitment made by the Mayor at the tax sale, but the Common Council never approved the purchase. After reviewing the environmental issues associated with one of the properties, the City decided it was best not to take possession of the property and the property was retained by the original owner. The \$18,492 paid for that property was never recouped by the City.

We recommended that the City pursue further action regarding the property that was not turned over to the City in an effort to recoup the \$18,492 paid.

Criteria

Units have a responsibility to collect amounts owed to the unit pursuant to procedures authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

MAYOR
CITY OF LOGANSPOUR
EXIT CONFERENCE

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