

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, 2020 to December 31, 2020



FILED
03/03/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Duane Ullom	01-01-20 to 12-31-22
Mayor	Chris Martin	01-01-20 to 12-31-22
President of the Board of Public Works and Safety	Chris Martin	01-01-20 to 12-31-22
President Pro Tempore of the Common Council	David Morris Jacob LeDonne	01-01-20 to 12-31-21 01-01-22 to 12-31-22
Chair of the Utility Service Board	Jay King	01-01-20 to 07-31-22
Superintendent of Utilities	Paul A. Hartman Gregory Toth	01-01-20 to 12-31-20 01-01-21 to 12-31-22
Utility Office Controller	Tammy Baumgardner	01-01-20 to 04-15-21
LMU VP Finance	Harold Allen	04-16-21 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2020 to December 31, 2020. 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.

Beth Kelley, CPA, CFE
Deputy State Examiner

February 16, 2022

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CLERK-TREASURER
CITY OF LOGANSPORT

CLERK-TREASURER
CITY OF LOGANSPORT
AUDIT RESULTS AND COMMENTS

ACCOUNTING FOR IFA ADMINISTERED CORONAVIRUS RELIEF FUND GRANT

Condition and Context

The City of Logansport (City) did not properly account for the Coronavirus Relief Fund (CRF) in accordance with State Examiner Directive 2020-3 (Directive).

The City did not properly establish a separate CARES grant fund for the CRF grant that followed the uniform chart of accounts. The City established fund 264 - CARES Act Fund instead of following the *Accounting and Appropriation of COVID-19 Grants* memo dated April 29, 2020, which indicated the City could utilize any fund number between 150-175.

The City receipted Indiana Finance Authority (IFA) CRF reimbursements of \$7,916 for costs other than health and safety payroll on October 20, 2020, and \$567,247 for health and safety payroll costs on December 19, 2020, into the CARES Act Fund. The original disbursements for the reimbursed costs were made from other funds.

The City then spent \$2,803 for non-payroll expenditures directly from the CARES Act Fund. These expenditures were made without appropriation and were not expenditures that corresponded with the reimbursement requests.

The CARES Act Fund had a balance of \$572,360 on December 31, 2020. This was subsequently corrected on September 22, 2021, in accordance with the ordinance the City passed on August 2, 2021, allowing for the claim of the funds from the CARES Act Fund to the General Fund.

Criteria

Each local unit of government that receives an allocation from the Coronavirus Relief Fund administered by IFA shall establish a separate CARES grant fund with a fund number consistent with memorandum *Accounting and Appropriation of COVID-19 Grants, April 29, 2020 (updated September 29, 2020)*.

All Reimbursements received from IFA shall be receipted into a separate CARES grant fund that is specific to IFA reimbursements. . . .

Transactions for public health and safety payroll costs must be accounted for through one of these two prescribed options.

Option One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. The reimbursed amount for public health and safety payroll costs originally incurred in the general fund (or other fund) will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the general fund (or other fund) cash balance and re-appropriate the general fund (or other fund) in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the general fund (or other fund), it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

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

Once option one is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. . . .**

Option Two. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. A claim will be created against the separate CARES grant fund for the reimbursed amount in favor of the general fund. This claim must be supported by documentation of the public health and safety payroll costs that have been expensed from the general fund or other funds.

The amount of the claim will be receipted into the general fund cash balance. Normal appropriation procedures will apply to these funds.

Once option two is completed, the cash balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund. This option requires a resolution or ordinance as detailed in the memorandum CARES Reimbursement of Public Health and Safety Payroll Costs, September 30, 2020. . . .**

Transactions for other permitted costs reimbursed by IFA must be accounted for through one of the following prescribed frameworks.

Framework One. Reimbursements received from IFA shall be receipted into the separate CARES grant fund. Reimbursed disbursements originally incurred in another fund will be moved to the separate CARES grant fund through a reversing entry. This action will reinstate the fund cash balance and re-appropriate the fund in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This reversal must be done in the same budget year that the original transaction was posted.

Once the disbursement is reversed within the original fund, it must be posted as a disbursement in the separate CARES grant fund. Documentation must be maintained so the audit trail can be followed. The accounting system must tie the original claim for the disbursement to the separate CARES grant fund by specific reference or notation in a comment section.

Once these steps are completed, the balance of the separate CARES grant fund will be zero. **No money shall remain in the separate CARES grant fund.** (State Examiner Directive 2020-3)

In anticipation of several separate funds being necessary, the following fund numbering system should be followed: . . .

Cities/Towns: 150-175 . . .

(Accounting and Appropriation of COVID-19 Grants, April 29, 2020 (updated September 29, 2020))

BANK ACCOUNT RECONCILIATIONS

Condition and Context

The Clerk-Treasurer's office failed to reconcile the City bank accounts in a timely manner. Upon inspection of two months reconciliations, we noted they were completed 84 and 111 days after month end.

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

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."

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

The City had not established effective internal controls related to financial transactions and reporting. The City had not separated incompatible activities related to financial close and reporting.

Financial Close and Reporting

The City did not have a proper system of internal controls in place to prevent, or detect and correct, errors in the Annual Financial Report (AFR) entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the financial statement. Although one employee prepared and entered the financial transaction information into Gateway, and another employee reviewed and approved the information entered, the internal controls were not effective and did not detect and allow correction of errors prior to submission.

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

1. The receipts and disbursements for the Payroll fund were each understated by \$4,229,819.
2. The receipts and disbursement for the LMU Payroll W/H Clearing fund were each understated by \$2,004,319.
3. Several additional funds had individually immaterial errors that resulted in total misstatements of disbursements of \$33,211 and receipts of \$6,924.

Audit adjustments were proposed, accepted by the City, and made to the financial statement.

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.

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

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](#)."

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Repeat Comment

A similar comment also appeared in prior Report B56459, entitled *MVH RESTRICTED FUND*.

Condition and Context

The City inappropriately paid general Motor Vehicle Highway expenses from the MVH Restricted fund for payroll, payroll benefits, and fuel instead of using the funds for construction, reconstruction, and preservation of the City's highways as required. The MVH Restricted fund disbursements were for non-restricted purposes for 5 of 10 disbursements tested.

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."

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The City certified on the Annual Financial Report that the City had provided training on internal control standards. The City had not ensured that all applicable personnel completed training, and could not provide evidence that all applicable personnel completed training on internal control standards. Therefore, the City's certification that they had trained applicable personnel on internal control standards was incorrect.

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

Context

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 LOGANSPOUR
EXIT CONFERENCE

The contents of this report were discussed on February 16, 2022, with Duane Ullom, Clerk-Treasurer; Jacob LeDonne, President Pro Tempore of the Common Council; Jacob Pomasl, Deputy Mayor and Board of Public Works and Safety member; Carl McPherson, Common Council member; David Morris, Common Council member; Harold Allen, LMU VP Finance; Robin Rozzi, Chief Deputy Clerk-Treasurer; Marla D. Evanich, Human Resources; Lorien Stair, Deputy Clerk of Payroll; Ross Anderson, Grants Administrator; Carrie Kelley, Accounts Receivable; and Rose Woodward, Accounts Payable.

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COMMON COUNCIL
CITY OF LOGANSPORT

COMMON COUNCIL
CITY OF LOGANSPORT
AUDIT RESULT AND COMMENT

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The City had not ensured that all applicable personnel completed training and could not provide evidence that all applicable personnel received training on internal control standards.

Criteria

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

COMMON COUNCIL
CITY OF LOGANSPORT
EXIT CONFERENCE

The contents of this report were discussed on February 16, 2022, with Duane Ullom, Clerk-Treasurer; Jacob LeDonne, President Pro Tempore of the Common Council; Jacob Pomasl, Deputy Mayor and Board of Public Works and Safety member; Carl McPherson, Common Council member; David Morris, Common Council member; Harold Allen, LMU VP Finance; Robin Rozzi, Chief Deputy Clerk-Treasurer; Marla D. Evanich, Human Resources; Lorien Stair, Deputy Clerk of Payroll; Ross Anderson, Grants Administrator; Carrie Kelley, Accounts Receivable; and Rose Woodward, Accounts Payable.