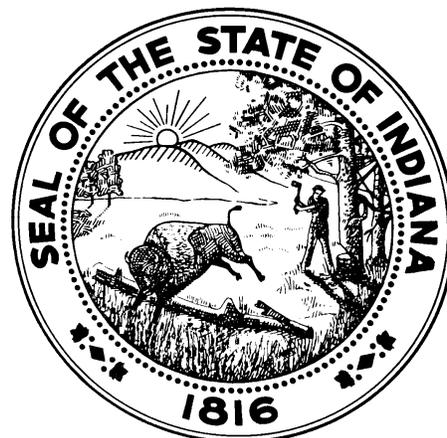


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF

CITY OF BLOOMINGTON
CONTROLLER
MONROE COUNTY, INDIANA

January 1, 2007 to December 31, 2007



FILED
09/23/2008

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
City Officials	2
Transmittal Letter	3
Audit Results and Comments:	
Errors on Claims	4
Credit Cards.....	5
Timely Deposits	5-6
Official Bond	6
Exit Conference.....	7
Official Response	8

CITY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Susan Clark Michael Trexler	01-01-07 to 05-04-08 05-05-08 to 12-31-08
Mayor	Mark Kruzan	01-01-04 to 12-31-11
President of the Board of Public Works	Beth Hollingsworth Charlotte Zietlow	01-01-07 to 12-31-07 01-01-08 to 12-31-08
President of the Common Council	David Rollo Susan Sandberg	01-01-07 to 12-31-07 01-01-08 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF BLOOMINGTON

We have audited the records of the City of Bloomington Controller for the period from January 1, 2007 to December 31, 2007, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Results and Comments. The financial transactions of this office are reflected in the Comprehensive Annual Financial Report (CAFR) of the City of Bloomington, Monroe County, for the year 2007.

STATE BOARD OF ACCOUNTS

June 20, 2008

CITY OF BLOOMINGTON
CONTROLLER
AUDIT RESULTS AND COMMENTS

ERRORS ON CLAIMS

The following deficiencies were noted on several claims during the audit period:

- (1) Claims were not authorized for payment.
- (2) Claims were not adequately itemized.
- (3) Claims did not have board approval.
- (4) Claims or invoices were not accompanied by evidence in support of receipt of goods or services.

The person that makes the purchase (charges the amount) should sign the documentation that goods or services were received. Another person should approve the claim and authorize the purchase. Support for all payments needs to be retained and available for audit. This should include an itemized invoice or other documentation. In some instances, a description of what was purchased may need to be added.

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 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)

CITY OF BLOOMINGTON
CONTROLLER
AUDIT RESULTS AND COMMENTS
(Continued)

CREDIT CARDS

The City's credit card policy, which requires supporting documentation of all credit card payments, is not consistently followed. A majority of claims are being paid through credit card transactions at the City.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
- (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.
- (8) If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TIMELY DEPOSITS (Employee Services and Planning Department)

Employee Services collected funds from flu shots that were deposited later than the next business day. Flu shots were given in October and November. Employees and retirees could bring in their dependents for a flu shot and pay \$20.

The total amount collected was remitted to the Controller's office on December 4, 2007. Quietus 1230Y4 was issued in the amount of \$380, which included \$220 cash and \$160 checks. In some instances, receipts were not issued or recorded. No receipt is issued for checks received in the mail for benefits. A receipt is only issued if requested. All funds received should be receipted by Employee Services.

CITY OF BLOOMINGTON
CONTROLLER
AUDIT RESULTS AND COMMENTS
(Continued)

The Planning Department had an instance of a receipt being remitted to the Controller's Office two business days after the department receipt date.

Indiana Code 5-13-6-1(c) states in part: "All local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance. . . ."

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OFFICIAL BOND

The following official bond was not filed in the Office of the County Recorder:

City Dishonesty Blanket Bond

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

CITY OF BLOOMINGTON
CONTROLLER
EXIT CONFERENCE

The contents of this report were discussed on August 26, 2008, with Mark Kruzan, Mayor; Michael Trexler, Controller; Kevin Robling, Corporate Counsel; and Jeff McMillian, Deputy Controller. The official response has been made a part of this report and may be found on page 8.



**City of Bloomington
Office of the Controller**

Response to the Office of the Controller 2007 Audit Report

Internal controls over receipts

SBA Comments: Employee Services staff collected money for flu shots from non-employees during the flu shot clinic. The money that was collected at the clinics in October and November was not turned into the Controller within one business day from receiving the money, as required. It was turned into the Controller on December 7. The amount in question was \$380.00 (\$220 in cash and \$160 in checks).

The Planning department had one receipt remitted to the Controller's Office two business days after the department receipt date.

Employee Services staff members are not writing receipts for any payment or money received by their department. An example of this is retirees' payments at the counter or money received in the mail. All departments need to record all money that is received by that department. All receipts need to be on approved software; manual receipt forms, or cash register receipts.

City Action: Beginning immediately all payments to any City Department received before 3:00pm will be recorded in that department's receipt books on that day's business and delivered to the Controller's Office that day. Any payments received after 3:00pm will be recorded on the following business day's receipts and delivered to the Controller's Office by 3:00pm the following business day. A copy of the receipt will be available to the parties making payment.

Internal controls for the receipt of goods and services

SBA Comments: All claims must have itemized receipts for all payments to be made. This includes credit card purchases, the signature slip is not sufficient. The buyer needs to sign on the receipt or invoice that the goods or services were received before the claim can be processed. This applies to all claims.

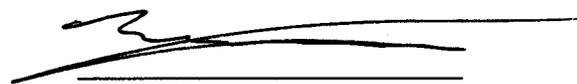
City Action: The Controller's Office will meet with the bookkeepers in each department to ensure they are aware of this requirement. All invoices will be required to have a detailed list of the items included and will be signed and dated to acknowledge receipt.

Recording blanket bonds

SBA Comments: Blanket bonds for all employees need to be recorded at the County Recorder's Office. The insurance company does not automatically record these policies. SBA is concerned about the coverage limits. SBA has similar concerns regarding Utilities and Transit.

City Action: The bond in question has been recorded. Risk Management now maintains a database of recorded bonds to ensure that all bonds are recorded in a timely manner and summary reports can be provided.


Mark Krizan, Mayor


Mike Trexler, City Controller