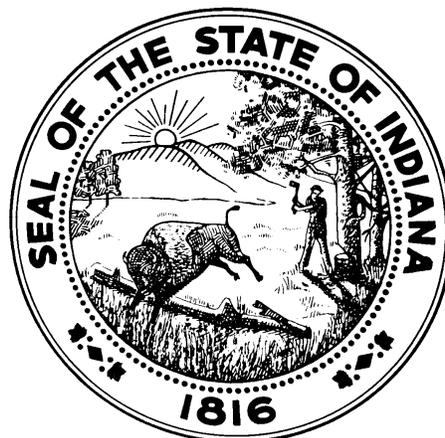


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF

CITY OF BLOOMINGTON
PARKS AND RECREATION
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:	
Internal Controls - Receipts	4-5
Internal Controls - Franks Southern Ice Arena.....	5
Internal Controls Parks Revolving Refund Account	5-6
Exit Conference.....	7
Official Response	8

CITY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director, Parks and Recreation	Mick Renneisen	01-01-07 to 12-31-08
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

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE CITY OF BLOOMINGTON

We have audited the records of the City of Bloomington Parks and Recreation 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
PARKS AND RECREATION
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS - RECEIPTS

Controls over the receipting, recording, and accounting for the financial activities of multiple Parks and Recreation programs were insufficient.

During the review of receipts, multiple deposits observed were different than the daily summaries provided by each program to Parks and Recreation. For about half of these differences, a change was made on the daily summary by crossing out the total and writing in the amount actually deposited. No explanation of why the changes were being made was evident and there was no indication as to who made the daily summary total change (not signed or initialed). An explanation of changes made and a chain of responsibility should be present in order to investigate potential differences.

The Bryan Park Pool Concession receipts were the main source of the discrepancies. All four days tested had a deposit different than shown on the daily summary. Three of the four days tested had a correction written, but no indication as to why or by whom. The amounts were immaterial; however, the multiple occurrences could indicate an internal control issue.

Similar discrepancies were noted on three of the four Twin Lakes Concession receipt days tested. These were also considered to be immaterial differences.

Receipts presented did not always agree with bank deposits reviewed or the controller's ledger.

One Farmer's Market deposit was different than the receipts provided for the day tested. Upon further review, the receipts totaled the entry in one controller's ledger account line, but the difference on the deposit appeared to be another controller ledger account line that had no receipts presented. Multiple receipt books for the Farmer's Market were used during the same time period; however, Park staff did not maintain a log or other record to track the receipt numbers along with an identification of the receipt book, which made up each day's deposits.

Receipts tested for Griffy Lake did not always match the daily summary sheets or deposit slips. The daily summary sheets and deposit slips did not indicate which receipts were included in the deposit. Including the receipt range would help provide the necessary information for the central office to track all receipts and review receipts that may have been skipped in the process. This would help reduce the risk of potential fraud. One Griffy Lake receipt tested did not show who the money was received from. One Griffy Lake day of receipts tested did not have a corresponding daily summary sheet, and the receipts tested did not match the deposit slip.

Controls for reviewing each program's receipts and deposits do not appear to be in place. A review of receipts and deposits by the central office should occur to ensure all money collected is being receipted and deposited properly, and to lower the risk of potential fraud.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF BLOOMINGTON
PARKS AND RECREATION
AUDIT RESULTS AND COMMENTS
(Continued)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Public funds shall be deposited in the same form in which they were received. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERNAL CONTROLS - FRANKS SOUTHERN ICE ARENA

Controls for receipts generated by the Franklin Southern Ice Arena are insufficient

While attempting to reconcile one of the Daily Summary Sheets to the cash register printouts for November 9, 2007, we noted the following: A tally of the items sold on the Summary Sheet was \$946.50. The total deposit listed on the Summary Sheet agreed to the tally amount. The deposit slip shown in both the Controller's and Parks and Recreation (P&R) records indicated a deposit of \$846.50, a difference of \$100.00 cash. According to P&R employees, the original amount was returned by the bank because of the difference in the amount brought to the bank by the courier, and the amount written on the deposit slip. A correction to the deposit slip was made and it was sent back to the bank (for \$846.50). A correction was also made to the Summary Sheets and P&R Deposit Receipts given by FSC to P&R, showing how much should be receipted in the general fund 200 and the non-reverting fund 201. In fact, multiple corrections appeared to be made to each document.

The cash register printout for Register 1 had also been changed (via pencil) when originally run. It originally showed \$1,310.70, but a note written on the tape said, "400.00 over ring," and an adjustment was made crossing off the apparent over ring amount and lowering it by \$400.00. Two additional adjustments were observed which resulted in an adjusted total of \$910.50, a difference of \$400.20 from the original amount on the cash Register 1 tape. There was no signature to indicate who made the changes or backup documentation showing the possible over ring and why it was changed on the tape. No evidence of supervisor review and approval of these changes was noted.

The Daily Summary Sheets should be filled out in ink instead of pencil. This would help eliminate potential unwanted changes during the receipting/depositing process when money changes hands.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERNAL CONTROLS PARKS REVOLVING REFUND ACCOUNT

Internal controls over the Parks Revolving Refund account disbursements were insufficient. Payroll checks totaling \$684.21 (without deductions for payroll taxes) were written from the revolving refund account on three occasions in 2007. Providing payroll checks is not consistent with the intent of the revolving fund account, and could lead to invalid transactions. Payroll checks were written to employees when their timesheet wasn't turned in by the City payroll deadline. The employee also had to

CITY OF BLOOMINGTON
PARKS AND RECREATION
AUDIT RESULTS AND COMMENTS
(Continued)

fill out an "IOU" to the Parks and Recreation (only the generic form was available for review). The employee's timesheet was then submitted and added to the next payroll cycle in the Controller's office. When the employee received their paycheck from the normal Controller's payroll cycle, they cashed it and returned the money they received to the Revolving Refund checking account. The Controller's office was not aware of this procedure being performed in Parks and Recreation. Each payroll check amount was traced to a corresponding deposit, within three weeks, into the revolving refund account (with a referencing explanation in the ledger).

During discussion with Judy Seigle, Parks and Recreation Office Manager, and Jeff McMillian, Deputy Controller, Judy Seigle said this practice would end.

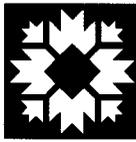
Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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
PARKS AND RECREATION
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.

The contents of this report were discussed on August 26, 2008, with Mick Renneisen, Director, Parks and Recreation; and Judy Seigle, Office Manager.



**City of Bloomington
Office of the Controller**

Response to the Parks & Recreation Department 2007 Audit Report

Internal controls over receipts

SBA Comments: Bryan Park pool concession receipts and bank deposits for some of the tested days did not match. The discrepancies were minimal, but any discrepancy brings the balancing practices used at the close of the day into question. The same problem was found with the Twin Lakes concessions. When corrections were made to the deposits, there was not enough information to determine why the correction was made or by whom the correction was made. Multiple receipt books were used for the Farmers' Market, but no log or other method was used to track the receipts that made up each day's deposits.

Corrections were made to daily paperwork at the Frank Southern Center with no explanation. One instance included a \$100 difference (cash short) between daily receipts/paperwork and the deposit. Changes were made to the daily paperwork to reduce it to the amount deposited; but no explanation was provided. Another involved a \$400 over ring on the register. Signatures are needed to document who made the changes and why. When preparing paperwork and receipts, staff needs to use ink instead of pencil so the forms cannot be easily altered.

Receipts at Lake Griffy did not match with daily bank deposits. The daily receipt numbers are not being recorded on bank deposit slip making it is difficult to reconcile the daily summary paperwork to the deposit.

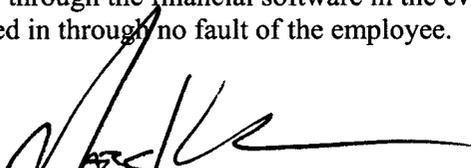
City Action: The Department has put in place the following changes: a full-time staff member now makes the deposits each day. If a discrepancy is found (either with an over ring or incorrect change) a supervisor signs off on the daily summary sheet to verify the error. Two (seasonal) employees are present when the bags are picked up by the courier each day. Courier bags are kept locked up and issued in sequential order. In addition, the bags are accounted for on a daily log that is submitted to the main office on a monthly basis.

Administrative staff is now performing "spot audits" to reconcile, a second time, daily receipts. In addition, the receipt range will be recorded on each daily deposit ticket for Griffy and Farmers' Market to make it less difficult to trace any given deposit.

Use of revolving account to supplement payroll

SBA Comments: The parks revolving checking account was used to supplement payroll check shortages. This practice has been discontinued.

City Action: This practice was discontinued immediately. The Controller's Office can issue a "quick pay" through the financial software in the event an employee's paycheck is incorrect or no hours were turned in through no fault of the employee.


Mark Krizan, Mayor


Mike Trexler, City Controller