

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

AUDIT REPORT
OF

CITY OF BLOOMINGTON
PUBLIC WORKS
MONROE COUNTY, INDIANA

January 1, 2008 to December 31, 2008



FILED

02/23/2010

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CITY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Public Works	Susie Johnson	01-01-08 to 12-31-10
Controller	Susan Clark Michael Trexler	01-01-08 to 05-04-08 05-05-08 to 12-31-10
Mayor	Mark Kruzan	01-01-08 to 12-31-10
President of the Board of Public Works	Charlotte Zietlow	01-01-08 to 12-31-10
President of the Common Council	Susan Sandberg Andrew Ruff Isabel Piedmont-Smith	01-01-08 to 12-31-08 01-01-09 to 12-31-09 01-01-10 to 12-31-10



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 Public Works for the period from January 1, 2008 to December 31, 2008, 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 of the City of Bloomington, Monroe County, for the year 2008.

STATE BOARD OF ACCOUNTS

December 21, 2009

CITY OF BLOOMINGTON
PUBLIC WORKS
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS - INFRASTRUCTURE

Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient. There were differences noted for infrastructure records during the prior audit period. Audit adjustments were made; however, City staff was instructed to review and make additional adjustments to the infrastructure records. In April 2009, no such work had been done for the 2008 audit period. Numerous spreadsheets containing the infrastructure and construction in progress records were submitted for audit; however, errors and differences were noted in these spreadsheets. Once these errors and differences were finally corrected, the spreadsheets were reviewed and prior period adjustments were made to the financial statements.

Also, the infrastructure construction in progress contains multiple entries from prior years, back to 2004. The records need to be reviewed and, if projects have been completed, the assets should be transferred out of construction in progress. If portions of projects were recorded as construction in progress and never completed or abandoned, these entries need to be adjusted out of the construction in progress balances.

The records should also be reviewed periodically with City staff who are knowledgeable about the City's infrastructure assets. This would help to ensure that all infrastructure is being recorded, as well as to determine whether there may be areas which should not be recorded as infrastructure.

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 – FLEET INVENTORY

Controls for inventory of the Fleet Maintenance department are insufficient. Inventory reports provided by the Fleet Maintenance staff appeared to be unreliable. After a review of reports, software and other issues, inventory is considered to be slightly overstated, though the extent is unknown.

Multiple errors were observed during the year end inventory count. Errors appeared to be data entry in most cases. A brief review of the end of year inventory count to the adjustments report printout revealed adjustments/corrections made to inventory that had no corresponding adjustment on the adjustments report. These corrections were made to the receipt transaction form (the originating inventory entry) for inventory items and no page was printed out for documentation. No page or report can be printed after the correction, to show such adjustments.

CITY OF BLOOMINGTON
PUBLIC WORKS
AUDIT RESULTS AND COMMENTS
(Continued)

Additional errors observed appear to be partially software related. When adding a new inventory purchase to an old inventory item number, the new amount could take precedence over any previous amount if the office manager told the system to use the new price. This had a significant effect on the inventory reports run by the office manager. The same end of year report run on different days resulted in a different amount due to prices from 2009 being applied to 2008 and earlier inventory items. This was believed to affect all the reports run and used during the audit of Fleet's inventory.

Additional causes for concern relate to an inventory count in mid-December when reports are run as of December 31, work order cutoff procedures and obsolete inventory items.

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)

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)

CITY OF BLOOMINGTON
PUBLIC WORKS
EXIT CONFERENCE

The contents of this report were discussed on January 20, 2010, with Mark Kruzan, Mayor; Maria Heslin, Deputy Mayor; Michael Trexler, Controller; Kevin Robling, Corporation Counsel; and Jeff McMillan, Deputy Controller. The official response has been made a part of this report and may be found on pages 7 and 8.



**City of Bloomington
Office of the Controller**

Response to the Department of Public Works 2008 Audit Report

Internal Controls - Infrastructure

SBoA Comments: Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient. There were differences noted for infrastructure records during the prior audit period. Audit adjustments were made; however, City staff was instructed to review and make additional adjustments to the infrastructure records. In April 2009, no such work had been done for the 2008 audit period. Numerous spreadsheets containing the infrastructure and construction in progress records were submitted for audit; however, errors and differences were noted in these spreadsheets. Once these errors and differences were finally corrected, the spreadsheets were reviewed and prior period adjustments were made to the financial statements.

Also, the infrastructure construction in progress contains multiple entries from prior years, back to 2004. The records need to be reviewed and if projects have been completed, then the assets should be transferred out of construction in progress. If portions of projects were recorded as construction in progress and never completed or were abandoned, then these entries need to be adjusted out of the construction in progress balances.

The records should also be reviewed periodically with City staff who are knowledgeable about the City's infrastructure assets. This would help to ensure that all infrastructure is being recorded, as well as determine whether there may be areas which should not be recorded as infrastructure.

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)

City Action: In 2009, a new infrastructure tracking worksheet was created to track existing inventory and new additions to infrastructure assets. Each individual item from the previous worksheet was carried over to the new worksheet and verified to ensure the proper items were included. However, some errors still existed in the older data at the time of the 2008 audit. Errors in prior periods dating back to 2003 have been identified and corrected. The summary statements now match the detailed records for all periods up to the end of 2008.

Internal Controls – Fleet Inventory

SBoA Comments: Controls for inventory of the Fleet Maintenance department are insufficient. Inventory reports provided by the Fleet Maintenance staff appeared to be unreliable. After a review of reports, software and other issues, inventory is considered to be slightly overstated, though the extent is unknown.

Multiple errors were observed during the year end inventory count. Errors appeared to be data entry in most cases. A brief review of the end of year inventory count to the adjustments report printout revealed adjustments/corrections made to inventory that had no corresponding adjustment on the adjustments report. These corrections were made to the receipt transaction form (the originating inventory entry) for

inventory items and no page was printed out for documentation. No page or report can be printed after the correction, to show such adjustments.

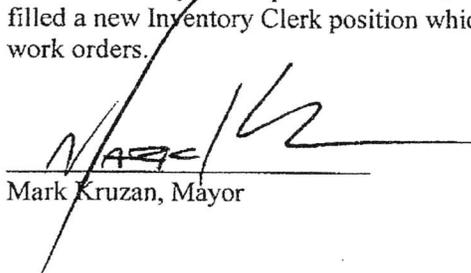
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Additional causes for concern relate to an inventory count in mid-December when reports are run as of December 31, work order cutoff procedures and obsolete inventory items.

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City Action: In late 2009, the City invested in new software and hardware for the Fleet Maintenance Department to better track inventory and work orders. In November, the Department started to completely reorganize the inventory, completed a physical count, tagged each item with a barcode and scanned each item into the new system. This process was completed over a 3 month period. As of the first of February, the department will be fully utilizing the new system. The department created and filled a new Inventory Clerk position which is responsible for the management of all Fleet inventory and work orders.



Mark Kruzan, Mayor



Mike Trexler, City Controller