

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF BLOOMINGTON

MONROE COUNTY, INDIANA

January 1, 2014 to December 31, 2014



**FILED**  
07/08/2016



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## SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Susan West	01-01-14 to 06-13-14
	Donna S. Slater (Interim)	06-14-14 to 08-15-14
	Margie Rice (Acting)	08-16-14 to 09-01-14
	Jeffrey Underwood	09-02-14 to 12-31-16
Mayor	Mark Kruzan	01-01-12 to 12-31-15
	John Hamilton	01-01-16 to 12-31-19
President of the Board of Public Works	Charlotte Zietlow	01-01-14 to 12-31-15
	Kyla Cox Deckard	01-01-16 to 12-31-16
President of the Common Council	Darryl Neher	01-01-14 to 12-31-14
	David Rollo	01-01-15 to 12-31-15
	Andrew Ruff	01-01-16 to 12-31-16
Utility Director	Patrick Murphy	01-01-14 to 12-31-15
	John Langley (Interim)	01-01-16 to 12-31-16



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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Telephone: (317) 232-2513  
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TO: THE OFFICIALS OF THE CITY OF BLOOMINGTON, MONROE COUNTY, INDIANA

This report is supplemental to our audit report of the City of Bloomington (City), for the period from January 1, 2014 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the City, which provides our opinions on the City's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Result and Comment as described below.

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 Result and Comment contained herein describes 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 Corrective Action Plan for the Federal Findings and Official Response to the Audit Result and Comment, incorporated within this report, were not verified for accuracy.

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

April 26, 2016

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CONTROLLER  
CITY OF BLOOMINGTON

CONTROLLER  
CITY OF BLOOMINGTON  
FEDERAL FINDING

***FINDING 2014-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The City did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). There were no controls in place to ensure the accuracy of the SEFA.

The City should have had proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA could have remained undetected.

During the audit of the SEFA, there were incorrect amounts reported for the CDBG - Entitlement Grants Cluster, HOME Investment Partnership Program, CDBG - State Administered CDBG Cluster, and Highway Planning and Construction Cluster. Audit adjustments totaling \$216,200 were proposed, accepted by the City, and made to the SEFA presented in this report.

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.

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)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with section .310."

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FEDERAL FINDING  
(Continued)

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."



JOHN HAMILTON  
MAYOR

CITY OF BLOOMINGTON

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JEFFREY H. UNDERWOOD  
CONTROLLER

CONTROLLER'S OFFICE

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controller@bloomington.in.gov

CORRECTIVE ACTION PLAN

**FINDING 2014-001**

Contact Person Responsible for Corrective Action: Jeffrey McMillian & Samuel Smith  
Contact Phone Number: 812-349-3479

Description of Corrective Action Plan:

The Deputy Controller and Budgets & Grants Manager reviewed the revised schedule provided by the State Board of Accounts. They discussed the finding with the auditor and determined the underlying issues that resulted in the changes to the schedule.

Based on that information they developed a process to adapt the City's process to meet the Board of Accounts requirements for reporting. They then presented this information to the Controller for review and approval.

Controller Office personnel will develop the Schedule of Expenditures of Federal Awards from information captured in the city's financial system. Once completed they will meet with each Department Head where the grant(s) originated and for their review, reconciliation and approval. The schedule may require adjustments to match the constructive receipt with the year in which it was actually intended and expenditures will be shown in the year they were actually reimbursed. In essence, this will reflect a modified accrual system whereas the City operates on a cash basis.

We would like to note that all revenues and expenditures were reported and accounted for within the City's financial system on the cash basis and there were no unaccounted transactions. This corrective action reflect solely on the timing of how and when revenues and expenditures are reported on the Schedule of Expenditures of Federal Awards.

Anticipated Completion Date: March 28, 2016

\_\_\_\_\_  
(Signature)

Controller  
\_\_\_\_\_  
(Title)

March 31, 2016  
\_\_\_\_\_  
(Date)



**JOHN HAMILTON  
MAYOR**

**JEFFREY H. UNDERWOOD  
CONTROLLER**

CITY OF BLOOMINGTON

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May 9, 2016

State Board of Accounts  
302 Washington St., Room E418  
Indianapolis, Indiana 46204-2765

RE: Response to 2014 Audit

The City of Bloomington is committed to maintaining the highest level of compliance with all Federal, State and Local requirements in regards to the accounting for and reporting of all financial transactions processed by the City.

Concerning the audit findings and comment, the City has taken the following corrective action:

Regarding the finding on the preparation of the Schedule of Expenditures of Federal Awards (SEFA), the City has reviewed the process with Board of Accounts staff on the correct format for the report and have made the necessary adjustments for preparing it correctly in future reports. As noted by the Board of Accounts they previously prepared the report however, they no longer do so. We understand the change prompted many jurisdictions to have the same finding. We would also note that this finding does not show any failure to properly account for the revenues and expenditures related to these Federal programs.

Regarding the finding on Procurement, Suspension and Debarment, the City was in compliance by documenting in the files that the City had reviewed the Federal Disbarment site and no vendors utilized by the City were on the disbarment list. However, it was noted that the documentation did not indicate that a second employee had reviewed the information and noted their review on the documentation. All documentation will now signed off by a second employee.

Regarding the comment on the timeliness of deposits by the Parks department, the City believes all reasonable and appropriate efforts are made to deposit funds by the following business day. However, due to the nature of certain Parks programs, with low volume or unusual schedules, it is not feasible to process those deposits within that period.

Signed: John Hamilton  
Title: MAYOR  
Date: May 10, 2016

Signed: Jeffrey Underwood  
Title: Controller  
Date: May 10, 2016

CONTROLLER  
CITY OF BLOOMINGTON  
EXIT CONFERENCE

The contents of this report were discussed on April 26, 2016, with John Hamilton, Mayor; Jeffrey Underwood, Controller; Susan West, former Controller; Donna S. Slater, former Interim Controller; and Andrew Ruff, President of the Common Council.

DEPARTMENT OF PARKS AND RECREATION  
CITY OF BLOOMINGTON

DEPARTMENT OF PARKS AND RECREATION  
CITY OF BLOOMINGTON  
AUDIT RESULT AND COMMENT

**DEPOSITS**

Park receipts were deposited later than the next business day in 4 percent of receipts tested.

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 . . ."



**JOHN HAMILTON  
MAYOR**

**JEFFREY H. UNDERWOOD  
CONTROLLER**

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Signed: John Hamilton  
Title: MAYOR  
Date: May 10, 2016

Signed: Jeffrey Underwood  
Title: Controller  
Date: May 10, 2016

DEPARTMENT OF PARKS AND RECREATION  
CITY OF BLOOMINGTON  
EXIT CONFERENCE

The contents of this report were discussed on April 26, 2016, with John Hamilton, Mayor; Jeffrey Underwood, Controller; Susan West, former Controller; Donna S. Slater, former Interim Controller; Mick Renneisen; Interim Deputy Mayor/former Parks Director; and Andrew Ruff, President of the Common Council.

HOUSING AND NEIGHBORHOOD DEVELOPMENT  
CITY OF BLOOMINGTON

HOUSING AND NEIGHBORHOOD DEVELOPMENT  
CITY OF BLOOMINGTON  
FEDERAL FINDING

**FINDING 2014-002 - PROCUREMENT AND SUSPENSION AND DEBARMENT**

Federal Agency: Department of Housing and Urban Development  
Federal Program: Community Development Block Grants/Entitlement Grants  
CFDA Number: 14.218  
Federal Award Numbers and Years (or Other Identifying Number): B-12-MC-180013, B-13-MC-180013  
Pass-Through Entity: Direct

Management of the City had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The City had established oversight and review procedures to ensure that its physical improvement applicants, special services applicants, and its contractors were not excluded, disqualified, or otherwise ineligible from the Federal procurement and non-procurement programs at the time of contract execution or during the period of project work; however, there was no documentation of the oversight or review.

The failure to establish an effective internal control system placed the City at risk of noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

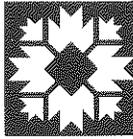
An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could have enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the City.

We recommended that the City's management establish controls, including segregation of duties, related to the grant agreement and compliance requirement listed above.



**City of Bloomington  
Housing and Neighborhood Development**

**CORRECTIVE ACTION PLAN**

***FINDING 2014-002 Rosie Beaman 812-349-3557***

Contact Person Responsible for Corrective Action:  
Contact Phone Number:

Views of Responsible Official: We concur with the finding regarding the Suspension and Debarment. Although SAMS reports were pulled for each contractor, these were not always reviewed and signed by a supervisor.

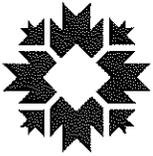
Description of Corrective Action Plan: We have implemented a new systems which requires the supervisor to review and sign SAMS reports along with any other required documents prior processing the first payment on each project. This process will be implemented starting with 2016 HOME and CDBG funded projects.

Anticipated Completion Date: March 23, 2016

*Rosie Beaman*  
\_\_\_\_\_  
(Signature)

*Assistant Director*  
\_\_\_\_\_  
(Title)

*3/23/2016*  
\_\_\_\_\_  
(Date)



**JOHN HAMILTON  
MAYOR**

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