

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

AUDIT REPORT
OF
CITY OF BLOOMINGTON
WATER AND WASTEWATER UTILITIES
January 1, 2005 to December 31, 2005



FILED
12/14/2006

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CITY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Patrick Murphy	01-01-05 to 12-31-06
Controller	Mary Susan Clark	01-01-05 to 12-31-07
Mayor	Mark Kruzan	01-01-05 to 12-31-07
President of the Utility Service Board	Thomas Swafford	01-01-05 to 12-31-06
President of the Common Council	Andy Ruff Chris Sturbaum	01-01-05 to 12-31-05 01-01-06 to 12-31-06



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TO: THE OFFICIALS OF THE CITY OF BLOOMINGTON WATER AND WASTEWATER UTILITIES

We have audited the records of the City of Bloomington Water and Wastewater Utilities for the period from January 1, 2005 to December 31, 2005, 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, Indiana for the year 2005.

STATE BOARD OF ACCOUNTS

August 9, 2006

CITY OF BLOOMINGTON
WATER AND WASTEWATER UTILITIES
AUDIT RESULTS AND COMMENTS

DELINQUENT WASTEWATER ACCOUNTS

Most delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property. This was noted in the audit report for the period ending December 31, 2004, B26355, the audit report for the period ending December 31, 2003, B24001, and in the audit report for the period ending December 31, 2002, B21115 for Water and B21116 for Wastewater.

The Utilities' staff does not have a board approved policy regarding liens. The staff has a procedures manual which they follow; however, this has not been approved by the Board. As of December 31, 2005, there were 2,408 accounts on the Aged Accounts Receivable listing of 90 days or more, and of these approximately 350 have had a lien filed or are in the process of having a lien filed.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;
 - (B) a description of the premises, as shown by the records of the county auditor; and
 - (C) the amount of the delinquent fees, together with the penalty; or
- (2) an individual instrument for each lot or parcel of real property on which the fees are delinquent."

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder. . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

CITY OF BLOOMINGTON
WATER AND WASTEWATER UTILITIES
AUDIT RESULTS AND COMMENTS
(Continued)

SUPPORTING DOCUMENTATION FOR PROCUREMENT CARDS

The Utilities' staff has not complied with the established procurement card policy which has resulted in insufficient internal controls over the use and payment for procurement cards. The supervisors approve the purchases made based on the procurement card statement. Generally, the supporting documentation is not obtained from the card users prior to submission of the claim to the Utility Service Board for approval. The claims submitted to the Utility Service Board for approval contain only the procurement card statement, which includes: the name of the person whose card was used, the amount that was spent and the location the item was purchased. Due to the lack of supporting documentation given for approval by the Utility Service Board, the validity and accountability for some money disbursed could not be established.

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
WATER AND WASTEWATER UTILITIES
EXIT CONFERENCE

The contents of this report were discussed on November 9, 2006, with Mark Kruzan, Mayor; Kevin Rolling, Corporate Counsel; Mary Susan Clark, Controller; Thomas Swafford, President of the Utility Service Board; Patrick Murphy, Director; Michael Horstman, Assistant Director/Finance; and Maria Heslin, Communications Director. The official response has been made a part of this report and may be found on page 7.



City of Bloomington Utilities Department
Response to Utilities 2005 Audit Report

Delinquent Wastewater Accounts

SBA Comment: Some Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor that would result in a lien against the property. The Utilities did not have a Board approved policy dictating this process.

City Action: Pursuant to IC § 36-9-23-33, the City of Bloomington Utilities Department is responsible for filing wastewater liens. Utilities management has established a chain of responsibility with recording deadlines and summary reports detailing all steps of the filing process submitted to upper level financial staff by designated staff members. With the exception of accounts under payment arrangements, the financial staff has substantially complied with IC § 36-9-23-33 in recording liens for delinquent wastewater accounts throughout 2006. The Utilities staff has drafted a Lien Policy that describes the specific actions that lead to lien filing. This policy document will be submitted to the Utilities Service Board for their review and approval.

Supporting Documentation for Procurement Cards

SBA Comment: Some supporting documentation for procurement card purchases was not available for the Utilities Service Board to review when approving payments. 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 Action: As of August 21, 2006, Utilities staff members with procurement cards are required to submit documentation for each purchase in a timely manner such that the information is available for the Board's review prior to approval. At each Board meeting, when procurement card claims are approved, the board receives all documentation including receipts and invoices detailing the amount and nature of each purchase. This supporting documentation remains attached to the claims and is available for audit.

Patrick Murphy
Utilities Director

Michael Horstman
Assistant Director, Finance

ADMINISTRATION

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