

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, 2008 to December 31, 2008



FILED
02/23/2010

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CITY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
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 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

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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, 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
CONTROLLER
AUDIT RESULTS AND COMMENTS

ERRORS ON CLAIMS

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

- (1) One claim was not adequately itemized.
- (2) Claims or invoices were not accompanied by evidence in support of the receipt of goods or services.

We noted numerous such claims paid through the City's credit card process and, also, some regular claims. The person who receives the goods or services should sign either the invoice or the claim. Then, another person should approve the claim.

IC 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)

INTERNAL CONTROLS - FINANCIAL ACTIVITIES

Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient:

Bank reconcilements were prepared by the Controller's staff; however, the reconcilements are not reviewed and approved by someone independent of the process.

The Controller's staff uses journal entries to enter some transactions into the City's financial software. These journal entries are computerized and generally do not include the preparer's name. Examples of journal entries: to split departmental routine payroll costs out into multiple budgetary accounts; to post transfers of funds for transactions such as investment purchases and sales; budget transfers between funds; electronic transfers from various funds to the internal service funds; also, journal entries are used to make corrections and adjustments to receipts and/or checks. These journal entries are not reviewed and approved.

A City issued check in the amount of \$100,000 dated January 25, 2008, payable to the City of Bloomington, Bloomington Arts Commission, was held in the Controller's safe for a period of more than one year. During the audit period, this check was noted on the outstanding checklist. On April 7, 2009, the check was receipted back to the fund from which it had been paid.

The City's payroll processing is handled primarily by one staff person within the Controller's office. As a result, there are limited internal controls. There are a few controls in place; however, there are some areas in which documented reviews and approvals need to be made.

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
CONTROLLER
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 Office of the Controller 2008 Audit Report

Errors on Claims

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

- (1) One claim was not adequately itemized.
- (2) Claims or invoices did not have evidence to support receipt of goods or services.

We noted that there were numerous claims paid through the City's credit card process that did not contain evidence that the goods or services were received. There were also some regular claims noted as well. The person who receives the goods or services should sign off on either the invoice or the claim. Then another person should approve the claim. Two different people should perform these steps.

IC 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 Action: In 2010, the entire City will be reviewing and revising all of its accounting processes as we work to install new financial software. We will review these SBoA recommendations and pertinent state laws as we consider and adopt these new processes.

Internal Controls – Financial Activities

SBoA Comments: Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient:

Bank reconcilements were prepared by the Controller's staff; however, the reconcilements are not reviewed and approved by someone independent of the process.

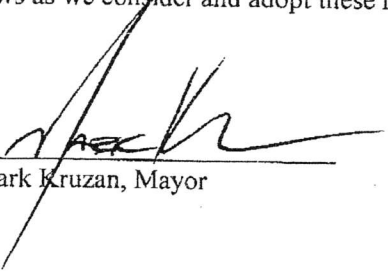
The Controller's staff uses journal entries to enter some transactions into the City's financial software. These journal entries are computerized. Examples of journal entries: to split departmental routine payroll costs out into multiple budgetary accounts; to post transfers of funds for transactions such as investment purchases and sales; budget transfers between funds; electronic fund transfers of funds from the various funds to the internal service funds; Also, journal entries are used to make corrections and adjustments to receipts and/or checks. These journal entries are not reviewed and approved.

A City issued check in the amount of \$100,000 dated January 25, 2008, payable to the City of Bloomington, Bloomington Arts Commission, was held in the Controller's safe for a period of more than one year. During the audit, this check was noted on the outstanding check list. On April 7, 2009, the check was receipted back to the fund from which it had been paid.

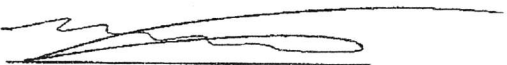
The City's payroll processing is handled primarily by one staff person within the Controller's office. As a result, there are limited internal controls. There are a few controls in place; however, there are some areas in which documented reviews and approvals need to be made.

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 2010, the entire City will be reviewing and revising all of its accounting processes as we work to install new financial software. We will review these SBoA recommendations and pertinent state laws as we consider and adopt these new processes.



Mark Krizan, Mayor



Mike Trexler, City Controller