

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, 2015 to December 31, 2015



FILED
09/19/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Jeffrey H. Underwood	01-01-15 to 12-31-17
Mayor	Mark Kruzan John Hamilton	01-01-12 to 12-31-15 01-01-16 to 12-31-19
President of the Board of Public Works	Charlotte Zietlow Kyla Cox Deckard	01-01-15 to 12-31-15 01-01-16 to 12-31-17
President of the City Council	David Rollo Andrew Ruff Susan Sandberg	01-01-15 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-17
Utility Office Manager	Patrick Murphy John Langley Victor Kelson	01-01-15 to 12-31-15 01-01-16 to 04-24-16 04-25-16 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2015 to December 31, 2015. It has been provided as a separate report so that the reader may easily identify any Federal Findings 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/.

The Federal Finding, identified in the above referenced audit report, is included in this report.

Any Corrective Action Plan for the Federal Finding, incorporated within this report, was not verified for accuracy.

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

August 29, 2017

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FEDERAL FINDING

FINDING 2015-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Other Matters

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2014-001.

Condition

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). The City relied on one employee to prepare the SEFA. There was no evidence of a control, such as an oversight, review, or approval process by the City to ensure federal awards information entered and submitted was correct.

Context

The SEFA contained the following errors:

1. The Community Development Block Grants/Entitlement Grants expenditures were understated by \$47,210.
2. The HOME Investment Partnerships Program Grants expenditures were overstated by \$1,756,671. The errors resulted in a net overstatement of federal expenditures of \$1,709,461.

Audit adjustments were proposed, accepted by the City, and made to the SEFA.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

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FEDERAL FINDING
(Continued)

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must 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. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

The failure to establish controls enabled material misstatements of the SEFA to occur. The SEFA contained the errors identified in the *Condition*.

Recommendation

We recommended that the City's management establish controls to prevent, or detect and correct, errors on the SEFA.



**JOHN HAMILTON
MAYOR**

**JEFFREY H. UNDERWOOD
CONTROLLER**

CITY OF BLOOMINGTON

CONTROLLER'S OFFICE

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CORRECTIVE ACTION PLAN

FINDING 2015-001

Contact Person Responsible for Corrective Action: Jeff McMillian & Doris Sims
Contact Phone Number: 812-349-3479 & 812-349-3594

Views of Responsible Official: We concur with the finding regarding the Preparation of the Schedule of Expenditures of Federal Awards.

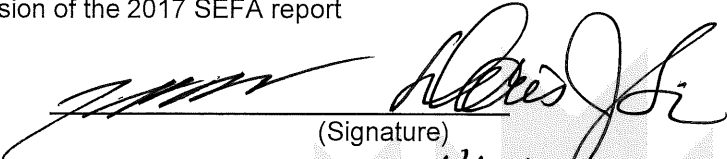
Description of Corrective Action Plan:

In regards to the Home Investment Partnerships Program, the amount reported was in fact correct however due to the incorrect placement of the decimal point the amount was overstated. This form is an online form located on the State's Gateway portal. The format of the form does not allow you to see the full number as inputted nor does the form show totals for any of the amounts entered. Due to the nature of the form, input errors of this type are easily made and not easily discovered. We will formally be asking the Department of Local Government Finance (DLGF) to make changes to the form that allows for the viewing of the full number during completion of the form as well as adding total lines for all columns on the form. In the meantime, we will add a review and confirmation process to manually confirm the amounts used to complete the form.

In regards to the Community Development Block Grants/Entitlement Grants, although the Schedule of Expenditures of Federal Awards (SEFA) report was reviewed with the Director prior to submission, there was not documentation of this interaction taking place.

A new system has been implemented which requires the financial staff person to prepare the Schedule of Expenditures of Federal Awards and the Director or the Assistant Director reviews for accuracy and sign that they have completed their review prior to the SEFA being forwarded to the Controller's Office.

Anticipated Completion Date: Completion and submission of the 2017 SEFA report



 (Signature)

Doris Sims

 DEPUTY controller / Director

 (Title)

8-29-17 *8/29/17*

 (Date)

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EXIT CONFERENCE

The contents of this report were discussed on August 29, 2017, with Jeffrey H. Underwood, Controller; Mick Renneisen, Deputy Mayor; and Kyla Cox Deckard, President of the Board of Public Works.