

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, 2017 to December 31, 2017



FILED
12/28/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Jeffery H. Underwood	01-01-17 to 12-31-18
Mayor	John Hamilton	01-01-16 to 12-31-19
President of the Board of Public Works	Kyla Cox Deckard	01-01-17 to 12-31-18
President of the Common Council	Susan Sandberg Dorothy Granger	01-01-17 to 12-31-17 01-01-18 to 12-31-18
Director of Utilities	Victor Kelson	01-01-17 to 12-31-18



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, 2017 to December 31, 2017. 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 Findings, identified in the above referenced audit report, are included in this report.

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

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

November 13, 2018

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CITY CONTROLLER
CITY OF BLOOMINGTON

CITY CONTROLLER
CITY OF BLOOMINGTON
FEDERAL FINDINGS

FINDING 2017-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Condition

There were deficiencies in the internal control system of the City related to financial transactions and reporting.

Bank reconcilements were performed by one employee without any documented oversight or review by another person.

Context

The lack of controls was a systemic problem during the audit period.

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. . . ."

Cause

Management of the City had not established a proper system of internal control that segregated key functions.

Effect

The failure to establish controls could have enabled misstatements or irregularities to remain undetected.

Recommendation

We recommended that the City establish a system of internal controls related to financial transactions and reporting over bank reconcilements.

CITY CONTROLLER
CITY OF BLOOMINGTON
FEDERAL FINDINGS
(Continued)

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2017-002

Subject: Highway Planning and Construction Cluster - Internal Controls

Federal Agency: Department of Transportation

Federal Program: Highway Planning and Construction

CFDA Number: 20.205

Federal Award Numbers and Years (or Other Identifying Numbers): DES 1382429, DES 1592270,
DES 1500384, DES 1500383,
DES 1500382, DES 1400166,
DES 1297060, DES 0901730,
DES 1601130, DES 0900216,
DES 0901710, DES 1601851,
DES 1400692

Pass-Through Entity: Indiana Department of Transportation

Compliance Requirements: Cash Management; Matching, Level of Effort,
Earmarking; Period of Performance

Audit Finding: Material Weakness

Condition

An effective internal control system was not in place at the City in order to ensure compliance with requirements related to the grant agreement and the cash management, matching, and period of performance requirements.

Cash Management

For each vendor invoice received, an LPA Voucher was filled out and submitted to the Indiana Department of Transportation (INDOT) for reimbursement. There was supporting documentation attached to the LPA Voucher, which included the date of the payment to the vendor. There was not any auditable review of this document by another individual presented for audit.

Matching

For each vendor invoice received, an LPA Voucher was filled out and submitted to INDOT showing the matching percentage and the amount to be covered by local funds. There was not any auditable review of this document by another individual presented for audit.

Period of Performance

For each invoice received, an LPA Voucher was filled out and submitted to INDOT for reimbursement. This voucher showed the dates covered by the claims. There was not any auditable review of this document by another individual presented for audit.

Context

The lack of controls was a systemic issue throughout the audit period. None of the LPA Vouchers submitted for audit showed evidence of review.

CITY CONTROLLER
CITY OF BLOOMINGTON
FEDERAL FINDINGS
(Continued)

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system placed the City at risk of noncompliance with the grant agreement and the compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the City's management establish controls related to the grant agreement and the compliance requirements listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.



**JOHN HAMILTON
MAYOR**

CITY OF BLOOMINGTON

401 N Morton St
Post Office Box 100
Bloomington IN 47402

**JEFFREY H. UNDERWOOD
CONTROLLER**

CONTROLLER'S OFFICE

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controller@bloomington.in.gov

FINDING 2017-001

Contact Person Responsible for Corrective Action: Jeffrey Underwood
Contact Phone Number: (812)349-3412

Views of Responsible Official:

We agree that the actual reconciliations were not signed by the Controller. We would like to note that they were reviewed by the Controller by opening the file and reviewing. This has been the practice for the last two fiscal years. In addition, all accounts were reconciled. These items being noted we have taken the advice of the Board of Accounts staff as noted below.

Description of Corrective Action Plan:

Deputy Controller will reconcile accounts and once completed will print out for review by the Controller. The Controller will sign the reconciliation cover sheet for each bank account.

Anticipated Completion Date: October 31, 2018

(Signature)

Controller

(Title)

November 13, 2018

(Date)





**JOHN HAMILTON
MAYOR**

**JEFFREY H. UNDERWOOD
CONTROLLER**

CITY OF BLOOMINGTON

CONTROLLER'S OFFICE

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FINDING 2017-002

Contact Person Responsible for Corrective Action: Jeffrey McMillian & Terri Porter
Contact Phone Number: (812)349-3412

Views of Responsible Official:

We agree that there was no apparent review by a second individual. However we would like to note that the State's online system does not allow for more than one user or verification by a second person. These items being noted we have taken the advice of the Board of Accounts staff as noted below.

Description of Corrective Action Plan:

The Planning & Transportation staff member responsible for submitting the reimbursement request via the State's online system will print out the reimbursement request for review by a supervisor in the department. The supervisor will review and sign the cover sheet for each reimbursement request. The staff member will then submit the reimbursement request.

Anticipated Completion Date: October 31, 2018

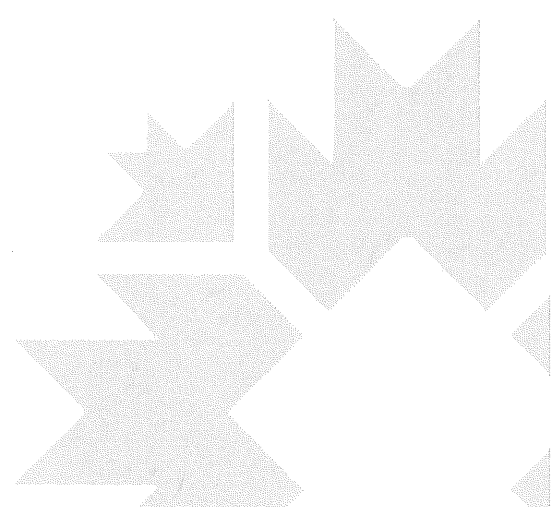
(Signature)

Controller

(Title)

November 13, 2018

(Date)



CITY CONTROLLER
CITY OF BLOOMINGTON
EXIT CONFERENCE

The contents of this report were discussed on November 13, 2018, with Jeffery H. Underwood, City Controller; Kyla Cox Deckard, President of the Board of Public Works; and Mick Renneisen, Deputy Mayor.