

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF BLOOMINGDALE

PARKE COUNTY, INDIANA

January 1, 2013 to December 31, 2017



FILED
01/18/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Peggy Brown Dea Ann Wallace	01-01-11 to 01-31-13 02-01-13 to 12-31-18
President of the Town Council	Jerry Newlin	01-01-13 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF BLOOMINGDALE, PARKE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Bloomington (Town), for the period from January 1, 2013 to December 31, 2017. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statements Audit Report of the Town, which provides our opinion on the Town's financial statements. This report may be found at www.in.gov/sboa.

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 Results and Comments contained herein describe 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 Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

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

December 4, 2018

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CLERK-TREASURER
TOWN OF BLOOMINGDALE

CLERK-TREASURER
TOWN OF BLOOMINGDALE
AUDIT RESULTS AND COMMENTS

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The Clerk-Treasurer certified on the Annual Financial Report (AFR) for 2016 and 2017 that all personnel were trained on internal control standards; however, not all personnel received training. Therefore, the AFRs were incorrect.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

ANNUAL FINANCIAL REPORT

The Town received a grant from the Indiana Office of Community and Rural Affairs, but did not account for it or report it in a separate fund. Instead, all reimbursements were receipted into and paid from the Water Operating fund.

The financial activity of the Indiana State Revolving Fund was not reported in any year of the audit period, resulting in an understatement of cash in the amount of \$247,345 in 2013; \$72,244 in 2014; \$85,988 in 2015; \$98,616 in 2016; and \$111,669 in 2017.

The Community Building/Center fund was omitted from the AFR for audit years 2014 through 2017.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

The Indiana Community Development Block Grant (CDBG) Handbook states in Chapter 6:

"Grantees must take the following steps to prepare a financial management system to receive and utilize CDBG grant funds:

1. Appoint a person to be responsible for Financial Management,
2. Establish accounting records,
3. Set up bank accounts or separate ledger accounts, and establish receipting procedures, and
4. Establish procedures for approving invoices, submitting claims, and issuing payment to vendors."

CLERK-TREASURER
TOWN OF BLOOMINGDALE
AUDIT RESULTS AND COMMENTS
(Continued)

APPROPRIATIONS

The same comment also appeared in prior Reports B33690, B37456, and B43171.

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

Fund	Excess Amount Expended 2013	Excess Amount Expended 2014	Excess Amount Expended 2015	Excess Amount Expended 2016	Excess Amount Expended 2017
General Fund	\$ 573	\$ 758	\$ -	\$ 7,063	\$ 3,160
Motor Vehicle	-	4,396	-	-	-
Local Roads and Streets	554	-	463	1,730	-
Rainy Day	-	-	-	-	2,804
Cumulative Capital Imp	6,513	-	1,320	-	-

Indiana Code 36-5-4-2 states in part: "Unless a statute provides otherwise, town monies may be disbursed only after an appropriation made by ordinance of the town legislative body . . ."

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

A list of employees was not certified to the County Treasurer in 2013, 2014, 2015, 2016, and 2017.

Indiana Code 6-1.1-22-14(a) states in part:

"On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

INTERNAL CONTROLS

There were deficiencies in the internal control systems of the Town and Water Utility related to financial transactions and reporting. The Town had not separated incompatible activities related to cash and investments, receipts, and financial reporting.

The Clerk-Treasurer was primarily responsible for all financial activities of the Town and Water Utility. The Clerk-Treasurer prepared and submitted financial information in the Indiana Gateway for Government Units financial reporting system, which was the source for the Annual Financial Reports and financial statements. There were no controls in place, such as an oversight, review, or approval process, to ensure the accuracy of cash and investments, receipts, or financial transactions and reporting.

The failure to establish and maintain internal controls enabled the omission of Bank of New York funds from the financial statements resulting in material misstatements. The management of the Town approved audit adjustments to the financial statements.

CLERK-TREASURER
TOWN OF BLOOMINGDALE
AUDIT RESULTS AND COMMENTS
(Continued)

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. . . ."

CLERK-TREASURER
TOWN OF BLOOMINGDALE
EXIT CONFERENCE

The contents of this report were discussed on December 4, 2018, with Jerry Newlin, President of the Town Council, and Dea Ann Wallace, Clerk-Treasurer.

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TOWN COUNCIL
TOWN OF BLOOMINGDALE

TOWN COUNCIL
TOWN OF BLOOMINGDALE
AUDIT RESULT AND COMMENT

ADOPTION OF INTERNAL CONTROL STANDARDS

The Town did not ensure that personnel received training concerning internal control standards.

Indiana 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

TOWN COUNCIL
TOWN OF BLOOMINGDALE
EXIT CONFERENCE

The contents of this report were discussed on December 4, 2018, with Jerry Newlin, President of the Town Council, and Dea Ann Wallace, Clerk-Treasurer.