



City of Bloomington Common Council

Legislative Packet

Wednesday, 30 November 2016

Special Session *followed by a* **Committee of the Whole**

For legislation and material regarding
Appropriation Ordinance 16-07 and Ordinance 16-43,
please consult the
[16 November 2016 Legislative Packet](#).

All other legislation and background material contained herein.

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<http://www.bloomington.in.gov/council>



Packet Related Material

Memo

Agenda

Calendar

Notices and Agendas:

- **Notice of Special Session to be held immediately before the Committee of the Whole on Wednesday, November 30th** (*to consider the Council Annual Schedule*)

Council Annual Schedule

- **Annual Schedule**
 - **Memo to Council** from Dan Sherman Administrator/Attorney
Contact: Dan Sherman at 349-3409, shermamd@bloomington.in.gov

Legislation and Background Material for Discussion at the Committee of the Whole on November 30th:

Materials and Summaries Found in Council Packet Issued for the 16 November 2016 Regular Session

- **App Ord 16-07** To Specially Appropriate from the General Fund, LOIT Special Distribution Fund, Police Education Fund, Non-Reverting Improvement 1 (Westside) Fund, and Rental Inspection Program Fund Expenditures Not Otherwise Appropriated (Appropriating Various Transfers of Funds within the General Fund, Parks General Fund, Parking Facilities Fund, Solid Waste Fund, and Fleet Maintenance Fund; and, Appropriating Additional Funds from the General Fund, LOIT Special Distribution Fund, Police Education Fund, Non-Reverting Improvement 1 (Westside) Fund, Rental Inspection Program Fund)
Contact: Jeffrey Underwood at 349-3416 or underwoj@bloomington.in.gov

- **Ord 16-43** To Amend Title 2 Of the Bloomington Municipal Code Entitled “Administration and Personnel” (Amending Chapter 2.26 (Controller’s Department) to Add Section 2.26.110 Authorizing a Fee Schedule for the Private Rental of City Facilities)

Contact: Philippa Guthrie at 349-3547 or guthriep@bloomington.in.gov

Material and Summary Found in this Weekly Council Packet

- **Res 16-20** The Adoption of Minimum Internal Control Standards and Procedures and Determining Materiality Threshold for the City of Bloomington, Monroe County Indiana
 - Memo from Controller to the Council
 - Internal Control Standards and Procedures (Provided by the State Board of Accounts) Pursuant to IC 5-11-1-27

Contact: Jeff Underwood at 812-349-3412 or underwoj@bloomington.in.gov

Memo

**Special Session Immediately Followed by Committee of the Whole on
Wednesday, November 30th**

There is a Special Session immediately followed by the previously scheduled Committee of the Whole next Wednesday. The Special Session was called by Council President Ruff at my suggestion in order for the Council to consider the Annual Schedule for 2017 (*see below*).

The Committee of the Whole has three items on the agenda. The first two of these items were introduced last week and can be found online as indicated above. The third item is a resolution approving internal controls and other actions required by a recent change in State law. That resolution is included in this packet and summarized herein.

Council Schedule

Special Session – Consideration of the Council Annual Schedule for 2017

Council President Ruff has called a Special Session to be held at 7:30 pm next Wednesday to consider the Council Annual Schedule for 2017. I requested that he do so in order for our Intern to complete the associated City Calendar of Boards, Commissions, and Councils for 2017 before she leaves for the Winter Break.

Please recall that this will be third time that you've had an opportunity to review the Annual Schedule and the second opportunity you've had to approve it. The first opportunity for approval fell in the wee hours of the Regular Session on November 16th and was deferred until a later date.

The Annual Schedule which, along with a memo is enclosed in this packet, includes 21 legislative cycles which are set forth in rows with five columns of dates for the following meetings and deadlines associated with each legislative cycle:

- Internal Work Sessions;
- Deadline for submittal of ordinances and associated materials to the Council Office (and another for resolutions);
- First Regular Session;
- Committee (of the Whole); and
- Second Regular Session.

As you know, the Council generally meets on the first four Wednesdays of the month for Regular Sessions and Committees of the Whole. It also meets on Fridays about twice a month for Staff-Council Internal Work Sessions to informally hear about upcoming legislation and other pending matters. Here are some of the meetings (and deadlines) that would *not* follow the usual rule (please see the proposed Schedule and Memo for more detailed information):

- **January** – This schedule proposes holding:
 - an Organizational Meeting and Committee of the Whole on Wednesday, January 11th (which is the second Wednesday of the month and the last day to hold this meeting without a special vote of the Council);
- **February** – *Nothing unusual*
- **March** - This schedule would avoid meeting during Spring Break (which falls on the third week of March) and proposes holding the second Regular Session and Committee of the Whole on the fourth Wednesday and fifth Wednesdays of that month instead.
- **April** - *Nothing unusual*

Budget Meetings (May, August, September, and October) - This schedule proposes some changes to the Budget Schedule by holding the:

- Budget Advance on the second Wednesday in May (May 10th) at 5:00 p.m.;
 - Four evenings of Departmental Budget Hearings at 6:00 p.m. commencing on the *second Monday of August* (running from August 14th to 17th) and including a due date for Budget Books on Monday, August 7th), and
 - Final Budget hearings:
 - starting with a Special Session and Committee of the Whole on the fourth Wednesday in September; and
 - wrapping those hearings up with a Special Budget Session on Wednesday, October 11th which would provide two weeks between meetings.
- **June** – This schedule accounts for the Annual Tax Abatement Report being heard at a Special Session before the Committee of the Whole on the fourth Wednesday of the month.
 - **July** – This schedule starts the Summer Recess after the first Wednesday in July and ends it on the second Wednesday in August. This, in effect, moves one Legislative Cycle from early July to early August.
 - **August** – As, in part, noted above (under July), this schedule:
 - Shifts one Legislative Cycle from early July to early August (with a Regular Session and a Committee of the Whole on Wednesday, August 9th);
 - Holds the Department Budget Hearings starting on the *second Monday* in August (and includes a due-date for the Budget Books on the *first Monday* of the month); and
 - Holds a Regular Session on the fourth Wednesday and a Committee of the Whole on the last (fifth) Wednesday of the month.
 - **September** – This schedule no longer has the first Regular Session of the month consider items that were both introduced and discussed the previous week. However, more importantly and as in the past, it also blends a Budget and Non-Budget Legislative Cycle starting in mid-September and ending in mid-October. This year the Non-Budget Legislative Cycle includes a Regular Session on *Tuesday, September 19th*

(because Rosh Hashanah – the Jewish New Year - falls on a Wednesday night),¹ a Committee of the Whole on Wednesday, October 4th, and a Regular Session on Wednesday, October 18th. The Budget Legislative Cycle includes a Special Session and Committee of the Whole on Wednesday, September 27th and a Special Session on Wednesday, October 11th.

- **October** – Holding of the Special Budget Session on the second Wednesday in October, in essence, replaces the First Regular Session that month. The rest of the Wednesdays follow the usual four-Wednesday schedule.
- **November** – In order to account for the holiday on the fourth Wednesday (Eve of Thanksgiving), this schedule holds a Committee of the Whole on the fifth Wednesday of the month.

Other Exceptions and Irregularities

- **Fifth Wednesdays** - note that there are four months with five Wednesdays next year - in March, May, August, and November - *which may affect deadlines for filing legislation and provide opportunities to shift your meetings.*
- **Because of holidays, deadlines for Ordinances and Resolutions:**
 - **Overlap** on:
 - Wednesday, December 28th (2016);
 - Monday, July 31st;
 - Monday, September 11th (Budget Legislation); and
 - Wednesday, December 27th; and
 - **fall on some other day than Monday** (along with dates above) on:
 - Friday, January 13th
 - Friday, February 17th
 - Wednesday, May 24th
 - Friday, September 1st
 - Friday, October 6th

¹ Religious Holiday Adjustments – this proposal adjusts schedule in September for Rosh Hashanah (the Jewish New Year). I can use your help in determining whether there are other religious holidays to be observed. Please see this link to the IU Religious Holiday Schedule http://www.indiana.edu/~vpfaa/docs/religious_observances/religious-observances-calendar-2013-2018.pdf

- Wednesday, November 15th; and
- **Unusual Dates for Staff/Council Internal Work Sessions:**
 - Monday, December 19th, 2016; and
 - Monday, December 18th, 2017 (because folks take time off or leave town later in the month).

**Items for Discussion at the Committee of the Whole on Wednesday,
November 30th**

Item Three – Res 16-20 – Adopting Minimum Internal Control Standards and Procedures and Determining Materiality Threshold for the City

Res 16-20 is the third item to be discussed at the Committee of the Whole next Wednesday. The resolution brings forward changes for the City as a result of recent amendments to IC 5-11-1 (State Board of Accounts Created). It:

- Adopts the acceptable minimum level of internal control standards and procedures developed by the State Board of Accounts (SBOA) and requires that City personnel receive training in that regard;
- Establishes a “Materiality Policy” which defines the occurrence or circumstances of misuse of City funds or property that require a report to the SBOA under statute;²
- Requires that all material variances, losses, or thefts be reported immediately to the SBOA for review and response; and
- Makes every City employee who knows or suspects that other City employees are engaged in fiscal misconduct responsible for immediately reporting it.

After a brief overview of the SBOA and the Indiana Code chapter creating it, this summary reviews each of these actions.

IC 5-11-1 – Creation of the State Board of Accounts (SBOA)

Before describing the actions taken in Res 16-20, I thought it might be useful to provide an overview of the SBOA and Indiana Code Chapter 5-11-1 which

² IC 5-11-1-10, IC 5-11-1-21 & IC 5-11-1-27

establishes it. The SBOA was created to “formulate, prescribe, and install a system of accounting and reporting in conformity with this chapter.”³ This system must:

- Be uniform for each office and public account of “same class and contain written standards that every entity subject to an audit must observe”;
- “Exhibit true accounts and detailed statement of funds collected, received, obligated, and expended for or on account of the public for every and any purpose whatever and by all public officers, employees, or other individuals”;
- “Show the receipt, use, and disposition of all public property” and [any income] ... derived from the property”;
- “Show the sources of public income and the amounts due and received from each source”; and
- “Show all receipts, vouchers, contracts, obligations, and other documents kept, or that may be required to be kept, to prove the validity of every transaction.”

This chapter of the Indiana Code gives the SBOA access to the relevant information⁴ of audited entities and requires it (through its examiners) to “examine all accounts and financial affairs of every public office and officer...and entity” as to the financial condition, compliance with required guidelines, and the methods and accuracy of the accounts and reports.⁵ Please note that, as a matter of course, the SBOA audits the City each year even though, under statute, the frequency for conducting examinations of audited entities is to be determined on a risk basis, but no less than once every four years.⁶ Please also note that this chapter provides for confidential reporting of misuse of funds and property by individuals to the SBOA and prohibits retaliation for that reporting.⁷

In addition to the steps set forth in this resolution, this chapter of the Indiana code also requires municipalities (among other duties) to:

- keep separate accounts for every appropriation or fund and for each department, undertaking, enterprise, institution, and public service industry;⁸

³ In addition, the SBOA must establish and distribute written uniform compliance guidelines for examination and reports which are consistent with state and federal law. IC 5-11-1-24

⁴ This may be done without notice and with the imposition of a penalty for those who tip-off the subject of the examination. IC 5-11-1-1

⁵ IC 5-11-1-9. Please also note that, in regard to activities related to “public works,” the SBOA examination shall also include a review of compliance with relevant procurement (e.g. bidding) requirements. IC 5-11-1-26

⁶ IC 5-11-1-25.

⁷ IC 5-11-1-9.5

⁸ IC 5-11-1-3

- prepare, verify, and file annual reports on forms approved by the SBOA within 60 days after the close of the year with dire consequences if it fails to do so;⁹ and
- keep a record of money collected for the public treasury and make those records accessible to the public during regular office hours.¹⁰

This chapter of the Indiana Code also imposes duties upon public officers¹¹ which include the duty to:

- examine and certify that all claims are in the proper form, authenticated, and correct before signing-off on them;¹²
- adopt and use the books, forms, records, and systems of accounting and reporting adopted by the SBOA; failure to keep, use, and provide such information exposes the officer to a class C infraction and forfeiture of office;¹³
- comply with certain reporting requirements, follow directions of the examiner in keeping accounts, provide examiner access to records, and not interfere with the examiner in the discharge of his/her duty, the failure of which will expose the officer to a class B misdemeanor and forfeiture of office;¹⁴ and
- not recklessly communicate knowledge of a surprise examination of any public account to any unauthorized person at the risk of committing a class B misdemeanor.¹⁵

Materiality Policy and Employee Responsibility to Report

The SBOA requires that the City establish a materiality threshold (Materiality Policy) for reporting misuse of funds or property to the SBOA. This resolution establishes \$500 as the level of loss, shortage or other irregularity which requires report. The terms “loss, shortage or other irregularity” are broad and encompass theft, misappropriation, and use in a manner not authorized by City officials. This dollar amount applies not only to cash and cash transactions, but also to supplies,

⁹ The failure to file the report will preclude the Department of Local Government Finance from approving the budget or supplemental appropriations in the following year for that political subdivision. IC 5-11-1-4

¹⁰ IC 5-11-1-11

¹¹ “Public Officer” means any individual who holds, receives, disburses, or is required by law to keep any account of public funds or other funds for which the individual is accountable by virtue of the individual’s public office.” IC 5-11-1-16

¹² IC 5-11-1-13

¹³ IC 5-11-1-21

¹⁴ IC 5-11-1-10

¹⁵ IC 5-11-1-18

equipment, and other fixed assets. The amount also applies not only to one event but also to “a series of events, within the same office or department that appears to be a structuring event to defraud or misappropriate City funds or property.”

The resolution also states that “(a) ll erroneous or irregular variances, losses, shortages or thefts of political subdivision funds or property shall be reported immediately to the SBOA,” which shall then:

- Determine the amount of funds involved and report that amount to the appropriate government and law enforcement officials;
- Determine the internal control weaknesses that contributed to or caused the condition; and
- Make a written recommendation to the appropriate legislative body or appropriate official overseeing the internal control system addressing the method of correcting the condition and the necessary internal control policies and procedures that must be modified to prevent its reoccurrence.¹⁶

In addition, the resolution makes all City employees who know or suspect that other City employees are engaged in fiscal misconduct responsible for immediately notifying their supervisor, the Controller, Corporation Counsel, or the City’s anonymous hotline.

Adoption of Acceptable Minimum Level of Internal Control Standards and Procedures and Requirement of Training of Personnel in that Regard

Under IC 5-11-1-27, the SBOA was required to define, approve, and disseminate an “acceptable minimum level of internal control standards and procedures” along with training materials to political subdivisions. The political subdivisions are, in turn, required to approve and train their personnel on the policies after June 30, 2016. Failure of political subdivisions to comply with these requirements in a timely manner after notice of non-compliance in a SBOA audit will result in SBOA notification of the Department of Local Government Finance.¹⁷

The SBOA Internal Control Standards and Procedures (as applied to City operations) are included in this packet and summarized in the remainder of this memo. They are intended to promote governmental accountability and

¹⁶ The legislative body or official must “immediately implement the policies and procedures recommended by the SBOA. IC 5-11-1-27(k)

¹⁷ IC 5-11-1-27(i)

transparency and include the following five “components” each of which contains a number of “principles”:

- Control environment;
- Risk assessment;
- Control activities;
- Information and communications; and
- Monitoring.¹⁸

Control Environment

Principle 1: The oversight body and management demonstrate a commitment to integrity and ethical values.

This principle sets the expectation for the Administration in relation to the Council, the public, and other stakeholders (e.g. creditors). Under it, the Council expects the “(A)dmistration to effect an internal control environment with policies and procedures necessary to provide reasonable assurance that practices cause effective and efficient operations, reliable financial reporting, ... [minimize risk of fraud and/or loss due to mismanagement,] and compliance with applicable laws and regulations.”

Principle 2: The oversight body oversees the entity’s internal control system.

Here, the Council, as the fiscal body, oversees the internal control system, with the Controller acting at its chief agent in implementing and managing it. In that regard, the Council is responsible for:

- “Setting the institutional expectations for internal control,
- Ensuring that the Administration is aware of those expectations;
- Requiring that upward communication channels are open through all levels of management, and
- Evaluating management’s effectiveness toward monitoring the control environment and implementing sound control policies and procedures.”

¹⁸ IC 5-11-1-17(e)

Principle 3: Management establishes an organizational structure, assigns responsibility, and delegates authority to achieve the entity's objectives.

“Individuals with delegated approval authority ... [which includes elected officials and department heads among others]... are responsible for establishing, maintaining, and supporting a system of internal controls within their areas of responsibility and for creating a control environment, which encourages compliance with City policies and procedures.” The Controller, Director of Human Resources, and department heads, in general, are responsible for assuring that everyone is attuned to their responsibilities and the needs of the organization.

Principle 4: Management demonstrates a commitment to recruit, develop, and retain competent individuals.

Through use of the City Employee Handbook, updated job descriptions, regular (documented) training, and (where appropriate) progressive disciplinary action, the Administration will retain competent employees.

Principle 5: Management evaluates performance and hold individuals accountable for their internal control responsibilities.

Through regular communications with department heads, workable operating procedures, periodic review, and a progressive disciplinary policy, the Administration will foster a responsible and accountable workforce.

Risk Assessment

Principle 6: Management defines objectives clearly to enable identification of risks and risk tolerances.

Through “creation of standard operating procedures and accurate organizational reporting charts” the Administration identifies and conveys objectives, missions, and policies which will allow the Controller to analyze risk in regard to:

- effectiveness and efficiency of operations;
- reliability of reporting for internal and external use; and
- compliance with applicable laws and regulations.

Principle 7: Management defines, analyzes, and responds to risks related to achieving the defined objectives.

In analyzing the risks mentioned in the previous principle, the Controller will determine their likelihood, consequences upon mission, connection with complex or unusual transactions, and vulnerability to fraud.

Principle 8: Management considers the potential for fraud when identifying, analyzing, and responding to risks.

Management will use a “trust but verify” approach toward risk of fraud and will report “material variances, losses, shortages, or thefts” in accordance with law.

Principle 9: Management identifies, analyzes, and responds to significant changes that could impact the internal control system.

The “Controller in coordination with the Mayor and Department Heads will regularly evaluate and adjust internal control policies” to account for internal and external changes (e.g. changes in personnel, elected officials, programs, technologies, laws and regulations, and financial environment).

Control Activities

Principle 10: Management designs control activities to achieve objectives and respond to risks.

This is the longest and, in parts, the most detailed of all of the principles. Under this heading, the Controller establishes and maintains a system of internal controls which:

- Identifies and effectively manages risks;
- Safeguards city assets;
- Assures the reliability and integrity of the city’s financial information;
- Complies with City policies, plans, procedures along with local, State and federal laws and regulations;
- Promotes economic and efficient use of City resources; and
- Meets objectives and goals for City operations and programs.

General principles of internal control must focus on:

- Separation of duties – so that one person checks the work of another and “no one person has complete control over a key function or activity (e.g. authorizing, approving, certifying, disbursing, receiving, or reconciling” funds and assets);
- Authorization and approval of transactions – so that the appropriate person determines that the transaction is proper and consistent with City policies and plans in advance of its execution;
- Custody and security of City assets and data – so that responsibility for custody and physical security of assets are separated from the record-keeping and accounting of those assets, and that unauthorized access to these assets and institutional data is prevented;
- Review and reconciliation of records and documentation – so that the process is timely, accurate, complete, and assures compliance with City policies and procedures; and
- Comprehensiveness – so that the controls apply to all departmental operations (“especially accounting records and reports, payroll, purchasing/receiving/disbursement approval, equipment and supply inventories, cash receipts, petty cash and change funds, billing and accounts receivable”).

Ongoing training and communication through the organization assure that internal controls are effective and address emerging issues.

Buried in Part (F) of this principle is a pivotal concept in formulating these standards and procedures. It addresses the trade-offs between effective controls and achieving the City’s mission which must be brought into balance with these policies:

“Costs associated with internal controls should not exceed their benefit, nor should controls be allowed to stifle mission effectiveness and timely action. All levels of management must assess the costs, benefits, and risks when designing controls to develop a positive control environment and compensate for the risks of non-compliance, loss of assets, or unreliable reporting while accomplishing the City mission.”

This principle closes with a breakdown of the five areas (activities or transactions) and the very specific set and order of duties for staff when performing them. Here are the areas – *please see the Standards and Procedures for the details*:

- Payroll Activities;
- Disbursement
- Receipting
- Cash
- Credit Cards

Principle 11: Management designs the political subdivision’s information system and related control activities to achieve objectives and respond to risks.

The Controller, Mayor, and Department Heads will work with the Information and Technology Services Department to incorporate information technology to improve the operation of internal controls. This may include: prohibiting the sharing of passwords, using permission-activated access to sensitive information, establishing an order for performance of duties, prescribing forms, and automating certain processes and calculations.

Principle 12: Management implements control activities through policies.

By working with staff, updating the City’s Employee Handbook, and disseminating written policies, the Administration will strive to implement best practices.

Information and communications

Principle 13: Management uses quality information to achieve the political subdivision’s objectives.

The Administration intends to lead in the area of financial transparency and accountability by adopting standards and investing in systems that *exceed* State-mandated minimums and produce high quality (e.g. accurate, timely, and useful) information.

Principle 14: Management internally communicates the necessary quality information to achieve the political subdivision's objectives.

Through adoption of formal policies by relevant governing bodies and the preparation of memos (and reports) from the Controller, Corporation Counsel, and Department Heads, the Administration will document and communicate policies on internal controls to staff.

Principle 15: Management externally communicates the necessary quality information to achieve the entity's objective

External communications to the SBOA and other agencies will be in writing or kept in logs and retained in accordance with applicable retention policies. The information will be "crosschecked for accuracy, relevancy, and timeliness."

Monitoring

Principle 16: Management establishes and operates monitoring activities to monitor the internal control system and evaluate the results.

By employing "multiple vectors," which include "separation of duties, redundancy policies, layered approval systems, monthly reports, and physical controls [e.g. video monitoring]," the Administration will monitor, evaluate, and correct deficiencies in control systems. Determination that controls are working effectively, that activities are in compliance with procedures, and that deficiencies are documented and remedied, will be done periodically and documented by signatures, initials, or other appropriate methods.

Principle 17: Management remediates identified internal control deficiencies on a timely basis.

In the event of any material breach of internal controls, the Controller and Corporation Counsel will "actively investigate and address said breach and adjust policies and procedures to prevent such breaches in the future [with a corrective action plan]."

**NOTICE AND AGENDA
BLOOMINGTON COMMON COUNCIL
SPECIAL SESSION AND COMMITTEE OF THE WHOLE
7:30 P.M., WEDNESDAY, NOVEMBER 30, 2016
COUNCIL CHAMBERS
SHOWERS BUILDING, 401 N. MORTON ST.**

SPECIAL SESSION

- I. ROLL CALL**
- II. AGENDA SUMMATION**
- III. COUNCIL SCHEDULE**

Council Schedule for 2017

- IV. ADJOURNMENT**

(to be immediately followed by a)

COMMITTEE OF THE WHOLE

Chair: Chris Sturbaum

1. Appropriation Ordinance 16-07 - To Specially Appropriate from the General Fund, LOIT Special Distribution Fund, Police Education Fund, Non-Reverting Improvement 1 (Westside) Fund, and Rental Inspection Program Fund Expenditures Not Otherwise Appropriated (Appropriating Various Transfers of Funds within the General Fund, Parks General Fund, Parking Facilities Fund, Solid Waste Fund, and Fleet Maintenance Fund; and, Appropriating Additional Funds from the General Fund, LOIT Special Distribution Fund, Police Education Fund, Non-Reverting Improvement 1 (Westside) Fund, Rental Inspection Program Fund)

Asked to attend: Jeffrey Underwood, Controller

2. Ordinance 16-43 – To Amend Title 2 of the Bloomington Municipal Code Entitled “Administration and Personnel” (Amending Chapter 2.26 (Controller’s Department) to Add Section 2.26.110 Authorizing a Fee Schedule for the Private Rental of City Facilities)

Asked to attend: Philippa Guthrie, Corporation Counsel

3. Resolution 16-20 - The Adoption of Minimum Internal Control Standards and Procedures and Determining Materiality Threshold for the City of Bloomington, Monroe County Indiana

Asked to attend: Jeffrey Underwood, Controller



**City of Bloomington
Office of the Common Council**

To Council Members
From Council Office
Re Weekly Calendar – 28 November -03 December 2016

Monday, 28 November

12:00 pm Board Of Public Works Work Session, McCloskey
2:30 pm Council for Community Accessibility Work Session, Hooker Conference Room
4:00 pm Council for Community Accessibility, Hooker Conference Room
5:00 pm Utilities Service Board, 600 E Miller Dr
5:30 pm Bloomington Human Rights Commission, McCloskey

Tuesday, 29 November

5:30 pm Board of Public Works, Chambers

Wednesday, 30 November

2:00 pm Hearing Officer, Kelly
7:30 pm Common Council – Special Session *followed by a Committee of the Whole*, Chambers

Thursday, 01 December

4:00 pm Bloomington Digital Underground Advisory Council, McCloskey
5:30 pm Commission on the Status of Women, McCloskey

Friday, 02 December

5:00 pm Lotus Stars Exhibition Reception, Atrium

Saturday, 03 December

No meetings scheduled for today.

*Auxiliary aids for people with disabilities are available upon request with adequate notice. Please contact the applicable board or commission or call (812) 349-3400.



**City of Bloomington
Office of the Common Council**

NOTICE

**THE COMMON COUNCIL WILL HOLD A
SPECIAL SESSION**

**WEDNESDAY, NOVEMBER 30, 2016
7:30 p.m.
COUNCIL CHAMBERS
CITY HALL, 401 N. MORTON**

**THIS MEETING WILL BE IMMEDIATELY
FOLLOWED BY THE
COMMITTEE OF THE WHOLE
PREVIOUSLY SCHEDULED FOR THIS EVENING.**

Per Indiana Open Door Law (I.C. §5-14-1.5), this provides notice that these meetings will occur and are open for the public to attend, observe, and record what transpires.

**COMMON COUNCIL
MEETING SCHEDULE AND LEGISLATION DEADLINES FOR THE YEAR 2017
(Subject to Revision by Common Council)**

LEGIS CYCLE	INTERNAL WORK SESSIONS ⁹	DEADLINE FOR ORDINANCES; E-MAILED TO CCL BY NOON	DEADLINE FOR RESOLUTIONS; E-MAILED TO CCL BY NOON	REGULAR SESSION 1 st READING FOR ORDS.	COMMITTEE OF THE WHOLE DISCUSSION	REGULAR SESSION 2 nd READINGS AND RESOLUTIONS	<i>* Note on Legislative Cycle</i>
1	Mon. Dec. 19 (2016)	Wed. Dec. 28 (2016)	Wed. Dec. 28 (2016)	¹ Jan. 11	¹ Jan. 11	Jan. 18	
2	Fri. Jan. 6	Mon. Jan. 9	Fri. Jan. 13	Jan. 18	Jan. 25	Feb. 1	
3	Fri. Jan 20	Mon. Jan. 23	Mon. Jan. 30	Feb. 1	Feb. 8	Feb. 15	
4	Fri. Feb. 3	Mon. Feb. 6	Mon. Feb. 13	Feb. 15	Feb. 22	Mar. 1	
5	Fri. Feb. 17	Fri. Feb. 17	Mon. Feb. 27	Mar. 1	Mar. 8	² Mar. 22	
6	Fri. Mar. 10	Mon. Mar. 13	Mon. Mar. 20	² Mar. 22	² Mar. 29	Apr. 5	
7	Fri. Mar. 24	Mon. Mar. 27	Mon. Apr. 3	Apr. 5	Apr. 12	Apr. 19	
8	Fri. Apr. 7	Mon. Apr. 7	Mon. Apr. 17	Apr. 19	Apr. 26	May 3	
9	Fri. Apr. 21	Mon. Apr. 24	Mon. May 1	May 3	³ May 10	May 17	
10	Fri. May 5	Mon. May 8	Mon. May 15	May 17	May 24	June 7	
11	Fri. May 19	Wed. May 24	Mon. June 5	June 7	June 14	⁴ & ⁵ June 21	
12	Fri. June 9	Mon. June 12	Mon. June 19	June 21	June 28	July 5	

**SUMMER RECESS AND
DEPARTMENTAL BUDGET HEARINGS (STARTING ON MONDAY, AUGUST 14TH) ³**

13	Fri. Aug. 4	Mon. July 31	Mon. July 31	Wed. Aug 9	Wed. Aug. 9	⁵ Wed. Aug. 23
14	Fri. Aug. 11	Mon. Aug. 7	Mon. Aug. 14	⁵ Aug. 23	Aug. 30	Sep. 6
15	Fri. Aug. 25	Mon. Aug. 28	Fri. Sept. 1	Sep. 6	Sep. 13	⁷ Sep. 19
16	N/A	Mon. Sep. 11	Mon. Sep. 11	⁶ Sep. 27	⁶ Sep. 27	⁶ Oct. 11
17	Fri. Sept. 8	Mon. Sept. 11	Mon. Sept. 18	⁷ Sep. 19	⁷ Oct. 4	⁷ Oct. 18
18	Fri. Oct. 6	Fri. Oct. 6	Mon. Oct. 16	⁷ Oct. 18	Oct. 25	Nov. 1
19	Fri. Oct. 20	Mon. Oct. 23	Mon. Oct. 30	Nov 1	Nov. 8	⁸ Nov. 15
20	Fri. Nov. 3	Mon. Nov. 6	Wed. Nov. 15	⁸ Nov. 15	⁸ Nov. 29	Dec. 6
21	Fri. Nov. 17	Mon. Nov. 20	Mon. Dec. 4	Dec. 6	Dec. 13	⁵ Dec. 20

YEAR END RECESS

First Legislative Cycle for 2018:

1	Mon. Dec. 18	Wed. Dec. 27	Wed. Dec. 27	¹ Wed. Jan. 10 (2018)	¹ Wed. Jan. 10 (2018)	Wed. Jan. 17 (2018)
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Deadlines for Legislation: The deadline for submitting legislation and all accompanying materials, including a summary memo, is set at noon on the date listed. For information on the manner for submitting these materials, please inquire with the Council Office.

Usual Day, Location, and Time of Meetings: Unless otherwise indicated, the Council meets on the first four Wednesdays of the month in the Council Chambers in Room 115 of the Showers Center, 401 North Morton, at 6:30 p.m. It also meets for a Staff-Council Internal Work Session on Fridays about 10 days before the beginning of the next legislative cycle. (See the first column of the above chart and footnote #9 for the day, time, location of those meetings and the typical topics discussed at them.)

*** Note on the Legislative Cycle:** While it is typical for the Council to introduce and take final action on legislation during the same cycle, the Council may schedule legislation or other matters for further consideration at subsequent Committees of the Whole, Regular Sessions, or Special Sessions.

The following footnotes list and explain the exceptions to this general rule:

- The Council will hold an annual Organizational Meeting on this date when, along with other matters, it elects officers and gives legislation first reading. Under local code, the meeting must be held by the second Wednesday in January unless rescheduled by a majority of the Council. (BMC 2.04.010 and BMC 2.04.050[a, c & d]). This meeting will be immediately followed by a Committee of the Whole.
- The Council will hold its second Regular Session in March on Wednesday, March 22nd, and second Committee of the Whole that month on the 29th. This schedule avoids meeting over Spring Break (when many residents are out-of-town) and takes advantage of a fifth Wednesday to shift meetings to the fourth and fifth Wednesdays of the month.
- The Council will hold a Council Budget Advance in the McCloskey Room (Room 135) of City Hall at 5:00 p.m. on Wednesday, May 10th and Departmental Budget Hearings in the Council Chambers at 6:00 p.m. on Monday, August 14th, Tuesday, August 15th, Wednesday, August 16th, and Thursday, August 17th, 2017. Budget Books are scheduled to be delivered on Monday, August 7th, which is one week before the start of the Departmental Budget Hearings.
- The Council will hear the Annual Tax Abatement Report as a Report from the Mayor and City Offices at this Regular Session.
- BMC 2.04.050[e] & [g] call for the Council to take a brief recess after the first Regular Session in August and the second Regular Session in December, and not introduce legislation for first reading at these meetings. By approving this Annual Schedule, the Council will be starting and ending the Summer Recess earlier than usual. The Summer Recess will begin after the second Legislative Cycle in June and end with an Internal Work Session on Friday, August 4th. Please note that this will move a Legislative Cycle from before to after the Summer Recess and include four evenings of Departmental Budget Hearings. (See Footnote #3 for more information on the Departmental Budget Hearings.)
- After holding Departmental Budget Hearings in the mid-August (See Footnote #3), the Council will formally consider the

City Budget for 2018 during a separate legislative cycle (known as the "Budget Cycle") starting in late September and ending in early October. In keeping with the Wednesday meeting schedule, this Budget Cycle typically starts with a Special Session and Committee of the Whole on the fourth Wednesday in September and ends with a Special Session on the second Wednesday in October. The Budget Cycle in 2017 will entail a Special Session and Committee of the Whole on Wednesday, September 27th and a Special Session on Wednesday, October 11th. Please note that the statutorily required initial public hearings associated with the City Budget package will be held during the aforementioned Committee of the Whole on September 27th and the adoption hearings will be held at the Special Budget Session on October 11th.

7. The second Legislative Cycle in September overlaps with the Budget Cycle and is intended to allow for consideration of routine, non-budget legislation during that time. That schedule typically results in the Second Legislative Cycle spanning from the third Wednesday in September to the third Wednesday in October. However, because Rosh Hashanah (the Jewish New Year) falls on a Wednesday night in 2017, those meetings will include a Regular Session on *Tuesday*, September 19th, a Committee of the Whole on October 4th (a first Wednesday), and a Regular Session on October 18th. In essence, this arrangement will replace one legislative cycle in early October with the Budget Cycle.

8. The Council will not meet for a Committee of the Whole on the Wednesday before Thanksgiving per BMC 2.04.050 (f). Because there are five Wednesdays in November, that meeting will be held on the last Wednesday in November.

9. Staff-Council Internal Work Sessions provide an opportunity for the Council members to learn about City initiatives, most of which are close to formal consideration by the Council. These meetings will be held in the Council Office Library (Room 110 of City Hall) at noon. If the room is too small for the meeting, the Council may move it to another room in City Hall and post notice on the door of the Council Office the day of the change in location. Except for the meetings on Monday, December 19, 2016 and Monday, December 18, 2017, these meetings will be held on a Friday.



Office of the
Common Council

Memorandum

To: Members of the City of Bloomington Common Council, Mayor, and City Clerk
From: Daniel Sherman, Attorney/Administrator, Common Council
Re: Annual Council Schedule for 2017
Date: November 3, 2016

Dear Council Members, Mayor, and City Clerk – I'm sending a preliminary draft of the proposed Annual Schedule for early discussion and, hopefully, in time for one to go out with the Council Weekly Packet distributed on November 11th for consideration at the Regular Session on November 16th.

The Annual Schedule provides notice of the Council meetings and, importantly, limits the need to post additional notice of meetings to only those occasions when the essential facts about the meeting (e.g. day, time, and kind of the meeting) are changed. This reduces the risk of having to cancel or redo a meeting because of a failure to post notice.

It is brought forward in November of the prior year because the Annual Schedule entails use of the Council Chambers and other meeting rooms and its approval is followed by identifying and resolving conflicts in room reservations before the Annual Calendar is printed and distributed in early December. The Annual Calendar is currently provided by the Council Office and offers a more user-friendly format for City meetings and Council deadlines than the Annual Schedule. Please know that the Annual Schedule requires a majority vote to be adopted and, if needed in the future, amended.

Please review and respond to Andy or me over the next week.

Highlights of Deviations of the Four-Wednesday-Rule and Other Significant Changes in Proposed Annual Schedule for 2017

As you know, the Council generally meets on the first four Wednesdays of the month for Regular Sessions and Committees of the Whole. It also meets on Fridays about twice a month for Staff-Council Internal Work Sessions to informally hear about upcoming legislation and other pending matters. Here are some of the meetings (and deadlines) that would *not* follow the usual rule:

- **6:30 pm Start-Time for Regular Sessions and Committees of the Whole** – based upon the response at the Staff-Council Internal Work Session on October 21st, this Schedule assumes that the Council will decide to meet at 6:30 pm for Regular Sessions and Committees of the Whole (but can be easily changed if that is not the will of the Council).
- **Staff-Council Internal Work Sessions** are scheduled on Friday at noon in the Council Library (unless a bigger room is necessary) except for:

- Monday, December 19, 2016 – (before Council members and staff often take time off for the holidays); and
 - Monday, December 18, 2017 - *(same)*;
- **January - Organizational Meeting and first Committee of the Whole** are scheduled for second Wednesday in January per past practice;
- **March** – The Council does not meet over IU Spring Break (March 11th – 19th) and shifts the Regular Session and Committee of the Whole to the fourth and fifth Wednesdays of the month (thereby avoiding a two-meeting evening);
- **March, May, August & November– a Fifth Wednesday** – There are five Wednesdays in four months next year. All those except the one in May will be used for meetings because of holidays or other Council activities (Departmental Budget Hearings in August).
- **June & July – Early Summer Recess** – In order, among other things, to bring the Council Summer Recess in line with the IU and MCCSC 2017-18 School Year and to account for the new Public Safety Local Income Tax Allocation process, this schedule proposes that the Council start its Summer Recess after the first Wednesday in July and end with the second Wednesday in August.
- **Budget Schedule - May and August thru early October** - The Budget Schedule has some minor changes because of five Wednesdays in August and entail:
 - A Budget Advance on the second Wednesday in May at 5:00 pm in the McCloskey Room
 - *The 5:00 pm start time is earlier than usual and would allow for the Council to hold the Committee of the Whole at 6:30 pm.*
 - Department Budget Hearings over four evenings starting in the second Monday of August (Monday the 14th – Thursday the 17th)
 - *Because many Council members work at IU and experience unusually busy days during the first week of the IU semester (which starts on the 21st in 2017), this schedule moves the Departmental Budget Hearings to the second Monday of that month;*
 - *This schedule also lists the expected arrival of the Budget Books a week before the hearings begin.*
 - Formal Consideration of the Budget with a:
 - Special Session and Committee of the Whole on Wednesday, September 27th and
 - Special Session on Wednesday, October 11th;
 - *This separates the two evenings by two weeks.*

- **Non-Budget Meetings in August, September, and October** – The months of August, September, and October include both Budget (noted above) and Non-Budget (see below) that deserve note.
 - **August** - even though there are five Wednesdays in August, this schedule continues the practice of holding a Regular Session and Committee of the Whole on the last Wednesday of the month.
 - This helps Council Office staff handle Departmental Budget Hearing without having to produce a large packet in the same week;
 - **September and October** – the second Legislative Cycle in September overlaps with the Budget Cycle and, therefore, typically includes a Regular Session on the third Wednesday in September, a Committee of the Whole on the first Wednesday in October, and a Regular Session on the third Wednesday in October (after which the Council returns to its usual schedule of Legislative Cycles.
 - **Regular Session on Tuesday, September 19th (Rosh Hashanah)¹** - Since Rosh Hashanah (the Jewish New Year) falls on a Wednesday, this schedule proposes that the Regular Session be held on Tuesday of that week;

- **November** - the Council does not meet on the eve of Thanksgiving but, given the five Wednesdays that month, the Committee of the Whole typically scheduled for the fourth Wednesday, is now scheduled for the last Wednesday of November.

More Detailed Overview of Exceptions to Four-Wednesday-Rule and Other Notable Meeting Dates in the Proposed Annual Schedule for 2017

at unusual meeting dates in 2017:²

Here is a more detailed look

January

Wednesday, January 11 Organizational Meeting and Committee discussion.
Please note that the schedule sets this meeting on the second Wednesday of the month which, with a recent change in our local code, is the last day we can hold that meeting.

February

(Nothing Unusual)

March

In 2017, the IU Spring Break will occur during the week of March 11th – 19th. This schedule would have the Council skip over the Wednesday during Spring Break and meet for a Regular Session and Committee of the Whole on the fourth and fifth Wednesdays that month.

¹ Religious Holiday Adjustments – this proposal adjusts schedule in September for Rosh Hashanah (the Jewish New Year). I'll need to confirm these dates and can use your help in determining whether there are other religious holidays to be observed. Please see this link to the IU Religious Holiday Schedule http://www.indiana.edu/~vpfaa/docs/religious_observances/religious-observances-calendar-2013-2018.pdf

² This lists a few, but not all, of the Internal Work Sessions.

Wednesday, March 15th *No Meeting – Spring Break*
Wednesday, March 22nd Regular Session
Wednesday, March 29th Committee of the Whole (*fifth Wednesday*)

April (*Nothing Unusual*)

May *Budget Advance*

Wednesday, May 10th “Budget Advance” in the McCloskey Room at 5:00 p.m.

June *Special Session (to hear Annual Tax Abatement Report) and Committee of the Whole on last Wednesday in June*

Wednesday, June 28th Special Session *immediately followed by a Committee of the Whole*

July *Commences the Summer Recess after the **first** Wednesday in July*

Wednesday, July 5th Regular Session (*Summer Recess begins after this meeting and ends with a Regular Session on Wednesday, August 9th.*)

August *Adds a Legislative Cycle in early August and holds Departmental Budget Hearings a week earlier (because of the start of the IU 2017-18 School Year)*

Friday, August 4th Internal Work Session
Monday, August 7th Budget Books due in Council Office
Wednesday, August 9th Regular Session
Friday, August 11th Internal Work Session
Monday, August 14th Start four evenings of Departmental Budget Hearings (*on second Monday*)
Thursday, August 17th End Departmental Budget Hearings
Friday, August 18th Internal Work Session
Wednesday, August 23rd Regular Session
Wednesday, August 30st Committee of the Whole

September and October *Overlap of Regular and Budget Legislative Cycles – Rosh Hashanah on third Wednesday.*

Wednesday, September 6th Regular Session
Wednesday, September 13th Committee of the Whole
Tuesday, September 19th Regular Session (Rosh Hashanah)
Wednesday, September 27th Special Budget Session and Committee of the Whole

Wednesday, October 4th Committee of the Whole (*on MCCSC fall break*)
Wednesday, October 11th Adoption Hearing on Budget
Wednesday, October 18th First Regular Session in October
Wednesday, October 25th Second Committee of the Whole in October

November

Five Wednesdays and a holiday – no need to double-up meetings

Wednesday, November 22nd *Off – Thanksgiving*

Wednesday, November 29th Committee of the Whole (on a fifth Wednesday)

December

Schedules the first Internal Work Session on a Monday before folks take off for the holidays.

Wednesday, December 20th Last meeting of the year

Monday, December 18th Internal Work Session (for first Legislative Cycle in 2018)

RESOLUTION 16-20

THE ADOPTION OF MINIMUM INTERNAL CONTROL STANDARDS AND PROCEDURES AND DETERMINING MATERIALITY THRESHOLD FOR THE CITY OF BLOOMINGTON, MONROE COUNTY INDIANA

WHEREAS, I.C. 5-11-1-27 provides that internal control standards shall be defined to promote government accountability and transparency. This statute applies to all political subdivisions under I.C. 5-11-10.5-1, including counties, townships, cities, towns, school corporations, library districts, fire protection districts, public transportation corporations, local hospital authorities or corporations, local airport authority districts, special service districts, special taxing districts, or other separate local governmental entities that may sue and be sued; and

WHEREAS, the State Board of Accounts (SBOA) is required under I.C. 5-11-1-27(e) to define the acceptable minimum level of internal control standards. All political subdivisions subject to audit by SBOA are expected to adhere to these standards, and will be evaluated accordingly in any audits that are performed by or on behalf of the SBOA; and

WHEREAS, in response to such statute, the SBOA developed the Uniform Internal Control Standards for Indiana Political Subdivisions manual, which contains the acceptable minimum level of internal control standards; and

WHEREAS, after June 30, 2016, I.C. 5-11-1-27(g) provides that the legislative body of each political subdivision must adopt the minimum internal control standards as defined by SBOA. Additionally, the legislative body must ensure that personnel receive training concerning the internal control standards and procedures adopted by the political subdivision; and

WHEREAS, I.C. 5-11-1-27(j) requires erroneous or irregular material variances, losses, shortages, or thefts of political subdivision funds or property shall be reported immediately to the SBOA; and

WHEREAS, State Examiner Directive 2015-6 directs each political subdivision to determine its own policy on materiality; and

NOW, THEREFORE, BE IT RESOLVED BY THE COMMON COUNCIL OF THE CITY OF BLOOMINGTON, MONROE COUNTY, INDIANA, THAT:

SECTION 1. Adoption of Minimum Standards & Procedures. The acceptable minimum level of internal control standards and procedures developed under I.C. 5-11-1-27(e) by the SBOA contained in the Uniform Internal Control Standards for Indiana Political Subdivisions manual, are hereby adopted by City of Bloomington, Indiana (City) and that City personnel shall receive training concerning the internal control standards and procedures hereby adopted.

SECTION 2. Establishment of Materiality Policy. The City establishes the following Materiality Policy under I.C. 5-11-1-10, 5-11-1-21, and 5-11-1-27:

Materiality, in the City, is hereby defined as \$500.00 per occurrence. That is, if one occurrence of a loss or shortage or other irregularity is equal or greater than \$500.00, it must be reported to the SBOA. This materiality definition is not limited to defalcations or suspicious activity involving only cash or cash transactions. If supplies, equipment or other fixed assets belonging to the City are suspected of being misappropriated or stolen or used in a manner not authorized by City officials and the value of those supplies, equipment or fixed assets are approximately \$500.00, that misuse or series of misuse should be reported. That is not to say that if a loss or shortage is less than \$500.00 it should be ignored. If there is a series of events, within the same office or department that appears to be a structuring event to defraud or misappropriate City funds or property, that event or series of events should be reported to the SBOA.

SECTION 3. Material Variances, Losses Shortages or Thefts. All erroneous or irregular material variances, losses, shortages, or thefts of political subdivision funds or property shall be reported immediately to the SBOA. For all material variances, losses, shortages or thefts, the SBOA shall:

- (1) determine the amount of funds involved and report the amount to the appropriate government and law enforcement officials;
- (2) determine the internal control weakness that contributed to or caused the condition; and
- (3) make written recommendations to the appropriate legislative body or appropriate official overseeing the internal control system addressing:
 - (A) the method of correcting the condition; and
 - (B) the necessary internal control policies and internal control procedures that must be modified to prevent a recurrence of the condition.

SECTION 4. Notification of Fiscal Misconduct. If any City employee knows or suspects that other City employees are engaged in fiscal misconduct, it is his/her responsibility to immediately notify their Supervisor, or Controller, or Corporation Counsel, or the City's anonymous hotline.

SECTION 5. This resolution shall be in full force and effect from and after its passage the Common Council of the City of Bloomington and approval of the Mayor.

PASSED by the Common Council of the City of Bloomington, Monroe County, Indiana, upon this _____ day of _____, 2016.

ANDY RUFF, President
Bloomington Common Council

ATTEST:

NICOLE BOLDEN, Clerk
City of Bloomington

PRESENTED by me to the Mayor of the City of Bloomington, Monroe County, Indiana, upon this _____ day of _____, 2016.

NICOLE BOLDEN, Clerk
City of Bloomington

SIGNED and APPROVED by me upon this _____ day of _____, 2016.

JOHN HAMILTON, Mayor
City of Bloomington

SYNOPSIS

This resolution is being brought forward to bring the City into compliance with recent changes in IC 5-11-1 (State Board of Accounts Created). It:

- Adopts the acceptable minimum level of internal control standards and procedures developed by the State Board of Accounts (SBOA) and requires that City personnel receive training in that regard;
- Establishes a “Materiality Policy” which defines the occurrence or circumstances of misuse of City funds or property that require a report to the SBOA under statute;
- Requires that all material variances, losses, or thefts be reported immediately to the SBOA for review and response; and
- Makes every City employee who knows or suspects that other City employees are engaged in fiscal misconduct responsible for immediately notifying their supervisor, the Controller, Corporation Counsel, or the City’s anonymous hotline.



JOHN HAMILTON
MAYOR

CITY OF BLOOMINGTON

401 N Morton St
Post Office Box 100
Bloomington IN 47402

JEFFREY H. UNDERWOOD
CONTROLLER

CONTROLLER'S OFFICE

p 812.349.3416
f 812.349.3456
controller@bloomington.in.gov

Memorandum

To: Council Members
From: Jeffrey Underwood, Controller
Date: November 9, 2016
Re: Resolution 16-20

The State legislature in passing I.C. 5-11-1-27 required that the State Board of Accounts (SBOA) define the acceptable minimum level of internal control standards and that all subdivisions subject to audit by SBOA are expected to adhere to those standards.

In addition, the legislation provided that each political subdivision must adopt those minimum internal control standards and provide training to affected personnel concerning those standards. The City Controller must certify with the filling of its Annual Cities and Towns report that such standards have been adopted and the training of appropriate staff has been completed.

The legislation further requires erroneous or irregular material variances, losses, shortages, or thefts of political subdivision funds or property shall be reported immediately to the SBOA; and State Examiner Directive 2015-6 directs each political subdivision to determine its own policy on materiality.

This resolution adopts those requirements and standards by reference to the Code. Thereby allowing the City to make any necessary changes to them if amended or adopted by the State legislator. I have included a copy of those standards that will be appended to the City of Bloomington Financial Policies Manual

Your adoption of this resolution will provide a major step in our compliance with this legislation.



City of Bloomington Financial Policy Manual

Appendix G - INTERNAL CONTROL STANDARDS AND PROCEDURES (Pursuant to Ind. Code § 5-11-1-27):

COMPONENT ONE: CONTROL ENVIRONMENT

Principle 1: The oversight body and management demonstrate a commitment to integrity and ethical values.

The City has the responsibility to establish and maintain an adequate system of internal control and to furnish to the Common Council, various boards and commissions, governmental agencies, creditors and others reliable financial information on a timely basis. An adequate system of internal control is necessary for the City to discharge these responsibilities.

Controls help ensure that assets are not exposed to unauthorized access and use, transactions are properly recorded in the financial records, and the resultant financial information is reliable. External organizations and stakeholders of the City rely on financial information to make decisions toward appropriations, loans and other debt, grants, and other contractual relationships. City resources are dependent upon the system of internal control. Auditors are required annually to report upon the adequacy of the City's systems for control over financial reporting and compliance per I.C. 5-11-1-27(e). The safeguarding of City assets and the reliability which the City and others can place upon its financial records is dependent upon the effectiveness of the internal control process.

As the fiscal body, the Common Council expects the administration to effect an internal control environment with policies and procedures necessary to provide reasonable assurance that practices cause effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations.

The system of internal control is meant to keep the City on course toward its mission and to minimize the risk of fraud and/or loss due to mismanagement. The system promotes efficiency, minimizes risks of asset loss, helps ensure the reliability of financial information, and compliance with applicable laws, rules, and regulations.

Internal control is a process. The control environment is the foundation upon which all components of internal control are based. It sets the tone for City operations. Internal control is about people, operations, communications, and the work environment. It is not about policies and forms though it takes shape through the implementation of relevant policies, procedures, and practices. Internal control can provide reasonable assurance, but no system of control can provide absolute assurance to the Common Council and other users of financial information.

The City Controller shall be charged with:

- Conveying periodic messages of the City’s internal control philosophy and expectations to all employees;
- Evaluating the City’s internal control system for weaknesses on a periodic (but no less frequently than annual) basis, providing solutions to any discovered weaknesses, and inform employees of necessary changes in procedures;
- Working with the Human Resources Department to establish a confidential reporting system for individuals to report suspected fraud and abuse of internal control policies; and
- Working with the Human Resources Department to institute procedures to address violations of policies and consequences for violations.

Principle 2: The oversight body oversees the entity’s internal control system.

As the fiscal body for the City, the Common Council is responsible for setting the institutional expectations for internal control, ensuring management is aware of the those expectations, requiring the upward communications channels are open through all levels of management, and evaluating management’s effectiveness toward monitoring the control environment and implementing sound control policies and procedures. As the City’s Chief Fiscal Officer, the City Controller will be the Common Council’s chief agent in implementing and managing the internal control policies and procedures.

Principle 3: Management establishes an organizational structure, assigns responsibility, and delegates authority to achieve the entity’s objectives.

Individuals with delegated approval authority, e.g. Elected Officials, The Mayor and Department Heads are responsible for establishing, maintaining, and supporting a system of internal controls within their areas of responsibility and for creating the control environment, which encourages compliance with City policies and procedures.

Adequate supervision is necessary to monitor that internal controls are operating as intended, and to help ensure the reliability of accounting and operational controls by identifying errors, omissions, exceptions, and inconsistencies in procedures. Staff in leadership roles are responsible for the application of this policy and the design, development, implementation, and maintenance of systems of internal controls focusing on the effectiveness of operations and the safeguarding of assets within their respective areas of responsibility. All levels of management and supervision are responsible for strengthening internal controls when weaknesses are detected. Department managers should periodically review departmental procedures to ensure that the general principles of internal control are being followed.

The City Controller has the primary responsibility for internal control over financial reporting and compliance with applicable laws, rules, and regulations. The City Controller is the City’s chief source for information and assistance to the Mayor, staff and Department Heads on

this topic and will make resources available to assist in administering this policy. The City's Corporation Council will assist the Controller to ensure compliance with all applicable laws, statutes, rules and regulations.

The Human Resources Department is responsible for internal controls over employee recruitment, hiring, separation, promotion, job classification, employee rights, and salary administration. The Human Resources Director and City Attorney are the City sources for information and assistance on this topic and will make resources available to assist in administering this policy.

All levels of internal control are subject to examination by external auditors who are required to report on the adequacy of internal controls over finance and compliance.

Department Heads are responsible for prompt corrective action on all internal control findings and recommendations made by internal and external auditors. The audit process is completed only after Department Heads receive the audit results and take action to correct internal control weaknesses, improve systems, or demonstrate that management action is not warranted. Department Heads have the responsibility to ensure that those who report to them have adequate knowledge, skills, and abilities to function within, and contribute to, an effective internal control environment. This includes providing access to appropriate training on topics relevant to their job responsibilities.

Principle 4: Management demonstrates a commitment to recruit, develop, and retain competent individuals.

The City Employee Handbook provides a roadmap for recruiting and maintaining quality employees. Prior to employment individuals may be subject to pre-employment background and drug screening and/or a credit history check. The City will continue to evaluate employment candidates to identify the skill sets necessary to adequately implement and maintain quality internal controls.

Job descriptions will be updated where necessary to reflect internal control responsibilities and duties. Employees will be regularly trained in internal control methods and all training will be documented in employees' personnel files. Employees will be regularly evaluated by their supervisors on internal control duties and receive feedback on possible improvements.

Principle 5: Management evaluates performance and holds individuals accountable for their internal control responsibilities.

Individuals are held accountable for their internal control responsibilities through a recognized structure, which includes relevant job descriptions, operating procedures, periodic reviews, regular feedback, and a progressive disciplinary policy. Additionally, City

Administration seeks to address issues in specific departments and positions through regular meetings with Department Heads.

COMPONENT TWO: RISK ASSESSMENT

Principle 6: Management defines objectives clearly to enable the identification of risks and risk tolerances.

Through the creation of standard operating procedures and accurate organizational reporting charts, management conveys and identifies objectives, missions, policies, and risk tolerances to employees. The Office of the Controller will lead a risk analysis of three major areas:

1. The effectiveness and efficiency of operations.
2. The reliability of reporting for internal and external use.
3. Compliance with applicable laws and regulations.

For each category, the City Controller will define objectives in specific measurable terms in order to enable the design of internal control for related risk, increase understanding at all levels, assess performance, identify what is to be achieved, who is to achieve it, how it will be achieved, when it will be achieved and incorporate external requirements.

Principle 7: Management identifies, analyzes, and responds to risks related to achieving the defined objectives.

The City Controller will identify, analyze and respond to the risks identified in Principle 6 by determining:

1. How likely is the risk to occur?
2. How will it impact the objective?
3. Is the risk based on complex or unusual transactions?
4. Is the risk based on fraud?

Once each risk has been identified and analyzed, the City Controller will work with Department Heads to determine how to respond to each risk with a specific solution and action.

Principle 8: Management considers the potential for fraud when identifying, analyzing, and responding to risks.

Management is committed to fraud prevention by utilizing a “trust but verify” approach. The potential for fraud, misappropriation, and outright theft are contemplated as controls are designed for various City divisions. Fraud responses will include statutorily required responses to fraud, including, but not limited to Ind. Code § 5-11-1-27(l) relating to the Report of Misappropriation of Funds to State Board of Accounts and Prosecuting Attorney and Ind. Code §

5-11-1-27(j) relating to the Report of Material Variances, Losses, Shortages or Thefts to the State Board of Accounts. The City shall utilize a materiality threshold of \$500.

Principle 9: Management identifies, analyzes, and responds to significant changes that could impact the internal control system.

The City Controller, in coordination with The Mayor and Department Heads, will regularly evaluate and adjust internal control policies in order to accommodate for the impact of external and/or internal changes, including but not limited to, personnel changes, newly elected officials, new programs, new technology, new laws and regulations, and financial fluctuations.

COMPONENT THREE: CONTROL ACTIVITIES

Principle 10: Management designs control activities to achieve objectives and respond to risks.

The City Controller will establish and maintain a system of internal controls that satisfies the City's objectives in the following categories:

1. Risks are identified and effectively managed
2. Safeguarding of City assets
3. Reliability and integrity of financial information
4. Compliance with City policy, plans, procedures, local, state, and federal laws and regulations
5. Economical and efficient use of City resources
6. Meeting established objectives and goals for City operations and programs.

A. General internal control principles for Departments are:

1. Separation of duties
 - a. Duties are separated so that one person's work routinely serves as a check on another's work.
 - b. No one person has complete control over more than one key function or activity (e.g., authorizing, approving, certifying, disbursing, receiving, or reconciling).
2. Authorization and approval
 - a. Proposed transactions are authorized when proper and consistent with City policy and the department's plans.

- b. Transactions are approved by the person who has delegated approval authority, which is usually delegated on the basis of special competency or knowledge.
 - 3. Custodial and security arrangements
 - a. Responsibility for physical security/custody of City assets is separated from record keeping/accounting for those assets.
 - b. Unauthorized access to City assets and institutional data is prevented.
 - 4. Timely and accurate review and reconciliation
 - a. Departmental accounting records and documents are examined by employees who have sufficient understanding of the City accounting and financial systems to verify that recorded transactions actually took place and were made in accordance with City policies and procedures.
 - b. Departmental accounting records and documentation are compared with City accounting system reports and financial statements to verify their reasonableness, accuracy, and completeness.
 - 5. The general internal control principles should be applied to all departmental operations, especially accounting records and reports, payroll, purchasing/receiving/disbursement approval, equipment and supply inventories, cash receipts, petty cash and change funds, billing and accounts receivable.
- B. All City systems, processes, operations, functions, and activities are subject to evaluations of internal control systems. The results of these evaluations provide information regarding the City's overall system of control.
- C. Information and communication – Information must be timely and communicated in a manner that enables people to carry out their responsibilities.
 - 1. All covered employees must be trained on Internal Controls according to Ind. Code § 5-11-1-27(g).

All personnel must receive a clear message from the City's administration that control responsibilities are to be taken seriously. Failure to comply with established practices will subject individuals to the terms of disciplinary action or dismissal.
 - 2. Employees must understand their own roles in the internal control system, as well as how individual activities relate to the work of others. To this end, whenever a new budgetary unit, financial activity, etc. is set up, the City Controller will

provide notification to the appropriate parties of the responsibilities incumbent on them for good business practices and sound financial management, including reference to the principles within this policy.

3. Employees must have a means of communicating significant information to the City's administration.
4. The City must communicate effectively with external parties, such as auditors, creditors, contractors, suppliers, regulators and other stakeholders.

F. Internal control is meant to keep the City focused on achieving its mission while remaining prepared for unforeseen circumstance. There is a balance between effective controls and mission accomplishment. Costs associated with internal controls should not exceed their benefit, nor should controls be allowed to stifle mission effectiveness and timely action. All levels of management must assess the costs, benefits, and risks when designing controls to develop a positive control environment and compensate for the risks of non-compliance, loss of assets, or unreliable reporting while accomplishing the City mission.

The following specific internal control policies are adopted for use by City Departments:

Payroll Activities

- Salaries and wage rates are verified by the Human Resources Department.
- The responsibilities for hiring, terminating, and approving promotions are segregated from those preparing payroll transactions or inputting data.
- The responsibilities for approving time sheets are segregated from those for preparing payroll transactions or inputting data.
- Payroll adjustment reports are submitted by someone outside of the payroll process.
- Employees' time and attendance records are approved by their supervisors.
- Corrections to recorded time and attendance records are approved by the employee and employee's supervisor.
- Procedures are in place to ensure that changes in employment status are promptly reported to the payroll processing unit.
- Payroll disbursements are reviewed and approved by an authorized individual prior to payment.
- Access to payroll applications is appropriately controlled by user logins and passwords.
- Changes to a payroll disbursement are approved by an individual other than the ones authorized to process the changes.

- Payroll checks are accounted for in numerical order and reconciled to the payroll check register.
- Employees are cross-trained on the payroll process; those assigned to payroll take regular vacations.

Disbursement Activities

- The responsibility for approving claims is segregated from those preparing the claims.
- Checks are written by an individual other than the one approving the claim.
- Checks are signed by an individual other than the one preparing them.
- Claims for payment are reviewed and approved by the governing body prior to payment.
- A reconciliation is completed between the claims for payment approved by the board and the actual disbursements posted to the ledger.
- The responsibility for acknowledging the receipt of goods or services is segregated from those preparing claims and writing checks.
- Vendor checks are accounted for in numerical order and reconciled to the disbursement ledger.
- Invoices or other receipts are attached to each claim to support the disbursement.
- A review is completed by an individual outside the disbursement process in which the claim amount is compared to the supporting documentation attached to the claim and the amount of the check.
- Access to disbursement applications is appropriately controlled by user logins and passwords.

Receipting Activities

- The responsibility for collecting money and issuing receipts is segregated from those preparing the bank deposit.
- The responsibility for making bank deposits is segregated from those preparing the monthly bank reconciliation.
- Pre-numbered receipts are issued for all money collected and the receipt is retained with supporting documentation.
- Receipts are reconciled to the cash receipts ledger by an individual other than the one collecting money and issuing receipts.
- Posting of receipts to the ledger is completed by an individual other than the one who collects money and makes the deposit.
- Receipts indicate the type of payment received (cash, check, etc.) and this is reconciled to the make-up of the bank deposit.

- Accounts receivable records are maintained by an individual other than the one(s) involved in the billing process.
- The billing process is completed by an individual other than the one who collects cash payments from customers.

Cash Activities

- A reconciliation between the recorded cash balance and the bank balance is completed monthly by an individual separate from the receipting and disbursing processes.
- A reconciliation between the receipts ledger and the credits to the bank account is completed periodically by an individual separate of the receipting process.
- A reconciliation between the disbursement ledger and the debits to the bank account is completed periodically by an individual separate of the disbursement process.
- The monthly reconciliation between the cash balance and the bank balance is thoroughly reviewed and approved by the Controller's office.
- Disbursements from and reimbursements to petty cash funds are periodically reviewed by an individual other than the one responsible for maintaining the petty cash fund.

Credit Cards Transactions

- A designated official or employee oversees the issuance and use of the credit cards.
- A city policy specifically states the purposes for which the credit card may be used.
- A designated employee maintains a log, which includes the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, etc.
- A designated person separate from disbursement process reviews transactions listed on the credit card statements for sufficient documentation and inclusion in claim to the Board.

Principle 11: Management designs the political subdivision's information system and related control activities to achieve objectives and respond to risks.

The City Controller, Mayor and Department Heads will work with the Information Technology Department to ensure that information technology is used as an integral part of the internal control system. This may include, but not be limited to:

- Setting permission such that only certain users may perform certain tasks

- Using technology to accomplish segregation of duties by forcing duties to be completed by different users where practical and permitted by software
- Automating certain processes and calculations
- Limiting the authority to access different components of various software to employees with duties specifically related to that component
- Prohibiting user ID and password sharing among employees
- Restricting the authority to correct or make adjustments to records to key employees
- Requiring the use of prescribed forms or the approval of alternative forms

Principle 12: Management implements control activities through policies.

The City has an employee handbook that is regularly updated to communicate policies to employees. Additionally, the Office of the Controller regularly works with departments and employees who handle financial transactions to recommend and ensure best practices. All procedures are in writing and communicated frequently to all relevant employees. Policies are available both electronically and in hard copy form.

COMPONENT FOUR: INFORMATION AND COMMUNICATION

Principle 13: Management uses quality information to achieve the political subdivision’s objectives.

The City strives to lead in the areas of financial transparency and accountability. By adopting standards and investing in systems that exceed State mandated minimums, City management provides employees and stakeholders with high quality information and informatics systems. The Office of the Controller and Legal Department attend training and industry seminars to stay abreast of changes and developments in requirements and communicate that information effectively to impacted employees.

Principle 14: Management internally communicates the necessary quality information to achieve the political subdivision’s objectives.

Internal communications on internal controls are conducted through adoption of formal policies by relevant boards and commissions and/or the legislative body or documented through memos from the Controller, Corporation Counsel or relevant Department Head. Internal memos and reports are maintained to document communication.

Principle 15: Management externally communicates the necessary quality information to achieve the entity’s objectives.

Communications with the State Board of Accounts, other State agencies, grantor agencies, and regulatory agencies are documented by email, memos, letters, and other forms of

written correspondence. Logs are kept for information provided verbally. All documents are maintained in accordance with the City and State's record retention policies. Reports and policies are crosschecked for accuracy, relevancy, and timeliness of information.

COMPONENT FIVE: MONITORING ACTIVITIES

Principle 16: Management establishes and operates monitoring activities to monitor the internal control system and evaluate the results.

City Administration monitors and evaluates compliance with internal control policies via multiple vectors. Separation of duties, redundancy polices, layered approval systems, monthly reports, and physical controls such as video monitoring allow management to both review and evaluate control systems.

The City Controller shall implement a system of monitoring that includes:

- Periodic checks to determine if controls are in place and working effectively
- Reviewing control activities to determine if the actual activities are in compliance with established procedures
- Documenting deficiencies in the internal control processes and remediating them quickly

Monitoring activities will be documented by signatures, initials, or other appropriate methods.

Principle 17: Management remediates identified internal control deficiencies on a timely basis.

Breaches of internal controls are subject to significant levels of internal scrutiny. If informed of a material breach of internal controls, the City Controller and Corporation Counsel actively investigate and address said breach and adjust policies and procedures to prevent such breaches in the future. Once breaches are identified and investigated, a formal or informal corrective action plan will be developed.