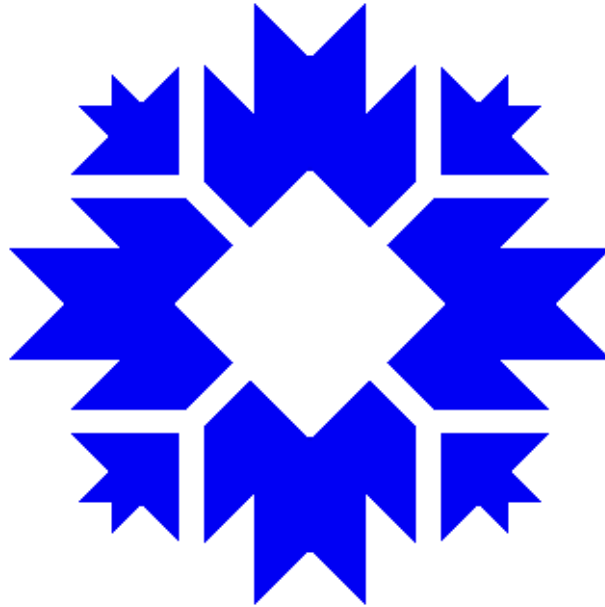


City of Bloomington Financial Policies Manual



FINANCIAL POLICIES MANUAL
Table of Contents

1. Statement of Purpose
2. Statement of Authority
3. Foundations of Municipal Finance
4. Municipal Finance
5. Planning
6. Process
7. Capital Asset Management
8. Grants
9. Financing
10. Local Economic Development
11. Appendixes
 - A – Definitions
 - B – List of Funds
 - C – Procurement Policies & Procedures
 - D – Process for Public Works Projects
 - E – Capital Assets Management
 - F – Other References
 - G – Internal Control Standards and Procedures (Updated 1/24/18)

1) Statement of Purpose:

The City has a fiduciary responsibility to all constituents, and these financial policies are the basis for equal, consistent and fair treatment of all constituents and advancement of the community's greater good. Financial policies set the baseline standard for stewardship over financial resources and practices.

The financial system for the City serves many and varied purposes. Primarily, it furnishes the responsible officials with an effective aid in the financial management of the City. In addition, it serves the taxpayer by providing an adequate record of the City's operations and informative statements of results at frequent intervals. Investment analysts must have sufficient data to study the financial position of the City as well. State and federal agencies should have the necessary information for statistical and economic comparisons.

All these purposes have been considered in designing this manual.

Written policies accomplish the following:

- Institutionalize good financial practices.
- Clarify strategic intent for financial management.
- Define boundaries.
- Support fiscal integrity.
- Promote long-term and strategic thinking.
- Manage risk.
- Provide for a system of checks and balances and the appropriate segregation of duties.

2) Statement of Authority:

By adoption of this Financial Policy Manual, the Mayor of Bloomington has vested in the Controller the authority and responsibility to create, implement, evaluate, ensure compliance, and amend this document along with policies and procedures related to the fiscal management of the city.

3) Foundation of Municipal Finance:

While no system is perfect or foolproof, the institution of the appropriate level of Internal Controls will provide City Officials and the Public reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations.

Segregation of Duties:

One key of an effective Internal Controls program is the segregation of duties. Among other things, segregation of duties provides for safeguards in the processing of transactions and information as well as protecting the assets (financial, informational, and physical) of the City.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to minimize the risk of invalid or fraudulent transactions, inaccurate records and financial statements and incorrect decision making.

1. Segregation of duties is the division of key responsibilities among different people to reduce opportunities for any individual to be in a position to commit and conceal errors, intentional or unintentional, or perpetrate fraud in the normal course of his/her duties. No one individual should control or perform all key aspects of a transaction or event.
2. The following is a non-exhaustive list of best practices with regard to segregation of duties.
 - a. Individuals responsible for data entry of payments should not also be responsible for approving payments.
 - b. Individuals responsible for acknowledging the receipt of goods or services should not also be responsible for purchasing approvals or payment activities.
 - c. Managers should review and approve payroll expenses and timesheets before entry, but should not be involved in preparing payroll payments.
 - d. Individuals performing physical inventory counts should not be involved in maintaining inventory records nor authorize withdrawals of items maintained in inventory.
 - e. Individuals receiving cash into the office should not be involved in recording bank deposits in accounting records.
 - f. Individuals receiving revenue or making deposits should not be involved in reconciling bank accounts.

4) Municipal Finances

Municipal Finances consist of three major components, Funds, Revenues, and Disbursements. In addition, the City utilizes a double entry modified accrual basis of accounting including the use of a uniform system of accounts. The following is a brief description of these areas.

Funds (See Appendix B for a list of current funds):

Governmental Funds – The funds through which most government functions typically are financed. All revenues and expenditures are recorded in a fund. The net of these transactions represent the fund balance.

Fund means “cash” or a group of accounts set aside for the purpose of accounting for moneys or other resources of general functions or specific activities such as utilities, construction projects or other activities of a city or town in accordance with a system of accounts prescribed by the State Board of Accounts or as required by statute.

Governmental Accounting, Auditing and Financial Reporting (GAAFR) defines a fund as: “A fiscal and accounting entity with a self-balancing set of accounts in which cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.”

The following is a description of the types of funds prescribed by the State Board of Accounts utilized by the City.

1) General Funds:

- a) The City currently maintains two (2) general funds, Operating and Parks. These funds are the primary funds of the City. They receive the majority of its revenues as well as pay for the majority of expenditures for various City departments.

2) Special Revenue Funds:

- a) Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted to expenditures for specific purposes. Examples of these types of funds include MVH, LRS, and Parking Meter, Grants, and Rainy Day Fund.

3) Debt Service Funds:

- a) Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest. Example of these funds include Parks Bonds, Water & Wastewater Bonds, Redevelopment District Bonds, and Parking Garage Bond

4) Capital Projects Funds:

- a) Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Examples include CCI, CCD, TIF's and proceeds from bond proceeds.

5) Proprietary Funds:

- a) The funds used to account for a government's business-type activities (activities supported at least in part by fees or charges).

- i) Enterprise Funds:

- Enterprise Funds are used to account for activities for which a fee is charged to external users for goods or services. Examples of these are the Water and Wastewater Utility Funds.

- ii) Internal Service Funds:

- Internal Service Funds are used to account for the financing of goods or services provided by one fund, department, or agency to other funds, departments, or agencies of the financial reporting entity, or to other governments, on a cost-reimbursement basis. Examples of these funds are Fleet Maintenance and Information Technology Department

6) Fiduciary Funds:

- a) The funds used to account for assets held by the government as trustee or agent and that cannot be used to support the government's own programs.

- i) Pension (and other employee benefit) Trust Funds:

- Pension Trust funds are used to account for assets of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans held by a government in a trustee capacity. Examples of this are the Police and Fire Pension Funds.

The Office of the Controller shall monitor the funds for compliance with appropriations and state and local legislation. It shall also develop strategies and goals to maintain balances to support cash flow and appropriate reserve levels. It shall also invest any excess funds as allowed by State statute in the form and manner subscribed by the State striving to obtain highest return on the invested funds.

Revenues:

Revenues consist of a number of streams of income ranging from General Property taxes to interest on investments. Revenues along with Fund balances are used to pay for the expenditures of the City and its various funds and activities. These revenue streams are authorized by Federal, State, and Local statutes and ordinances.

Examples of revenues are:

General Property Taxes & Other Taxes, Licenses and Permits, Intergovernmental Revenues, Federal, State and Local Government Grants, Charges for Services, In Lieu of Taxes, Fines, Forfeitures and Fees, Special Assessments, Miscellaneous Revenues, Interest on Investments, Rental of Property, Cable TV Franchise, Contributions and Donations from Private Sources, Proceeds of Capital Asset Disposition, Proceeds from Long-Term Debt, Temporary Loans, Sale of Investments, and Refunds.

Receipts within each fund, fund type and account group are classified by:

Source

Revenue Receipts

Nonrevenue Receipts

Depositing Receipts:

IC 5-13-6-1(d) requires cities and towns to deposit all funds not later than the next business day following the receipt of funds in depositories selected by the city or town as provided in an ordinance adopted by the city or town and approved as depositories of state funds.

The Office of the Controller shall monitor the receipt of revenues for compliance with Federal, State and Local authorization, collection of the correct and full amounts, the timely deposit of and proper receipting and accounting for such revenues. It shall also develop strategies and goals to maintain appropriate checks and balances and segregation of duties in the invoicing, collection, and depositing of such revenues.

Disbursements:

Disbursements are classified by function or program and activity, organization unit, object of expense, and major budget classification. Minor budget classifications are provided for more detailed accounting and greater information.

Classification by character:

The character of expenditures or disbursements has previously been defined to include (1) Current Operating Expenditures; (2) Debt Service; (3) Capital Outlays; and (4)

Intergovernmental. These distinctions are maintained throughout the system of accounts and their importance cannot be overemphasized.

Current operating expenditures are outlays which primarily benefit the current fiscal period. They consist of the costs of operating and maintaining the city. Current operation expenditures are further broken into four (4) sub-categories;

1) Personal Services

This classification includes expenditures for salaries, wages and related employee benefits provided for all persons employed. Employee benefits include employer contributions to a retirement system, group health and life insurance, unemployment compensation, uniform allowance, self-insurance and similar benefits.

2) Supplies

This classification includes articles and commodities which are consumed or materially altered when used. Supplies should include office supplies, operating supplies, repair and maintenance supplies and other similar supplies.

3) Other Services and Charges

This classification includes expenditures for services other than personal services which are required by the city or town in the carrying out of its assigned functions or which are legally or morally obligatory on it. Types of services and charges would include professional services, communication and transportation, printing and advertising, insurance (other than group health, life and self-insurance), utility services, contracted repairs and maintenance, rentals, debt service expenditures for principal and interest payments and general long-term debt and other similar services and charges.

4) Capital Outlays

This classification should include expenditures for acquisition of, or addition to, assets such as land, infrastructure, buildings, improvements other than buildings, and machinery and equipment.

- i) Debt Service represents outlays in the term of debt principal payments, periodic interest payments, and related service charges for benefits received in part in prior fiscal periods as well as in current and future fiscal periods.
- ii) Capital Outlays are outlays which benefit both the current and future fiscal periods. This includes costs of acquiring land or structures; construction or improvement of buildings, structures or other capital assets; and equipment purchases. These are expenditures resulting in the acquisition of or addition to the government's capital assets.

- iii) Intergovernmental expenditures are transfers of resources from one government to another

The Office of the Controller shall monitor the disbursement of funds for compliance with Federal, State and Local authorization, payment of the timely, correct and full amounts due and proper receipting and accounting for such disbursements. It shall also develop strategies and goals to maintain appropriate checks and balances and segregation of duties in the procurement, receiving, recording and disbursement of funds.

In addition the Office of the Controller shall utilize the following major principles of accounting:

1. Records shall be kept in full compliance with all legal requirements.
2. Accounting shall be based on a separation of funds.
3. Distinction with respect to character of expenditure shall be maintained.
4. The uniform classification of accounts shall be used in budgeting, accounting and reporting.
5. The records shall be kept on a double-entry modified accrual basis.
6. Budgetary control of receipts and disbursements shall be established.
7. Unexpended balances of appropriations, for other than encumbrances by contract or purchase order, shall lapse at the close of each year as may be required for each fund.

5) Planning:

In addition to the controls discussed in previous sections it is important and in some cases required to prepare a plan or an estimate for the activities the City intends to undertake during the year. This is accomplished by preparing an annual budget.

A budget is the record of a definite financial program for a given period of time and the means of carrying such program into effect. It shows the contemplated expenditures and their relation to the revenues received and expected.

In preparing the budget, careful planning for the necessary income is essential, and it is equally important to provide a specific program for the disposition or anticipated revenue.

No budget plan will work of its own accord. With complete information available it is possible for the Controller to formulate a balanced budget.

The law requires the adoption of a balanced budget which shall include all anticipated revenues and expenses of every organizational unit with the exception of utilities.

Appropriations as stated in the budget, or as modified by additional appropriations, shall constitute the limitation of disbursements. No disbursement shall be made without an appropriation therefore unless specifically authorized by law.

The Office of the Controller shall prepare annual budgets and or estimates as required by Law or by the Chief Executive in the form required or requested and in the time frames established and shall seek approval from the appropriate Legislative Body(s), Board(s) or Individual(s). The Office shall monitor the budget(s) for compliance with Federal, State and Local statute or rule and take appropriate action to ensure compliance with the approved budget. The Office will advise the Chief Executive of the need for any additional appropriations and shall seek approval of the appropriate Legislative Body(s), Board(s) or Individual(s) when instructed to do so in the manner prescribed by Federal, State or Local statute.

6) Process

Once the planning phase has been completed, the organization moves into the process phase. Expenditures beyond those related to Payroll typically fall into three (3) categories: Goods, Services and Capital. In this section we will discuss the process related to these three categories.

Procurement Policies:

Another cornerstone in the system of internal controls and segregation of duties is the procurement process. A well designed procurement process allows for the efficient procurement of goods, services and capital items at the lowest and best price. Additionally it creates an accurate record of the process and proper accounting of the transaction as to what was purchased, how it was procured, when and how it was received, and when and where the item(s) were paid.

The goals of the procurement process include:

1. Establish the legal authority of the procurement function with the City.
2. Simplify, clarify and reflect the state laws governing procurement.
3. Enable uniform procurement policies throughout the City.
4. Build public confidence.
5. Ensure the fair and equitable treatment of everyone who deals with the procurement system.
6. Provide for the increased efficiency, economy, and flexibility in public procurement activities and maximize to the fullest extent the purchasing power of the City.
7. Safeguard the integrity of the procurement system and protect against corruption, waste, fraud, and abuse.
8. Ensure appropriate public access to contracting information.
9. Foster equal employment opportunities that are in line with legal requirements, in the policies and practices of suppliers and subcontractors wishing to do business with the City.
10. Secure goods and services at the lowest cost possible commensurate with quality requirements.

General Policy

The Office of the Controller shall develop a centralized process to ensure strict compliance with state and local law regarding purchasing policies and process as well as the solicitation of quotes and bids to be used by all departments.

As a part of this process each department shall submit, at a minimum, annually to the Office of the Controller a list of the purchasing agents it recommends for authorization for the department. All persons approved by the Office of the Controller to act as departmental purchasing agents for the City will be trained on the City's purchasing guidelines including State, Local and Federal requirements.

The procurement of goods, services or capital items will utilize either purchase order or contract as appropriate for the size and type of purchase. In addition, some small recurring purchases may be obtained and paid for utilizing a petty cash fund. All petty cash funds shall be reviewed and authorized by the Controller.

1. Goods:

See Appendix C for additional guidance.

2. Services:

See Appendix C for additional guidance.

3. Public Work Projects:

Public Work projects have a very specific definition and scope as follows:

As defined in IC 36-1-12-2, "public work" means the construction, reconstruction, alteration, or renovation of a public building, airport facility, or other structure that is paid for out of a public fund or out of a special assessment. The term includes the construction, alteration, or repair of a highway, street, alley, bridge, sewer, drain, or other improvement that is paid for out of a public fund or out of a special assessment. The term also includes any public work leased by a political subdivision under a lease containing an option to purchase.

It is the goal of the City to develop and adhere to more stringent procedures than those set forth under Indiana Code 36-1-12 et seq. for the development of public work projects; therefore, the requirements listed in Appendix D are intended to comply with state law and, in some instances, exceed state law requirements. Each Board of the City of Bloomington having the power to award contracts of public works shall adhere to these standards. To the extent that the following procedures are silent, state law requirements shall be followed.

All public work projects shall require physical inspections throughout the project with written verification in compliance with the procedures developed by the Office of the Controller as well as all other State, Local and Federal requirements.

See Appendix D for additional guidance.

7) Capital Asset Management:

Capital assets have a major impact on the ability of the City to deliver services, the economic vitality and the overall quality of life for City of Bloomington residents. Community commerce, condition and character are reflected in the choices that the City makes regarding investment in capital assets. The purpose of this policy is to provide guidelines to complete a comprehensive plan that allocates limited resources in capital investment and management decisions.

The Office of the Controller shall oversee the creation of the master list of capital assets, a capital improvement, replacement and retirement plan and oversee the processes for obtaining, payment and maintenance and safeguarding said assets in compliance with State, Local and Federal requirements.

See Appendix E for additional guidance.

8) Grants:

Funding provided by Grants can serve to meet a particular need, service or program of the community. Grants are available from a variety of sources including Federal, State, Local and Private Sources.

Departments seeking to obtain grants shall submit such requests to the Office of the Controller and Legal Department for a review and approval. Once approved the Department requesting the Grant will submit the request to the Office of the Mayor for approval.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions.

The Office of the Controller shall monitor the Grants and their related funds for compliance with appropriations and Federal, State and Local legislation along with all Grant requirements. It shall also develop strategies and goals to maintain balances to support any required City matching funds.

9) Financing:

The City has a number of options available for the procurement of Capital Assets and Projects. These options include issuing Bonds, Leasing and Public Works Borrowing.

The Office of the Controller and Legal Department shall work with Departments and the Capital Improvement plan to identify the proper and best financing options for each project or group of projects. The approval by the Chief Executive shall be sought for any project that shall require Financing. Once approved, the Office of the Controller and Legal Department shall seek approval from any/all Legislative and/or other Bodies as required by Federal, State or Local requirements. Both Offices shall continue to review and manage the financing in order to assure all requirements are met and the repayment of funds are identified, budgeted and appropriated as required for the timely retirement of the debt.

10) Local Economic Development:

It is the intent of this policy to provide general guidance to staff related to economic development finance policy in order to promote economic prosperity and growth, to maintain and enhance a healthy economy, to provide revenues for high quality municipal services and infrastructure maintenance and improvements, to sustain the health of the local environment, and to preserve the unique character of Bloomington.

This policy shall advise the creation of any new policies and work in conjunction with established policies, strategies and plans as adopted by the Mayor, appropriate boards, commissions, or other bodies, and pursuant to local, state and federal law. Established policies include but are not limited to the policies, strategies and plans of:

- Tax Increment Financing (TIF) Districts and TIF Funds,
- Community Revitalization Enhancement Districts and corresponding Industrial Development Funds,
- Bloomington Entertainment and Arts District,
- Certified Technology Park (CTP) District and CTP Funds,
- Economic Development or Industrial Development Revenue Bonds,
- Property or other Tax Abatements, Deductions or Credits, or
- Other incentive instruments or financing funds created and/or administered by the City or in partnership with the City pursuant to any lawfully authorized economic development mechanism.

A. Finance Policy:

1. Where opportunities serve these objectives, the City of Bloomington may consider offering economic development incentives or financing economic development projects on a case-by-case basis.
2. Eligible funding sources are varied and defined within local, state or federal laws, and local policies.
3. The City shall analyze and weigh potential fiscal impacts as well as a project's community benefits when making incentive or financing decisions.
4. Decisions are most informed by the project's value to the community, such as numbers of jobs and quality of wages created, preservation of Bloomington's unique quality of place and culture, alignment with established redevelopment goals or economic cluster targets, diversification of the residential or commercial sector mix, and impact on environmental and other resources.

11) Appendixes

Appendix A - Definitions

The following terms are used throughout the system. Each is defined herein to prevent misunderstanding or misinterpretation.

Affiliate means a business entity that effectively controls or is controlled by a contractor or is associated with a contractor under common ownership or control, whether by shareholdings or other means, including a subsidiary, parent, or sibling of a contractor.

Appropriation means authorization by the city council or town council by ordinance to make disbursements or to incur obligations for specific purposes. An appropriation may be accomplished by budget enactment or by subsequent modification of the budget by emergency appropriation. The source of moneys to finance the disbursement should always be stated in the appropriation ordinance.

Board, except as the context clearly states otherwise, shall mean and include the board of public works and safety, the city common council or a town council.

Change order means a written order that:

- (1) is signed by the purchasing agent; and
- (2) directs the contractor to make changes that the contract authorizes the purchasing agent to order without the consent of the contractor.

Character of expenditure means the classification of an expenditure as to (1) Current Operating Expenditures; (2) Debt Service; (3) Capital Outlays; or, (4) Intergovernmental.

This distinction as to character is accomplished by either separate funds for certain types of disbursements or by separate classifications of such expenditures within funds.

Consolidated purchase means the purchase of multiple supplies or services from one (1) vendor.

Contract modification means a written alteration:

- (1) in a specification, delivery point, rate of delivery, period of performance, price, quantity, or another provision of a contract; and
- (2) accomplished by mutual action of the parties to the contract.

Contractor refers to a person who has a contract with a governmental body.

Cost reimbursement contract means a contract that entitles a contractor to receive:

- (1) reimbursement for costs that are allowable and allocable in accordance with the contract terms and the provisions of this article; and
- (2) a fee, if any.

Data means recorded information, regardless of its form or characteristics.

Designee means an authorized representative.

Encumbrance means an obligation incurred in the form of a purchase order or contract which is to be met from an appropriation and for which a part of the appropriation is reserved. It ceases to be an encumbrance when paid.

Established catalog price refers to the price included in a catalog, price list, schedule, or other form that:

- (1) Is regularly maintained by the manufacturer or contractor;
- (2) Is either published or otherwise available for inspection by customers; and
- (3) States prices at which sales are currently or were last made to a significant number of any category of buyers, or buyers constituting the general buying public, for the supplies or services involved.

Fiscal body means the following:

- (1) For a state agency, the term refers to the budget agency.
- (2) For a political subdivision, the term has the meaning set forth in IC 36-1-2-6.
- (3) For a governmental body not described in subdivision (1) or (2), the term means the person that has primary responsibility for the fiscal affairs of the governmental body.

Fund means “cash” or a group of accounts set aside for the purpose of accounting for moneys or other resources of general functions or specific activities such as utilities, construction projects or other activities of a city or town in accordance with a system of accounts prescribed by the State Board of Accounts or as required by statute.

Gift includes a bequest, cooperative agreement, and grant.

Governmental body means an agency, a board, a branch, a bureau, a commission, a council, a department, an institution, an office, or another establishment of any of the following:

- (1) The executive branch.
- (2) The judicial branch.
- (3) The legislative branch.
- (4) A political subdivision.

Internet means the international computer network of both federal and nonfederal interoperable packet switched data networks, including the graphical sub network called the world wide web.

Internet purchasing site means an open and interactive electronic environment that is designed to facilitate the purchase of supplies by means of the Internet. The term includes an Internet purchasing site developed under

Invitation for bids means all documents, whether attached or incorporated by reference, used for soliciting bids.

Major Budget Classification means one of the four major classifications of expenses for which appropriations are made under the uniform budget system prescribed for cities and towns. The major classifications are: Personal Services; Supplies; Other Services and Charges; and Capital Outlay.

Minor Budget Classification means one of the detail or minor classifications of expense under a major budget classification, as prescribed in the uniform system for cities and towns.

Object classes of expenditure shall mean the classification of an expenditure as to types of items purchased or services rendered.

Office of technology refers to the office of technology established by IC 4-13.1-2-1.

Offer means a response to a solicitation.

(a) The term includes a bid, proposal, or quote.

Offeror means a person that submits an offer to a governmental body.

Operating agreement has the meaning set forth in IC 5-23-2-7.

Organization unit shall mean an office, department, board, commission or other agency or specific activity of city or town government. Hence, for purposes of budgeting, accounting and reporting, Common Council of a City, Town Council, Park and Recreation Board, Cemetery Board, Aviation Commission, etc., would constitute separate organization units.

Person includes an association, a business, a committee, a corporation, a fiduciary, an individual, a joint stock company, a joint venture, a limited liability company, a partnership, a sole proprietorship, a trust, or another legal entity, organization, or group of individuals.

Personal Services, Supplies, Other Services and Charges, and Capital Outlay are objects of expense in most general use in this system. Objects of expense are always used in conjunction with organization units.

Policy refers to a governmental body's or purchasing agency's written statement of:

1. purchasing procedure; or
2. substantive purchasing purposes; or
3. that does not have the force and effect of law.

Political subdivision has the meaning set forth in IC 36-1-2-13.

1. Public funds means money:
 - a. Derived from the revenue sources of the governmental body; and
 - b. Deposited into the general or a special fund of the governmental body.
 - i. The term does not include either of the following:
 1. Money received by any person managing or operating a public facility under an authorized operating agreement under IC 5-23.

2. Proceeds of bonds payable exclusively by a private entity.

Purchase includes buy, procure, rent, lease, or otherwise acquire.

(a) The term includes the following activities:

- (1) Description of requirements.
- (2) Solicitation or selection of sources.
- (3) Preparation and award of contract.
- (4) All phases of contract administration.
- (5) All functions that pertain to purchasing.

Purchasing agency means a governmental body that is authorized to enter into contracts by this article, rules adopted under this article, or by another law.

Purchasing agent means an individual authorized by a purchasing agency to act as an agent for the purchasing agency in the administration of the duties of the purchasing agency.

Purchase description means the words used in a solicitation to describe the supplies or services to be purchased. The term includes specifications attached to, or made a part of, the solicitation.

Request for proposals or "RFP" means all documents, whether attached or incorporated by reference, used for soliciting proposals.

Reverse auction means a method of purchasing in which offerors submit offers in an open and interactive environment through the Internet.

Rule refers to an order, an ordinance, a resolution, or another procedure by which the governmental body is authorized by law to adopt a policy that has the force and effect of law.

Segregation of duties refers to a fundamental internal control to guard against fraud or error that requires multiple individuals with the responsibility for maintaining custody of assets, authorizing approval of related transactions, and recording or reporting related transactions.

Services means the furnishing of labor, time, or effort by a person, not involving the delivery of specific supplies other than printed documents or other items that are merely incidental to the required performance.

Solicitation means the procedure by which a governmental body invites persons to submit an offer to enter into a contract for the purchase or sale of supplies by the governmental body. The term includes an invitation for bids, a request for proposals, and a request for quotes.

Special purchase refers to a purchase authorized under IC 5-22-10.

Specification means a description of the physical or functional characteristics of a supply or service or the nature of a supply or service. The term includes a description of any requirements for inspecting, testing, or preparing a supply or service for delivery.

9/22/14

Supplies mean any property. The term includes equipment, goods, and materials. The term does not include an interest in real property.

Unencumbered Appropriation Balance means that portion of an appropriation not yet encumbered or expended.

Using agency means a governmental body that uses supplies or services purchased under this article.

Appendix B - List of Funds

Code	Description
009	Water
010	Wastewater
011	Stormwater
019	Hydrant Meter
020	Wastewater Sinking
021	Stormwater Construction
029	Water Sinking
030	Wastewater Construction
039	Water Construction
040	Wastewater Debt Reserve
049	Water Debt Reserve
099	Utilities Payroll
101	General Fund
102	Rainy Day
103	Restricted Donations
200	Parks and Recreation General
201	Parks and Rec Non Reverting
203	Parks and Rec Non Rev Capital Im
207	Parks Land Acquisition
208	Project Break Away
250	CDBG
251	Bloomington Investment Incentive
252	Affordable Housing - Amethyst
253	Rental Rehab
254	HOME
255	ESCROW
256	Special Grants
300	Child Care
303	Child Care Assistance CCAP
307	Child Care Development
308	Family Matters
310	Child Care Resources and Referen
312	Community Services
314	Children's Health Insurance
350	Police Education
351	Local Law Enforcement
353	Police Gift
355	Crime Control
356	Dispatch Training
357	Wireless Emergency

360	B-Line Phase 2 DNR Grant
401	Non-Reverting Telecommunications
402	Municipal Arts
403	Arts Commission Operating
404	Non-Reverting Economic Develop
405	Non-Reverting Improvement I
408	Unsafe Housing
409	Electronic Map Generation
410	Enhanced Access
411	Rental Inspection Program
430	Certified Technology Park Dwntrn
440	TIF-Downtown
441	TIF - Thomson
442	TIF - Tapp Road
443	TIF - Winslow
444	RDC
445	TIF - Adams
446	TIF - Prow
447	TIF - Whitehall
448	TIF - Thomson Walnut Winslow
449	TIF - Replacement
450	Local Road and Street
451	Motor Vehicle Highway
452	Parking Facilities
453	Rosehill Cemetery
454	Alternative Transportation
455	Parking Meter Fund
501	Park District Bond
502	Redevelopment District Bond
504	BMFC - Parking Garage
505	BMFC - Convention Center
506	BMFC - Fire
507	Street Bond
508	BMFC - Showers
509	Truck Route Bond
510	Police Station Lease
511	1998 Street Bond II
512	Golf Course Bond (02/19)
513	BMFC - 1998 Street Lease
514	Redevelopment District Bond
515	Fire Station #2 Lease
516	2001 Parks Bond
517	2011 Downtown Redevelopment Bond

600	Cum Cap Improvement (CIG)
601	Cum Cap Development
604	Cum Cap Improvement (RATE)
605	Fire Capital
606	Truck Route Construction
608	Street Construction
609	Golf Course Construction
610	Vehicle Replacement Fund
614	Gates Construction
616	2001 Parks Construction
730	Solid Waste
800	Risk Management
801	Health Insurance Trust
802	Fleet Maintenance
803	Total Monies on Deposit
804	Insurance Voluntary Trust
805	Unemployment Comp Non-Reverting
900	Police Pension
901	Fire Pension
902	Rosehill Trust
903	Police & Fire Supplemental Trust
904	Payroll
920	Bloomington Technology
921	Industrial DevelopmentCREDThomsn
922	Downtown CRED
970	Debt Service Reserve For 440 TIF
975	Surplus CTP Bond

Appendix C - Procurement policies and procedures

Vendors:

The Office of the Controller shall develop criteria required for vendors approved for selection.

Small businesses, women or minority owned businesses, local businesses, and businesses following sustainable practices may be given preference in a manner consistent with federal, local and state requirements.

Specifications for Goods, Supplies, and Services:

The department receiving the goods, supplies or services must develop specifications for such goods, supplies or services. The specifications should be in memo format and routed to the supporting department. Specifications should include capacity, capability and operational environment as a minimum.

The specifications must be reviewed and approved through the departmental legal representative, the Office of the Controller and any other “affected” department. “Affected” departments may include those that would have the responsibility for maintenance or upkeep of the item(s) purchased.

Specifications may not be written in a manner that would favor one unique manufacturer of equipment or a vendor unless the vehicle, equipment, or service is unique to that manufacturer or vendor and using another vehicle, equipment item, or service would be prejudicial to accomplish the needed task.

All vendors must be given the same information.

Contracts:

Departments must request prior approval from the Office of the Mayor before initiating the creation of any contracts.

All contracts will be reviewed and signed off by the Legal Department and the Office of the Controller prior to submission to the Office of the Mayor for signature and placement on the agenda of the appropriate board or commission.

Payment:

All invoices for payment shall be submitted to the Office of the Controller for review, approval and payment.

A list of claims shall be submitted to the appropriate board for commission for approval.

Upon review of appropriate supporting documentation, the Office of the Controller shall issue a warrant upon the treasury in accordance with state law.

Information Technology:

All purchases for computer products or services shall be reviewed and approved by the IT department. Computer products is defined but not limited to: all computers including desktops and laptops; IPAD's; cell/smart phones; mobile devices; landline phones; security camera systems; video services; software; printers; or any device that connects to a city computer, the city network or the city internet connection.

Services:

Departments may purchase services using any procedure considered appropriate and previously approved or established by the Office of the Controller.

For purchases of services other than approved or established under procedures set forth above, department heads must document approval by the Office of the Mayor prior to purchasing services and submit such approval to the Office of the Controller.

Departments shall contact the Legal Department prior to purchasing services to determine what type of written contract or memorandum of understanding, if any, is necessary or most appropriate to the service they intend to purchase.

Each purchase of service must have appropriate documentation prepared and approved by the Legal Department prior to the purchase, and shall also be reviewed and approved by the Office of the Controller, as evidenced by signature or stamp of approval on the documentation.

Each purchase of service is then submitted to the Office of the Mayor for final approval, signature, and placement on the agenda of the appropriate board or commission.

Emergency Conditions:

A purchasing agent may make a special purchase when there exists, under emergency conditions, a threat to public health, welfare, or safety as allowed by [IC 5-22-10-4] and as authorized by the Controller.

Appendix D - Process for Public Works Projects

Public Works Costs

The cost of a public work project includes the cost of materials, labor, equipment rental and all other expenses incidental to the performance of the project.

The cost of a single public work project may not be divided into two (2) or more projects for the purpose of avoiding the requirement to solicit bids. [IC 36-1-12-19]

If contiguous sections of a road, street or bridge are resurfaced in a calendar year, all the work shall comprise a single public work project. [IC 36-1-12-5(d)]

Plans and Specifications Required

For each public work project, plans and specifications shall be developed.

Plans and specifications shall include a description of the physical characteristics, functional characteristics, extent or nature of any public work.

Plans and specifications may not be written in a manner that would favor one vendor or contractor or in a manner which would unduly limit competition.

Cost Estimate

A cost estimate for the public work project shall be developed internally by staff, unless outside expertise is required, in order to determine the appropriate process to be followed as outlined below.

Once prepared, the cost estimate, plans and specifications shall be maintained by staff in an electronic projects folder and shall be made accessible for review by the Office of the Controller and the Legal Department.

Receiving and Opening Quotes and Bids

A bidder may not be required to submit a bid before the meeting at which bids are to be received.

All bids received shall be opened publicly at the previously-noticed Board meeting and read aloud at the time and place designated and not prior to that time.

Notwithstanding any other law, bids may be opened after the time designated if (1) the Board makes a written determination that it is in the best interest of the Board to delay the opening AND (2) the day, time, and place of the rescheduled opening are announced at the day, time, and place of the originally scheduled opening.

Reviewing Quotes and Bids and Awarding Contracts

At the publicly-noticed meeting, the appropriate Board shall award the contract to the lowest responsible and responsive quoter/bidder or may reject all quotes/bids submitted.

If the Board determines that the apparent lowest quoter or bidder is either not responsive or not responsible, the Board made disqualify that quote/bidder, indicating in its minutes or memoranda the reasons for the disqualification at the time the award is made and the factors used to determine which bidder is the lowest responsible and responsive bidder and to justify the award.

The Board shall make this determination consistent with the provisions of IC 36-1-12-4(10) and (11) and relevant case law. Then the Board may award the contract to the lowest quoter/bidder found to be both responsive and responsible. The Board shall keep a copy of the minutes or memoranda available for public inspection.

Other Requirements

The Board shall require the quoter/bidder to submit an affidavit, commonly known as a “non-collusion” affidavit, which states that the bidder has not entered into a combination or agreement relative to the price to be bid by a person or to prevent a person from bidding; or to induce a person to refrain from bidding and that the bidder's bid is made without reference to any other bid.

Quoters/Bidders shall comply with statutory requirements such as providing bid bonds and other documentation with their quotes/bids.

The Board's notes or other documentation of the process of soliciting quotes or bids shall be maintained by the Board in an electronic projects folder and shall be made accessible for review by the Office of the Controller and the Legal Department.

Specific Procedures Required for Various Public Work Projects:

Work estimated to be less than \$25,000

If a public work project is estimated to be in this range, the Board may proceed as set out in the next two sections (Work estimated to be at least \$25,000 and less than \$150,000 or Work estimated to be at least \$150,000), or the Board may solicit and document at least three (3) quotes by contacting potential contractors by telephone, facsimile, or electronic means, and no minimum time is required before receiving quotes.

Work estimated to be at least \$25,000 and less than \$150,000

If a public work project is estimated to be in this range, the Board may proceed as set out in the following section (Work estimated to be at least \$150,000), or it may invite quotes from

at least three (3) persons known to deal in the class of work proposed to be done by mailing them a notice stating that plans and specifications are on file in a specified office.

The notice must be mailed not less than seven (7) days before the time fixed for receiving quotes.

However, the Board may also choose to proceed under IC 36-1-12-3 using its own work force, or IC 36-1-12-4.9 relating to routine operation, repair or maintenance to existing structure, if the statutory requirements are met. These provisions are discussed below.

Public Work estimated to be at least \$150,000

Pursuant to IC 36-1-12-4, whenever a public work project is estimated to be in this range, the Board shall file plans and specifications in a place reasonably accessible to the public and publish notice calling for sealed proposals for the public work needed.

Publication shall be made in accordance with IC 5-3-1 et seq., which requires two (2) publications at least one (1) week apart, with the second notice at least seven (7) days before the date specified for the bid opening.

The notice must specify the place where the plans and specifications are on file and the date, time and place for the public Board meeting where bids shall be publicly opened.

The board shall require the bidder to submit a financial statement, a statement of experience, a proposed plan or plans for performing the public work, and the equipment that the bidder has available for the performance of the public work. The statement shall be submitted on forms prescribed by the state board of accounts.

Work Performed by the Board's Own Workforce

If the public work project is estimated to cost less than \$150,000 and the other requirements of IC 36-1-12-3 are met, the Board may purchase or lease materials in the manner provided by IC 5-22 and perform the public work using its own workforce without awarding a public work contract.

Those requirements include having employees on its staff that are capable of performing the construction, maintenance, and repair applicable to that work as required.

If the project is estimated to cost more than \$100,000, the Board must comply with the statutory requirements to publish notice of the work and make a determination at a public meeting that it is in the public interest to perform the work with the Board's own work force.

Public Work for Routine Operation, Repair, and Maintenance

If the public work is estimated to cost less than \$150,000 and involves routine operation, routine repair, or routine maintenance of existing structures, buildings, or real property, the Board may award a contract for the public work in the manner provided in IC 5-22 for Public Purchasing.

The Board shall document its procedure and maintain a written record of the process as with any solicitation of quotes/bids as set out in all of the sections above.

Appendix E - Capital Improvement Planning and Budgeting

The City will prepare and update annually a five year capital improvement plan. As part of the annual budget process, department heads will review their five year capital plan and make changes as necessary to bring the plan up to date.

Any requests for inclusion on the capital improvement plan will include a detailed budget that includes any additional or ongoing operational costs that will be incurred as a result of the capital expenditure.

Projects that require bonding will include public informational meetings and requests for input from stakeholders.

Annual requests will be reviewed for items to be included in the annual budget process, as well as a priority listing for projects that remain unfunded.

A revenue source will be associated with all items included in the adopted plan. Projects under consideration will include available funding source, operating budget impacts and the long-term cost of “not” funding the project.

The adopted capital improvement plan’s first year budget will be the capital budget for the upcoming budget year.

A reserve fund will be created for the purpose of planning for the deferred maintenance on capital items.

Capital Project Management (project manager, quarterly reviews):

Once a project has been selected for funding, a project manager will be selected. The project manager shall supervise the preparation of the proposal, ensure that required phases are completed on schedule, authorize all project expenditures under the authority of the Controller, ensure that all regulations and laws are observed in compliance with the Legal Department, and periodically report on project status as specifically required by the appropriate board or commission. Segregation of duties (Definitions) is at all times required.

Quarterly capital project reviews are to be conducted that measure both the physical and fiscal status of each project.

Capital Asset Maintenance (inventory, vehicles, computers, inspections):

The City will maintain a facility inventory, which will be updated every five years to assess current condition and future maintenance costs that exceed \$10,000.

The City will maintain a schedule of individual capital assets with values in excess of \$10,000 and estimated useful life in excess of one year, with exception for vehicles and computer equipment. The Office of the Controller will provide supplementary procedures

for details required for the schedule. Department heads or their designee will be responsible for the safeguard of their capital assets.

The City will maintain a schedule of all fleet vehicles and produce a report annually, which will include an evaluation of the condition, mileage and all relevant information for consideration in the annual budget plan.

The City will maintain a more detailed inventory of computer equipment with standards established by the Office of the Controller in coordination with the IT department.

Periodic physical inspections shall be reviewed annually through a cycle sampling of the capital asset listing.

Surplus Property:

Surplus property is tangible property which is no longer of use to any City of Bloomington department.

Department heads will submit to the Office of the Controller a list of items to be declared surplus.

The Office of the Controller will review surplus item lists submitted by department heads with the Legal Department for compliance with Indiana Code 5-22-22.

If the Office of the Controller and Legal Department agree that the listed items comply with Indiana Code 5-22-22, the surplus item list will be submitted to the appropriate board for final approval.

Protection of Assets

Access to resources and information should be restricted to reduce the risk of unauthorized use or loss.

Department or division heads, in conjunction with the Office of the Controller, will decide which assets need to be protected and to what extent, taking into account the vulnerability of the assets and the likelihood of loss.

Appendix F - Other References

Human Resources

- Personnel Manual

- Travel Policy

Controller

- Cities & Towns Manual

- Records Retention & Destruction

Legal

- Conflicts of Interest

- City Code

- State Statutes

- Sustainability

Information Technology

- Equipment & Software Policy

- Data Use, Retention & Destruction

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 policies, 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.