

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

CITY OF BLOOMINGTON

MONROE COUNTY, INDIANA

January 1, 2019 to December 31, 2019



FILED
12/30/2020

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---|-----------------------------|--|
| Controller | Jeffrey H. Underwood | 01-01-19 to 12-31-20 |
| Mayor | John Hamilton | 01-01-19 to 12-31-20 |
| President of the Board of Public Works | Kyla Cox Deckard | 01-01-19 to 12-31-20 |
| President of the Common Council | Dave Rollo Stephen Volan | 01-01-19 to 12-31-19 01-01-20 to 12-31-20 |
| Director of Utilities | Victor Kelson | 01-01-19 to 12-31-20 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

TO: THE OFFICIALS OF THE CITY OF BLOOMINGTON, MONROE COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bloomington (City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 16, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2019-002 to be a significant deficiency.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001.

City of Bloomington's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

December 16, 2020



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

TO: THE OFFICIALS OF THE CITY OF BLOOMINGTON, MONROE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the City of Bloomington's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

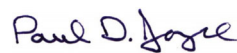
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 16, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.


Paul D. Joyce, CPA
State Examiner

December 16, 2020

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the City. The schedule and notes are presented as intended by the City.

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CITY OF BLOOMINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2019

| Federal Grantor Agency Cluster Title/Program Title/Project Title | Pass-Through Entity or Direct Grant | Federal CFDA Number | Pass-Through Entity (or Other) Identifying Number | Passed Through to Subrecipient | Total Federal Awards Expended |
|--|-------------------------------------|---------------------------|--|-----------------------------------|-------------------------------------|
| <u>Department of Agriculture</u> | | | | | |
| Child Nutrition Cluster | | | | | |
| Summer Food Service Program for Children 2019 Summer Food 201-18-G19004 | Indiana Department of Education | 10.559 | FY2019 | \$ - | \$ 16,985 |
| Total - Child Nutrition Cluster | | | | - | 16,985 |
| Local Food Promotion Program | | | | | |
| USDA Local Food Promotion Program 249-04-G18013 | Direct grant | 10.172 | AM180100XXXXG124 | - | 16,033 |
| Total - Department of Agriculture | | | | - | 33,018 |
| <u>Department of Housing and Urban Development</u> | | | | | |
| CDBG - Entitlement Grants Cluster | | | | | |
| Community Development Block Grants/Entitlement Grants | Direct grant | 14.218 | | | |
| CDBG 250-15-150000 | | | B14MC180013 | - | 2,067 |
| CDBG 250-15-150000 | | | B15MC180013 | - | 5,003 |
| CDBG 250-15-150000 | | | B16MC180013 | - | 138,811 |
| CDBG 250-15-150000 | | | B17MC180013 | - | 65,032 |
| CDBG 250-15-150000 | | | B18MC180013 | - | 291,835 |
| CDBG 250-15-150000 | | | B19MC180013 | - | 191,150 |
| Total - CDBG - Entitlement Grants Cluster | | | | - | 693,898 |
| Housing Counseling Assistance Program | Direct grant | 14.169 | | | |
| Housing Counseling 256-15-150002 | | | HC190421043 | - | 10,000 |
| Home Investment Partnerships Program | Direct grant | 14.239 | | | |
| HOME 254-15-150000 | | | M15MC180200 | - | 13,986 |
| HOME 254-15-150000 | | | M16MC180200 | - | 108,526 |
| HOME 254-15-150000 | | | M17MC180200 | - | 153,625 |
| HOME 254-15-150000 | | | M18MC180200 | - | 96,359 |
| HOME 254-15-150000 | | | M19MC180200 | - | 62,391 |
| Total - Home Investment Partnerships Program | | | | - | 434,887 |
| Total - Department of Housing and Urban Development | | | | - | 1,138,785 |
| <u>Department of Justice</u> | | | | | |
| Missing Children's Assistance | Indiana State Police | 16.543 | | | |
| 2019 Internet Crimes Against Children 249-14-G19006 | | | #24467 | - | 1,145 |
| 2019 Internet Crimes Against Children 249-14-G18002 | | | 2017-MC-FX-K008 | - | 2,789 |
| Total - Missing Children's Assistance | | | | - | 3,934 |

CITY OF BLOOMINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2019

| Federal Grantor Agency Cluster Title/Program Title/Project Title | Pass-Through Entity or Direct Grant | Federal CFDA Number | Pass-Through Entity (or Other) Identifying Number | Passed Through to Subrecipient | Total Federal Awards Expended |
|---|--------------------------------------|---------------------------|--|-----------------------------------|-------------------------------------|
| Equitable Sharing Program Equitable Sharing 2019 355-14-149999 | Direct Grant | 16.922 | FY2019 | - | 273,204 |
| Total - Department of Justice | | | | - | 277,138 |
| <u>Department of Transportation</u> | | | | | |
| Highway Planning and Construction Cluster | | | | | |
| Highway Planning and Construction | Indiana Department of Transportation | 20.205 | | | |
| Intersection Improvement on ST 1029 Tapp and Rockport 601-02-020000 & 439-15-159015 | | | PO 10813662 & 17807671 | - | 15,251 |
| MPO FY19 101-13-130000 | | | PO 17805393 | 106,176 | 185,255 |
| Traffic Signal Upgrade at 2nd & College 439-15-159002 | | | PO 17817010 | - | 3,197 |
| Traffic Signal Upgrade at 3rd & Woodcrest 101-13-130000 | | | PO 17817011 | - | 230 |
| Multiuse Path on Winslow from Henderson to Highland 978-06-06016D | | | PO 17818655 | - | 36,824 |
| Bike/Ped Facilities on S Henderson from Eastern Terminal of Black Lumber Tail to Winslow 978-06-06016D | | | PO 17819390 | - | 75,556 |
| MPO Reimbursement FY 2019 101-13-130000 | | | PO 18800616 | 69,600 | 147,371 |
| Intersection Improvement W/ New Signals at Various Locations 978-06-06016B | | | PO 18808381 | - | 13,692 |
| Bike/Pedestrian Facilities for the multi-use trails on Sare Road 978-06-06016B | | | PO 18815015 | - | 86,347 |
| Bike/Pedestrian Facilities on Jackson Creek Trail Phase 2 978-06-06016C | | | PO 18815049 | - | 15,705 |
| Total - Highway Planning and Construction | | | | 175,776 | 579,428 |
| Total - Highway Planning and Construction Cluster | | | | 175,776 | 579,428 |
| Highway Safety Cluster | | | | | |
| State and Community Highway Safety 2019 OPO 249-14-G19003 | Indiana Criminal Justice Institute | 20.600 | OPO-2019-00049-FR3 | 25,723 | 33,174 |
| Total - Highway Safety Cluster | | | | 25,723 | 33,174 |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated/National Priority Safety Programs FY 2019 DUI Task Force Indiana Enforcement Grant 249-14-G17017 | Indiana Criminal Justice Institute | 20.608 | DUI-2019-00039-FR3 | 9,773 | 9,773 |
| Total - Department of Transportation | | | | 211,272 | 622,375 |

CITY OF BLOOMINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2019

| Federal Grantor Agency Cluster Title/Program Title/Project Title | Pass-Through Entity or Direct Grant | Federal CFDA Number | Pass-Through Entity (or Other) Identifying Number | Passed Through to Subrecipient | Total Federal Awards Expended |
|---|--|---------------------------|--|-----------------------------------|-------------------------------------|
| <u>National Endowment for the Arts</u> | | | | | |
| Promotion of the Arts Partnership Agreements 2019 Community Engagement 249-04-G19007 | Direct Grant | 45.025 | 32949 | - | 3,750 |
| Total - National Endowment for the Arts | | | | - | 3,750 |
| <u>Environmental Protection Agency</u> | | | | | |
| Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements ASAP Grant Community Wide Brownfield Assessment 249-04-G17018 | Direct grant | 66.818 | 00E02280 | - | 82,886 |
| Total - Environmental Protection Agency | | | | - | 82,886 |
| <u>Department of Education</u> | | | | | |
| Twenty-First Century Community Learning Centers 2018-2019 21st CCLC Grant for Monroe County School Corporation 201-18-G18008 2019-2020 21st CCLC Grant for Monroe County School Corporation 201-18-G19012 | Monroe County Community School Corporation | 84.287 | Contract 25854 | - - | 18,767 10,416 |
| Total - Twenty-First Century Community Learning Center | | | | - | 29,183 |
| Total - Department of Education | | | | - | 29,183 |
| <u>Department of Health and Human Services</u> | | | | | |
| Maternal and Child Health Services Block Grant to the States Yapa Grant 201-18-G17014 | Indiana State Department of Health | 93.994 | SCHM# 0022365 PO 18524512 | - | 8,683 |
| Total - Department of Health and Human Services | | | | - | 8,683 |
| <u>Department of Homeland Security</u> | | | | | |
| Homeland Security Grant Program 2019 Fusion Grant 355-14-140000 | Indiana State Police | 97.067 | EMW-2018-SS-00011 | - | 1,717 |
| Total - Department of Homeland Security | | | | - | 1,717 |
| Total federal awards expended | | | | \$ 211,272 | \$ 2,197,535 |

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF BLOOMINGTON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2019. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the City, it is not intended to and does not present the financial position of the City.

B. Other Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

Note 2. Indirect Cost Rate

The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF BLOOMINGTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:

| Name of Opinion Unit | Opinion Issued |
|--|-------------------|
| Government Type Activities | Unmodified |
| Business-type Activities | Unmodified |
| Discretely presented Component Unit | Unmodified |
| General Fund | Unmodified |
| Consolidated Tax Increment Financing Fund | Unmodified |
| Consolidated Tax Increment Financing Bond Proceeds Fund | Unmodified |
| Aggregate remaining fund information | Unmodified |

Internal control over financial reporting:

| | |
|--------------------------------------|-----|
| Material weaknesses identified? | yes |
| Significant deficiencies identified? | yes |

Noncompliance material to financial statements noted? yes

Federal Awards:

Internal control over major programs:

| | |
|--------------------------------------|---------------|
| Material weaknesses identified? | no |
| Significant deficiencies identified? | none reported |

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR 200.516(a)? no

Identification of Major Programs and type of auditor's report issued on compliance for each:

| CFDA Number | Name of Federal Program or Cluster | Opinion Issued |
|----------------|---|--------------------------|
| 14.239 | Highway Planning and Construction Cluster Home Investment Partnerships Program | Unmodified Unmodified |

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2019-001

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

CITY OF BLOOMINGTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

The City had not established effective internal controls over the federal award information entered in the Indiana Gateway for Government Units financial reporting system, which was the source of the City's Schedule of Expenditures of Federal Awards (SEFA). The City did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the SEFA.

The SEFA presented for audit contained the following errors:

1. The Home Investment Partnerships Program expenditures were understated by \$158,750.
2. Due to incomplete or inaccurate guidance from the pass-through agency, one project was included in error, which overstated the Highway Planning and Construction expenditures by \$174,748.
3. Not all program names and pass-through identifying numbers were correct.

Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report.

Criteria

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

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

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

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

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

- (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

CITY OF BLOOMINGTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

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

Effect

Without a proper system of internal controls in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition and Context*.

Views of Responsible Officials

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

CITY OF BLOOMINGTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2019-002

Subject: Internal Controls over Financial Transactions and Reporting
Audit Finding: Significant Deficiency

Condition and Context

The City did not have an effective system of internal controls in place to prevent, or detect and correct, errors related to the reporting of Capital Assets on the financial statements. The City developed a Capital Asset Property Report Form to be completed when capital assets were acquired. Additionally, these forms were to be updated when assets were transferred or disposed of. However, there were instances when the forms were not properly completed and/or were not completed in a timely fashion.

Criteria

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

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

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

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

Cause

Management of the City had not established a proper system of internal controls.

Effect

The failure to establish an effective system of internal controls could have enabled material misstatements or irregularities to remain undetected.

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the City. The documents are presented as intended by the City.



**JOHN HAMILTON
MAYOR**

CITY OF BLOOMINGTON

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**JEFFREY UNDERWOOD
CONTROLLER**

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Date October 28, 2020

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-001

Fiscal year in which the finding initially occurred: 2017

Status of Audit Finding: Corrective actions have been taken.



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CORRECTIVE ACTION PLAN

FINDING 2019-001

Contact Person Responsible for Corrective Action: Jeff McMillian
Contact Phone Number: 812-349-3412

Views of Responsible Official: We concur with the option
Jeff McMillian, Deputy Controller
Scott Robinson, Director, Planning & Transportation
Neil Kopper, Engineer, Interim Planning & Transportation
Doris Sims, Director, Housing and Neighborhood Development

Description of Corrective Action Plan:

Corrective action plan for INDOT LPA forms in Planning & Transportation. We would like to note that the form used for reimbursement is a State form specially required to be used at the local level by INDOT. INDOT has locked the LPA to display the CFDA number and we were unable to change this form. In the future, when submitting the LPA to INDOT, the project leader will correct the LPA form that displays the CFDA number and write that this reimbursement is State funding

The Controller Office will then be able to place the funds into the correct account. We will review 2020 for any needed corrections.

Corrective action plan for HOME Grant. Because PA and PI funds are deposited locally and are required to be used before requesting any grant funds from the Treasury, we were not aware that they were to be reported as part of the federal receipts in the SEFA. Now that we have been made aware, PI and PA shall be included in the report as we move forward.

Anticipated Completion Date: 12-15-2020



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CORRECTIVE ACTION PLAN

FINDING 2019-002

Contact Person Responsible for Corrective Action: Julie Martindale
Contact Phone Number: 812-349-3474

Views of Responsible Official:

Jeff Underwood, Controller
Jeff McMillian, Deputy Controller
Kevin Curran, Director of Auditing and Financial Systems
Julie Martindale, Purchasing Manager

While every process or procedure can always be improved, the City employs a very effective system for recording, detecting, verifying, and reporting Capital Assets for the Annual Report.

Assets are tracked from the initiation of a contract when applicable. When a Purchase Order is created to purchase an asset, the asset information is recorded in a tracking spreadsheet. A copy of the Purchase Order and attached documents are matched to a Contract when applicable.

When the asset is paid or completed, the invoice(s) is compared to the Purchase Order and Contract. If a discrepancy is detected, the department is contacted for clarification or verification, and the issue is resolved at that time.

When an asset is complete, a Capital Asset Property form developed by the City is sent to the department to complete and return to the Controller's Office. This form is also available for download on the Controller's intranet website. The information on the form is reviewed for accuracy and completeness and attached to the documents mentioned above. Then an asset number is assigned to the documents and recorded in the tracking spreadsheet. The spreadsheet data is then transferred to the main asset file to create the Annual Report information.

Disposals and Transfers reported to the Controller's office are also recorded in the tracking spreadsheet mentioned above. Each department submits a Capital Asset Property form to the Controller's Office for the disposal or transfer of assets. This information is verified for accuracy and completeness from information obtained from Surplus Declaration forms, Invoices as a trade-in unit, and auction proceeds documentation. This information is also transferred to the main asset file and used to create the Annual Report information.

At this time, the City has asset forms for all acquisitions and disposals, which are complete and accurate.

Description of Corrective Action Plan:

To improve and streamline the process documented above, the City is currently implementing the OnBase Content Management Document system. Tracking and recording Capital Assets will be a component of the Procure to Pay process. A workflow will be included in this process to track and record capital assets. A notification and reminder procedure will also be implemented to assist staff in completing and recording the Capital Asset Property forms. In addition, our office will work with the Legal department and Risk Management division to implement a process for the reporting of all property purchases, disposals, transfers and insurance reimbursements. The department will work with the Information Technology department to implement a process for the reporting when software systems are retired.

Anticipated Completion Date:

The implementation of the OnBase Content Management workflow for Procure to Pay, which Capital Asset Tracking will be a part of, is scheduled for completion of Q3.

OTHER REPORTS

In addition to this report, other reports may have been issued for the City. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.