

CITY OF BLOOMINGTON, ILLINOIS
SINGLE AUDIT REPORT
YEAR ENDED APRIL 30, 2012



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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 FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor
and Members of the City Council
City of Bloomington, Illinois

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bloomington, Illinois (City) as of and for the year ended April 30, 2012, which collectively comprise the City of Bloomington, Illinois' basic financial statements and have issued our report thereon dated December 21, 2012. We conducted our audit 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.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the the entity'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 to be material weaknesses. [12-3]

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 to be significant deficiencies. [12-1, 12-2, 12-4]

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the City in a separate letter dated December 21, 2012.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council, management and state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Springfield, Illinois
December 21, 2012

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor
and Members of the City Council
City of Bloomington, Illinois

Compliance

We have audited City of Bloomington, Illinois' (City) compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended April 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of the City's major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2012.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item [12-5, 12-6]. *A significant deficiency in internal control over compliance* is a deficiency, or a 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.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bloomington, Illinois, as of and for the year ended April 30, 2012, and have issued our report thereon dated December 21, 2012, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133 and is not a required part of those 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council, management, state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Springfield, Illinois
March 7, 2013

CITY OF BLOOMINGTON, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED APRIL 30, 2012

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Number	Grant Number	Expenditures
<u>Department of Agriculture Forest Service</u>			
Passed through Metropolitan Mayors Caucus Forest Health Protection	10.680		\$ 11,526
Total Department of Agriculture Forest Services			11,526
<u>U.S. Department of Housing and Urban Development:</u>			
Community Development Block Grants/Entitlement Grants	14.218	B-10-MC-17-0004	151,531
Community Development Block Grants/Entitlement Grants	14.218	B-11-MC-17-0004	339,461
			490,992
Supportive Housing Program	14.235	IL0289B5T120802	16,026
	14.235	IL0292B5T120802	10,290
	14.235	IL0285B5T120802	1,584
	14.235	IL0284B5T120802	828
	14.235	IL0285B5T121003	14,885
	14.235	IL0289B5T121003	126,747
	14.235	IL0284B5T121003	4,803
	14.235	IL0288C5T121003	22,811
	14.235	IL0283B5T120803	124,056
	14.235	IL0288C5T121104	3,937
			325,967
Home Investment Partnerships Program	14.239	HO-50211	164,857
Total U.S. Department of Housing and Urban Development			981,816
<u>U.S. Department of the Interior</u>			
Passed through Illinois Department of Natural Resources Wildlife Restoration and Basic Hunter Education	15.611	RC11T74D1	144,300
Total U.S. Department of the Interior			144,300
<u>U.S. Department of Justice:</u>			
Passed through Illinois Criminal Justice Authority: Violence Against Women Formula Grants	16.588	606773	23,939
	16.588	608773	29,283
			53,222
Passed through Illinois Law Enforcement Alarm System Bullet Proof Vest Partnership Program	16.607		8,575
Public Safety Partnership and Community Policing Grants	16.710	2009CSWX006	62,547
Edward Byrne Memorial Justice Assistance 2010 Grant Program	16.738	2010DJBX1565	20,919
Edward Byrne Memorial Justice Assistance 2011 Grant Program	16.738	2011DJBX2733	36,254
			57,173
Total U.S. Department of Justice			181,517

(Continued)

CITY OF BLOOMINGTON, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED APRIL 30, 2012

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Number	Grant Number	Expenditures
<u>National Endowment for the Arts</u>			
Passed through Arts Midwest Promotion of the Arts Partnership Agreements	45.025	FY12-13621	3,500
Total National Endowment for the Arts			3,500
<u>U.S. Environmental Protection Agency</u>			
Passed through Illinois Environmental Protection Agency Nonpoint Source Implementation Grants	66.460	3191018	16,642
Capitalization Grants for Clean Water State Revolving Funds	66.458	L173284	916,330
Capitalization Grants for Drinking Water State Revolving Funds	66.468	L174265	353,279
Total U.S. Environmental Protection Agency			1,286,251
<u>U.S. Election Assistance Commission</u>			
Passed through Illinois Board of Elections Help America Vote Act Requirements Payments	90.401		79,953
Total U.S. Election Assistance Commission			79,953
TOTAL FEDERAL AWARDS			\$ 2,688,863

See accompanying Independent Auditor's Report.

CITY OF BLOOMINGTON, ILLINOIS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended April 30, 2012

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Bloomington, Illinois for the year ended April 30, 2012. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies is included in the schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

Revenue from federal awards is recognized when the City has incurred certain qualifying costs to establish its right to revenue. Accordingly, expenditures are recognized when the fund liability has been incurred and revenues are recognized when the qualifying expenditure has been incurred.

3. DESCRIPTION OF MAJOR PROGRAMS

The major federal programs of the City are the Capitalization Grants for Clean Water State Revolving Funds (66.458), Capitalization Grants for Drinking Water State Revolving Funds (66.468), and Wildlife Restoration and Basic Hunter Education (15.611). Capitalization Grants for Clean Water State Revolving Funds provide funding for wastewater treatment facilities and implementation of other water quality management activities. Capitalization Grants for Drinking Water State Revolving Funds provide funding for infrastructure improvement projects that are needed to achieve or maintain compliance with Safe Drinking Water Act requirements, protect public health, and assist systems with economic need. The Wildlife Restoration and Basic Hunter Education program provides funding for projects to restore, conserve, manage, and enhance wild birds and mammals and their habitat.

CITY OF BLOOMINGTON, ILLINOIS
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – Continued

4. SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the City of Bloomington, Illinois provided federal awards to Subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant	14.218	\$ 122,991
Supportive Housing Program	14.235	325,967

5. FEDERAL LOAN PROGRAM

Under the Community Development Block Grant program, the City administers loan programs which are accounted for in the Community Development Fund, a special revenue fund. As of April 30, 2012, the loans outstanding under these programs total \$1,092,737 net of \$301,749, of allowance for uncollectible accounts.

6. NON-CASH ASSISTANCE AND INSURANCE

The City did not receive any federal non-cash assistance or federal insurance for the year ended April 30, 2012.

CITY OF BLOOMINGTON, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended April 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? x Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? x Yes None reported

Noncompliance material to financial statements noted? Yes x No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes x No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? x Yes None reported

Type of auditor's report issued on compliance for major programs: *unqualified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? Yes x No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Funds
15.611	Wildlife Restoration and Basic Hunter Education

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes x No

CITY OF BLOOMINGTON, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended April 30, 2012

Section II – Financial Statement Findings

12-1 – No reconciliation between cash collected and the number of towed cars that are released
(Repeat of prior year finding 11-2 and 10-2)

Condition: During the audit, we noted that there is no reconciliation performed between cash collections and the number of towed cars that are released. We noted that these duties are segregated within this process at the police department. However, as cash is the only means of payment for towed vehicles, additional controls should be in place to ensure City assets are safeguarded.

Criteria: A good system of internal control policies and procedures includes safeguarding of assets.

Effect: Potential misappropriation of assets.

Questioned Costs: None

Cause: Lack of reconciliation between cash collected and release of towed cars by management.

Recommendation: We recommend the Finance Department conduct monthly reconciliations between what is collected in cash and the number of towed cars that are released. In addition, we recommend that access to the software used to monitor tow fees be restricted to those whose duties require access.

Response & Corrective Action Plan: The Finance Department will work with the Police Department to determine what additional procedures should be put in place to further monitor collection of tow fees.

CITY OF BLOOMINGTON, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended April 30, 2012

12-2 – Inadequate segregation of duties over water receipts and billing (Repeat of prior year findings: 11-4, 10-5, 09-6, and 08-9)

Condition: In gaining an understanding of the City’s internal control, we noted that all employees with access to Springbrook, the City’s water billing system, can make adjustments in the system. Adjustments can be made to consumption, service rates, and billings. While all changes are tracked in Springbrook, there is no review of adjustments. There is also no control in place to safeguard against misappropriation of assets at the collection window located in City Hall. The ability exists to collect cash from the customer, make an adjustment in Springbrook, and not record the cash receipt.

Criteria: A good system of internal control policies and procedures contemplates an adequate segregation of duties so that no one individual has both custody of assets and recordkeeping ability. A lack of segregation of duties increases the risk that errors may occur and go undetected and increases the risk of fraud. Fraud could occur where employees have access to financial records and/or assets, and could perpetrate fraud for their personal financial benefit.

Questioned Costs: None

Effect: Potential misappropriation of assets.

Cause: Lack of review of adjustments.

Recommendation: We recommend that adjustments are reviewed on a periodic basis by the appropriate level of management. We also recommend that the ability to make adjustments in Springbrook be designated to certain authorized individuals in the Water department.

Response & Corrective Action Plan: Upon the arrival of key financial staff the City began a comprehensive review of all Water Utility work flows while undertaking a City-wide cash handling processes assessment. The City plans to fill staff positions as recommended by the assessment to provide appropriate segregation of duties. The City also purchased a new Utility Tax system and a Cashiering module that will be implemented over the next 18 months allowing Finance to build in further internal controls and alleviating all internal control concerns surrounding the water function.

CITY OF BLOOMINGTON, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended April 30, 2012

12-3 – Inadequate system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (Repeat of prior year findings: 11-5, 10-6, 09-8 and 08-11)

Condition: During the audit, we recommended numerous material adjustments to present financial statements in accordance with generally accepted accounting principles.

Criteria: The City, the Pension Fund, and the U.S. Cellular Coliseum are required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP) which includes having adequately trained personnel with the knowledge and expertise to prepare and/or thoroughly review GAAP-based financial statements to ensure that they are free of material misstatements and include all disclosures as required by the Governmental Accounting Standards Board.

Questioned Costs: None

Effect: Potential material misstatement of the financial statements.

Cause: Lack of oversight by finance department personnel.

Recommendation: We recommend that the City, the Pension Fund, and the U.S. Cellular Coliseum implement controls to ensure that all transactions are accounted for and the financial statements are fairly stated.

Response & Corrective Action Plan: The Finance Department has made significant progress in securing key staff and getting through the major financial modules during its financial software conversion. On May 1st, 2012 a permanent Finance Director was hired and on June 1st, 2012 a Chief Accountant in charge of the general ledger and annual audit was hired. This in combination with the placement of a Chief Budget Officer and two CPA's as staff accountants has fortified the Finance Department with outstanding technical expertise and facilitated a more level distribution of work flows. Of the 18 adjusting entries booked during the audit; Finance staff proposed and prepared 8 of them and prepared 9 of the adjusting entries proposed by the auditors. The City plans to provide a fully adjusted trial balance prior to audit field work in FY2013 as the department continues to strengthen. To measure the material audit adjustments within the Finance Department, the department has established a performance measurement in terms of audit adjustments to track the department's progress in improving financial reporting. Following is four years of comparative data:

CITY OF BLOOMINGTON, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended April 30, 2012

Fiscal Year Ended April 30,	Entries Provided by Client	Entries Proposed by Auditor	Reclassification Entries	Total
2009	3	45	2	50
2010	6	24	3	33
2011	5	19	2	26
2012	8	9	1	18

CITY OF BLOOMINGTON, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended April 30, 2012

12-4 – Improper cut-off of accrued expenses

Condition: During the audit of the Coliseum, we noted several expenses recorded during fiscal year 2012, which related to expenses incurred during a different fiscal year (Repeat of prior year finding 11-9 and 10-9)

Criteria: In accordance with generally accepted accounting principles, expenses for charges incurred before the end of the fiscal year should be accrued to the appropriate period.

Questioned Costs: None

Effect: Potential material misstatement of the financial statements.

Cause: Late invoicing by the vendor.

Recommendation: We recommend the Coliseum review its expenses and invoices received after its fiscal year-end to ensure that all expenses related to the fiscal year under audit are appropriately identified and reported.

Response and Corrective Action Plan: CIAM will continue to review Coliseum expenses and invoices received after its fiscal year-end to ensure that all expenses related to the fiscal year are appropriately identified and reported. CIAM has also received approval from the COB City Manager to extend the report filing deadline at year end to the 30th of the month in order to record late received invoices in the proper year.

CITY OF BLOOMINGTON, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended April 30, 2012

Section III Federal Award Findings

ENVIRONMENTAL PROTECTION AGENCY

12-5 – Capitalization Grants for Clean Water State Revolving Funds - CFDA No. 66.458, Grant No. L17-4625, Year Ended April 30, 2012; Capitalization Grants for Drinking Water State Revolving Funds – CFDA No. 66.468, Grant No. L17-3284, Year Ended April 30, 2012

Condition: The City did not properly identify the breakdown between State and Federal funds of grant disbursements received from Illinois Environmental Protection Agency (IEPA).

Criteria: OMB Circular A-133, Subpart C, Section 300 states, “the auditee shall identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.” OMB Circular No. A-133, Subpart C, section 310 further states, “the auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements.”

Questioned Costs: None

Effect: The city has not complied with the provisions of OMB Circular A-133, Subpart C, Section 310.

Cause: The revolving fund grants are comprised of State and Federal funds with all disbursements passed through from the IEPA. City personnel did not properly communicate with IEPA to identify the breakdown of State and Federal portion of the grant funds received.

Recommendation: We recommend the City identify an appropriate individual to oversee the management of grant agreements. Among other duties, this individual would be responsible for identifying the Federal program by CFDA title and number, award number and year, name of the Federal agency, name of the pass-through entity, and breakdown of state and federal funds. This information along with supporting documentation of expenditures (i.e. project worksheets, quarterly fiscal report forms, etc.) should be maintained in a centralized location to ensure timely and accurate completion of the Schedule of Expenditure of Federal Awards.

Response & Corrective Action: The City does not currently employ a grants administrator; this function is decentralized and performed by each individual department. The Finance Department in 2013 is now able to perform quarterly compilations and reconciliations of grant awards on a prospective basis.

CITY OF BLOOMINGTON, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended April 30, 2012

WILDLIFE RESTORATION AND BASIC HUNTER EDUCATION

12-6 – Wildlife Restoration and Basic Hunter Education – CFDA No. 15.611; Grant No. RC11T74DI: Year Ended April 30, 2012 (Repeat of prior year finding 11-12,10-13)

Condition: During our audit, we noted that the contract did not contain a certification for suspension and debarment and the Excluded Parties List System was not checked before the contract was awarded.

Criteria: 2CFR180, which provides guidance for Federal agencies suspension and debarment system, states in subsection 330, “Before entering into a covered transaction with a participant at the next lower tier, you must require that participant to— (a) Comply with this subpart as a condition of participation in the transaction. You may do so using any method(s), unless the regulation of the Federal agency responsible for the transaction requires you to use specific methods. (b) Pass the requirement to comply with this subpart to each person with whom the participant enters into a covered transaction at the next lower tier.” This requires the City comply by the same requirements as the Federal agencies. 2CFR180.305, states that “(a) You as a participant may not enter into a covered transaction with an excluded person, unless the Federal agency responsible for the transaction grants an exception under § 180.135. (b) You may not enter into any transaction with a person who is disqualified from that transaction, unless you have obtained an exception under the disqualifying statute, Executive order, or regulation.” 2CFR180.320 states that, “Yes, you as a participant are responsible for determining whether any of your principals of your covered transactions is excluded or disqualified from participating in the transaction. You may decide the method and frequency by which you do so.”

Question Costs: None

Effect: The City may contract with a party on the Excluded Parties List, which would be a violation of Federal regulations.

Population and Sample Size: The population of one covered transactions entered into during the fiscal year was found in non-compliance.

CITY OF BLOOMINGTON, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended April 30, 2012

WILDLIFE RESTORATION AND BASIC HUNTER EDUCATION - Continued

Cause: The procurement policy does not address procurement made with Federal awards and therefore, does not provide procedures for determining that the City has not contracted with debarred and suspended parties.

Recommendation: We recommend the City adopt a procurement policy to address procurement with Federal funds, including a provision regarding debarment and suspension under Federal guidelines.

Response & Corrective Action Plan: The City is currently placing debarment and suspension language in all contracts. Procedures are now in place to verify parties the City contracts with are not suspended or debarred. The City is in the process of updating its procurement policy and will address suspension and debarment in the revised policy.

CITY OF BLOOMINGTON, ILLINOIS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended April 30, 2012

Section IV – Prior Finding Follow Up

<u>Prior Finding</u>	<u>Condition</u>	<u>Status</u>
11-1	There is not a formal review of non-standard journal entries prior to them being posted	Not Repeated
11-2	There is no reconciliation between cash collected and the number of towed cars that are released	Repeated
11-3	Inadequate system of physical controls over the security of assets of the U.S. Cellular Coliseum	Not Repeated
11-4	Inadequate segregation of duties over water receipts and billing	Repeated
11-5	Inadequate system of controls over the preparation of the financial statements	Repeated
11-6	Inadequate review of bank reconciliations	Not Repeated
11-7	Subsidiary ledgers are not reconciled to the general ledger	Not Repeated
11-8	Inadequate segregation of duties over payment processing	Not Repeated
11-9	Improper cut-off of accrued expenses	Repeated
11-10	Federal Funds were drawn down 4 to 26 days prior to disbursement by the City	Not Repeated
11-11	Failure to obtain certified payrolls from contractors	Not Repeated
11-12	No policy or procedure to ensure the City does not contract with parties debarred or suspended by the Federal government	Repeated
11-13	Reporting requirements were not submitted in accordance with grant agreement	Not Repeated

CITY OF BLOOMINGTON, ILLINOIS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED APRIL 30, 2012

Finding Number	Finding	Corrective Action Plan	Anticipated Date of Completion	Contact Person
12-1	No reconciliation between cash collected and the number of towed cars that are released	See response and corrective action plan at 12-1.	2012-2013	Patti-Lynn Silva
12-2	Inadequate segregation of duties over water receipts and billing.	See response and corrective action plan at 12-2.	2012-2013	Craig Cummings
12-3	Inadequate system of controls over the preparation of financial statements.	See response and corrective action plan at 12-3.	2012-2013	Patti-Lynn Silva, Kelly Klein, CIAM
12-4	Improper cut-off of accrued expenses	See response and corrective action plan at 12-4.	2012-2013	Kelly Klein, CIAM
12-5	Noncompliance with provisions of OMB Circular A-133, Subpart C, Section 310	See responses and corrective action plan at 12-5	2012-2013	Patti-Lynn Silva
12-6	No policy or procedure to ensure the City does not contract with parties debarred or suspended by the Federal government	See responses and corrective action plan at 12-6	2012-2013	Patti-Lynn Silva