

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

REVIEW REPORT  
OF  
INDIANA DEPARTMENT OF EDUCATION  
STATE OF INDIANA  
October 1, 2006 to May 31, 2008



**FILED**  
11/17/2008



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Agency Official .....	2
Independent Accountant's Report.....	3
Review Comments:	
Attendance Reports .....	4
SDO Fund Reconciliation .....	4
Internal Control Over Revenue Collections .....	4
Exit Conference.....	5
Official Response .....	6-8

AGENCY OFFICIALS

Office

Official

Term

Superintendent of Public Instruction

Dr. Suellen Reed

01-10-05 to 01-11-09



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE INDIANA DEPARTMENT OF EDUCATION

We have reviewed the receipts, disbursements, and assets of the Indiana Department of Education for the period of October 1, 2006 to May 31, 2008. The Indiana Department of Education's management is responsible for the receipts, disbursements, and assets.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the receipts, disbursements, and assets. Accordingly, we do not express such an opinion.

Financial transactions of this office are included in the scope of our audits of the State of Indiana as reflected in the Indiana Comprehensive Annual Financial Reports.

Based on our review, nothing came to our attention that caused us to believe that the receipts, disbursements, and assets of the Indiana Department of Education are not in all material respects in conformity with the criteria set forth in the Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, and applicable laws and regulations except as stated in the review comments.

STATE BOARD OF ACCOUNTS

September 3, 2008

INDIANA DEPARTMENT OF EDUCATION  
REVIEW COMMENTS  
MAY 31, 2008

ATTENDANCE REPORTS

During our review of two pay periods of the Indiana Department of Education, we observed that 6% and 8% of the employee attendance reports were signed and/or dated prior to the last day worked, and 23% and 17% of employee attendance reports had been submitted without proper supervisory approval signatures, respectively.

The attendance report is to be completed accurately, and be signed and dated by the employee. After being completed by the employee, the attendance report should be reviewed, signed, and dated by the immediate supervisor of the employee, or by another designated individual who has knowledge of the employee's attendance. Employee attendance reports should not be signed, dated or approved prior to the last day worked in a pay period. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 9)

SDO FUND RECONCILIATION

As stated in our two prior Reports B23119 and 29250, the Indiana Department of Education has not performed monthly reconciliations between the check register and the Special Disbursing Officer (SDO) advances.

Two reconciliations must be performed for the SDO fund each month. The bank statement for the checking account must be reconciled to the check register. Also, the check register must be balanced to the total SDO advance. These reconciliations must be formally documented. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 7)

INTERNAL CONTROL OVER REVENUE COLLECTIONS

As stated in our two prior Reports B23119 and B29250, we noted that for revenue collections related to Indiana Department of Education sponsored workshops, there were no uniform procedures set by the accounting division; each division had its own system. A cash receipts journal was not maintained and most divisions did not issue receipts.

Indiana Code 5-13-5-1(a) states: "Every public official who receives or distributes public funds shall:

- (1) keep a cash book into which the public officer shall enter daily, by item, all receipts of public funds; and
- (2) balance the cash book daily to show funds on hand at the close of the day."

Each agency, department, institution or office should have internal controls in effect, which provide 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. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are part of an internal control system. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

INDIANA DEPARTMENT OF EDUCATION  
EXIT CONFERENCE

The contents of this report were discussed on September 23, 2008, with Yvette Hauser, Director of Accounting; Risa Regnier, Director of Human Resources; and Laura Snyder, Assistant Director of Accounting. The official response has been made a part of this report and may be found on pages 6 through 8.



Indiana Department of Education  
SUPPORTING STUDENT SUCCESS

October 2, 2008

Mr. Bruce A. Hartman  
State Examiner  
State Board of Accounts  
Room E-418, IGCS  
Indianapolis, IN 46204

Dear Mr. Hartman:

This letter is our response to the findings in your recent State audit of the Indiana Department of Education for the period October 1, 2006 to May 31, 2008.

Finding: Attendance Reports

During our review of two pay periods, we observed that 6% and 8% of the employee attendance reports were signed and/or dated prior to the last day worked, and 23% and 17% of employee attendance reports had been submitted without proper supervisory approval signatures.

The attendance report is to be completed accurately, and be signed and dated by the employee. After being completed by the employee, the attendance report should be reviewed, signed, and dated by the immediate supervisor of the employee, or by another designated individual who has knowledge of the employee's attendance. Employee attendance reports should not be signed, dated or approved prior to the last day worked in a pay period. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 9).

Response

We concur with this finding. Payroll information meetings were held for IDOE staff the week of September 22, 2008. Information and instructions were provided on the proper procedures for accurately completing attendance reports. The accounting office will no longer accept attendance reports that are signed by the supervisor prior to the employee's signature or that are signed and dated prior to the last date worked in a pay period.

Finding: SDO Fund Reconciliation

As stated in our two prior reports, the IDOE has not performed monthly reconciliations between the check register and the Special Disbursing Officer (SDO) advances.

Two reconciliations must be performed for the SDO fund each month. The bank statement for the checking account must be reconciled to the check register. Also, the check register must be balanced to the total SDO advance. These reconciliations must be formally documented. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 7).

Mr. Bruce A. Hartman  
October 2, 2008  
Page 2

Response

We do perform monthly reconciliations between the bank statement and the check register. We also perform monthly reconciliations of each fund/center Local Purchase (LP) advance to verify the individual advance totals. We have not been performing a monthly reconciliation of the check register to the total SDO advance. Although our reconciliation of each LP advance ensures that our total SDO advance is reconciled, we do not have a formally documented reconciliation of the check register to the total SDO advance. Effective with the September 2008 bank statement we will begin performing this reconciliation.

Finding: Internal Control over Revenue Collections

As stated in our two prior audit reports, we noted that for revenue collections related to IDOE sponsored workshops, there were no uniform procedures set by the accounting division; each division had its own system. A cash receipts journal was not maintained and most divisions did not issue receipts.

Indiana Code 5-13-5-1(a) states: "Every public official who receives or distributes public funds shall:

- (1) Keep a cash book into which the public officer shall enter daily, by item, all receipts of public funds; and
- (2) Balance the cash book daily to show funds on hand at the close of the day."

Each agency, department, institution or office should have internal controls in effect, which provide 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. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are part of an internal control system. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1).

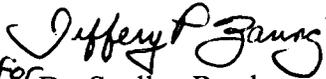
Response

We concur with this finding. Various offices within IDOE periodically collect registration fees for Department sponsored conferences and workshops and each division maintains its own system for recording this revenue. All revenue is receipted to the appropriate fund/center by Report of Collections and deposited with the State Treasurer's Office. The accounting office will establish a uniform procedure to be followed by all IDOE offices for the receipt of registration fees that meets the requirements of IC 5-13-5-1(a).

Mr. Bruce A. Hartman  
October 2, 2008  
Page 3

We appreciate the assistance provided by the Board of Accounts examiners and the courteous manner in which they conducted this audit. Please contact me if you have any further questions or comments.

Sincerely,

  
for Dr. Suellen Reed  
State Superintendent  
of Public Instruction