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STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

STATE OF INDIANA

SINGLE AUDIT REPORT

July 1, 2007 to June 30, 2008

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: The Honorable Mitchell E. Daniels, Jr.
The Members of the General Assembly, and
The Citizens of the State of Indiana

We have audited the accompanying 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 State of Indiana, as of and for the year ended June 30, 2008, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Indiana's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the local government investment pool which represent 100% of the assets and revenues of the investment trust fund. We also did not audit certain component units of the State, as discussed in Note I(A), which represent 27% and 4.3% of the assets and revenues of the colleges and universities and 100% of the assets and revenues of the proprietary discretely presented component units. The financial statements of the investment trust fund and these component units were audited by other auditors whose reports thereon have been furnished to us and, our opinions, insofar as they relate to those units, are based upon the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position 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 State of Indiana as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note I(A) to the financial statements, the Housing and Community Development Authority and Indiana Comprehensive Health Insurance Association, discretely presented component units, report on a December 31, 2007, year-end. As discussed in Note IV(G) to the financial statements, the State of Indiana has restated certain beginning fund balances and net assets.

The Management Discussion and Analysis and Schedules of Funding Progress for Employee Retirement Systems and Plans and Other Postemployment Benefit Plans, as listed in the Table of Contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

In accordance with Government Auditing Standards, we have issued our report dated December 23, 2008, on our consideration of the State of Indiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Indiana's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations is presented for additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as listed in the Table of Contents, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

STATE BOARD OF ACCOUNTS

December 23, 2008

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

TO: The Honorable Mitchell E. Daniels, Jr.,
The Members of the General Assembly, and
The Citizens of the State of Indiana

We have audited 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 State of Indiana, as of and for the year ended June 30, 2008, which collectively comprise the State's basic financial statements, and have issued our report thereon dated December 23, 2008. We did not audit the financial statements of the local government investment pool which represents 100% of the assets and revenues of the investment trust fund. We also did not audit the financial statements of certain component units of the State, as discussed in Note I(A), which represent 27% and 4.3% of the assets and revenues of the colleges and universities discretely presented component units and 100% of the assets and revenues of the proprietary discretely presented component units. The financial statements of these component units were audited by other auditors whose reports thereon have been furnished to us and, our opinions, insofar as they relate to those units, are based upon the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the State of Indiana'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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of Indiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be significant control deficiencies. Significant control deficiencies involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the State of Indiana's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Significant control deficiencies are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2008-CAFR-2 and 2008-CAFR-6.

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

A material weakness is a significant control deficiency in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be significant control deficiencies, and accordingly, would not necessarily disclose all significant control deficiencies that are also considered to be material weaknesses. Material weaknesses are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2003-CAFR-1, 2005-CAFR-1, 2007-CAFR-1, 2008-CAFR-1, 2008-CAFR-3, 2008-CAFR-4, and 2008-CAFR-5.

This report is intended solely for the information of the State of Indiana's management, federal awarding agencies and pass-through entities and is not intended to be used and should not be used by anyone other than the specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts.

STATE BOARD OF ACCOUNTS

December 23, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the State of Indiana's financial performance provides an overview of the State's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the transmittal letter at the front of this report and the State's financial statements, which follow this section. Because of prior period adjustments and reclassifications as described in Note IV(G) in the Notes to the Financial Statements, fiscal year (FY) 2007 numbers have been restated.

Financial Highlights

- For FY 2008, on a government-wide basis, the assets of the State of Indiana exceeded its liabilities by $19.2 billion. This compares with $18.5 billion for FY 2007, as restated. Of this amount, $8.9 billion may be used to meet the government's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, unreserved fund balance for the general fund was $2.3 billion, or 25.2% of the total general fund expenditures.
- On a government-wide basis for the primary government, the State incurred expenses net of program revenue of $14.3 billion, which are offset by general revenues totaling $14.8 billion, giving an increase in net assets of $755.3 million. The financial position of the State has improved as can be seen in this increase in net assets.
- Indiana is not immune from the impact of the national economic downturn, but Indiana's economy is performing comparably or better than those of our neighboring states. The State's unemployment rate, which averaged 4.7% in FY 2007, declined to 4.5% during the first six months of FY 2008 before increasing to 5.0% during the last six months of the fiscal year. Despite rising unemployment, personal income increased at an estimated annual rate of 4.1% in the third quarter of FY 2008. Aided by the economic stimulus package enacted by the federal government, personal income increased in Indiana by an estimated 6.5% in the fourth quarter of FY 2008 bringing growth for the year to 4.2%. Individual income tax revenues increased by 4.8% in FY 2008 while sales tax revenues, adjusted to remove the additional revenue attributable to increasing the tax rate, matched the FY 2007 growth rate of 2.9%. In total, revenue to the State's General Fund and Property Tax Replacement Fund increased by 2.4% in FY 2008.
- General revenue for the primary government increased by $727.1 million, or 5.1%, from FY 2007. Income, sales, and alcohol and tobacco taxes were the driving forces behind this increase, with growth rates of 3.6%, 7.0%, and 39.6%, respectively. These grew in line with the increases in tax rates.
- The State of Indiana achieved its third balanced budget in a row for the fiscal year ended June 30, 2008 with revenue exceeding expenditures by $321.4 million. Another balanced budget was achieved through restraint and prudent fiscal management by state agencies and by Governor Daniels limiting annual spending growth to 2.8%.
- For the first time in the state's history, Indiana's credit rating has been raised to AAA, the highest rating assigned by the independent credit rating agency Standard & Poor's Ratings Service (S&P). The upgrade from AA+ "reflects the state's continued strong management that has led to the property tax reform that has realigned state and local spending and is not expected to impact the state's long-term financial performance. As well, the state's commitment to attract diverse jobs through its economic development efforts has translated into a shift away from traditional manufacturing employment," said the credit agency. The report said the administration has made significant financial management changes and strengthened budgeting practices. S&P cited four areas in issuing the AAA credit rating: stable and diversifying economic base despite continued manufacturing concentration; a conservative biennial budget that will add to the fund balance by the end of the biennium; property tax reform that has clarified the state's financial responsibilities; and, low overall debt levels.

Key Economic Indicators

	Dec. 31, 2007	Dec. 31, 2006	% Change
Total Employed Labor Force	3,047,824	3,126,828	-2.5%
Total Goods and Service Employment	3,020,800	3,006,400	0.5%
Service-Providing Employment	2,318,600	2,289,100	1.3%
Goods-Producing Employment	702,200	717,300	-2.1%
Unemployment Rate	4.5%	4.8%	-6.3%
Median Household Income	47,453	45,394	4.5%

Sources: Bureau of Labor Statistics and US Census Bureau.

Salaries and benefits for State employees represent approximately 8% of governmental fund expenditures. The following table shows a ten year history of the count of full time State employees.

Full Time State Employees Paid
Through The Auditor of State's Office

	Governor's Authority	Judiciary	Other Elected Officials	On Disability Leave - In Pay Status	On Disability Leave - Not in Pay Status	Total
2008	32,606	811	1,139	727	339	35,622
2007	31,524	772	1,123	789	313	34,521
2006	31,822	753	1,102	941	279	34,897
2005	34,673	743	1,058	1,077	269	37,820
2004	35,794	756	1,020	1,012	266	38,848
2003	34,909	741	1,003	988	248	37,889
2002	35,474	731	1,017	1,078	252	38,552
2001	36,376	728	1,002	969	238	39,313
2000	35,516	713	983	988	3	38,203
1999	34,928	696	1,005	907	-	37,536

Notes:
* Tracking of employees on disability leave in pay status versus non-pay status began in earnest during fiscal year 2001.
** Data presented is as of the June 30 fiscal year end which is a change from prior year reporting that used a calendar year end date of December 31.

For more information on people paid through the Auditor of State’s Office, please read the Statistical Section.

Overview of the Financial Statements

This Financial Section consists of four parts: management's discussion and analysis (this part), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements include two kinds of statements that present different views of the State. The first two statements are government-wide financial statements that provide both long-term and short-term information about the State's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the State government, reporting the State's operations in more detail than the government-wide statements.

- The governmental fund statements tell how general government services such as public safety, education, and welfare were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as the Unemployment Compensation Fund.
- Fiduciary fund statements provide information about the financial relationships in which the State acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong, such as the retirement plan for the State's employees.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* and *other supplementary information* that further explain and support the information in the financial statements.

Government-wide Financial Statements

The government-wide financial statements report information about the State as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the State's net assets and how they have changed. Net assets, the difference between the State's assets and liabilities, is one way to measure the State's financial health, or position. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the State of Indiana is improving or deteriorating. To assess the overall health of the State, additional non-financial factors should be considered, such as changes in the State's tax base, the condition of the State's roads and the State's student population. The government-wide financial statements of the State are divided into three categories:

- **Governmental activities**. Most of the State's basic services are included here, such as the State's roads and bridges, and health and environmental programs. State sales and income taxes and federal grants finance most of these activities.
- **Business-type activities**. The State provides goods and services through these activities that are financed or recovered primarily through fees and user charges. The Unemployment Compensation Fund, the Inns and Concessions Fund, and the Indiana Residual Malpractice Insurance Authority are included here.
- **Discretely Presented Component Units**. These are legally separate discretely presented entities for which the State is financially accountable. These include, among others, the Indiana Finance Authority, the Indiana Bond Bank, the Board for Depositories, the Indiana Housing and Community Development Authority, and colleges and universities that receive State funding.

Fund Financial Statements

The fund financial statements provide more detailed information about the State's most significant funds, not the State as a whole. Funds are accounting devices that the State uses to keep track of specific sources of funding and spending for particular purposes. The State of Indiana uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The State has three kinds of funds: governmental funds, proprietary funds, and fiduciary funds.

1. **Governmental funds**. Most of the State's basic services are included in governmental funds, which focus on (1) cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs.

   *Relationship and Reconciliation***.** Because the information provided in the governmental funds statements does not encompass the additional long-term focus of the government-wide statements, reconciliation pages are provided. On the page following each governmental fund's financial statement, these reconciliations explain the differences between the government-wide and the fund financial statement. Government-wide statements use full accrual accounting. Revenues are recognized when they are earned and expenses are recognized as soon as the liability is incurred, regardless of the timing of related cash inflows and outflows. Governmental fund financial statements use the modified accrual basis of accounting. Revenues are recognized when earned so long as they are collectible within the current period or soon enough afterwards to pay liabilities of the current period. Debt service payments and a number of specific accrued liabilities are recognized as expenditures when payment is due because that is when they are normally liquidated with expendable available financial resources.

Non-current assets such as infrastructure, land, and property, plant and equipment appear on the government-wide statements but not on the governmental fund statements where they are expensed as acquired rather than capitalized. Non-current liabilities such as revenue bonds payable and net pension obligations also appear on the government-wide statements but not on the fund statements. Internal service funds are included as part of the governmental activities in the government-wide statements but not the governmental fund financial statements because they provide services to the governmental funds.

2. **Proprietary funds**. Services for which the State charges customers a fee are generally reported in proprietary funds. These funds use the economic resources measurement focus and the accrual basis of accounting. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. In fact, the State's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information such as cash flows. The State uses internal service funds (the other type of proprietary fund) to report activities that provide supplies and services for the State's other programs and activities. An example would be the State Employee Health Insurance Fund.

3. **Fiduciary funds**. The State is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds use the economic resources measurement focus and the accrual basis of accounting. All of the State's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the State's government-wide financial statements because the State cannot use these assets to finance its operations.

Financial Analysis of the State as a Whole

Net Assets

The following is condensed from the Statement of Net Assets:

State of Indiana
Condensed Schedule of Net Assets
(in millions of dollars)

	Primary Government					
	Governmental Activities		**Business-type Activities**		**Total Primary Government**	
	2008	2007	2008	2007	2008	2007
Current and other assets	$ 13,254.9	$ 14,175.3	$ 333.6	$ 403.6	$ 13,588.5	$ 14,578.9
Capital assets	10,661.3	10,039.7	13.7	11.1	10,675.0	10,050.8
Total assets	23,916.2	24,215.0	347.3	414.7	24,263.5	24,629.7
Current liabilities	3,464.4	4,572.6	10.8	11.0	3,475.2	4,583.6
Long-term liabilities	1,504.9	1,515.1	47.2	50.2	1,552.1	1,565.3
Total liabilities	4,969.3	6,087.7	58.0	61.2	5,027.3	6,148.9
Net assets:						
Invested in capital assets, net of related debt	9,339.7	8,706.6	13.7	11.1	9,353.4	8,717.7
Restricted	719.8	1,077.6	265.0	342.2	984.8	1,419.8
Unrestricted	8,887.4	8,343.1	10.6	0.2	8,898.0	8,343.3
Total net assets	$ 18,946.9	$ 18,127.3	$ 289.3	$ 353.5	$ 19,236.2	$ 18,480.8

At the end of the current fiscal year, net assets for governmental activities were $18.9 billion as compared to $18.1 billion in 2007. This was an increase of $0.8 billion.

Current and other assets decreased by $920.4 million with securities lending collateral making up the bulk of this decrease. Capital assets increased by $621.6 million. The principal reason for the increase in capital assets was the increase in infrastructure and construction in progress at the Indiana Department of Transportation due to the State's Major Moves initiative.

Total liabilities decreased by $1.1 billion. This decrease is explained principally from a decrease in securities on loan as of June 30, 2008. A liability that increased to offset the total decrease was from the startup of recognizing a GASB 45 OBEB liability of $35.7 million.

The State maintains a Counter-Cyclical Revenue and Economic Stabilization Fund ("Rainy Day Fund"). This fund was established to assist in stabilizing revenue of the State's General Fund during periods of economic recession. In other words, in good times the balance in the fund should increase, and in bad times, the money can be used to offset deficits. The fund had available assets of $363.0 million or 4.3% of the total governmental activities unrestricted net assets.

Changes in Net Assets

The following is condensed from the Statement of Activities:

State of Indiana
Condensed Schedule of Change in Net Assets
(in millions of dollars)

	Primary Government					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues:						
Charges for services	$ 1,684.2	$ 1,253.5	$ 646.3	$ 660.3	$ 2,330.5	$ 1,913.8
Operating grants and contributions	9,408.8	8,572.6	134.6	-	9,543.4	8,572.6
Capital grants and contributions	26.9	11.3	-	-	26.9	11.3
General revenues:					-	-
Individual and corporate income taxes	5,838.7	5,638.2	-	-	5,838.7	5,638.2
Sales taxes	5,873.3	5,491.8	-	-	5,873.3	5,491.8
Other	3,363.8	3,218.7	21.6	25.0	3,385.4	3,243.7
Total revenues	26,195.7	24,186.1	802.5	685.3	26,998.2	24,871.4
Program Expense						
General government	5,172.0	4,562.2	-	-	5,172.0	4,562.2
Public safety	1,385.0	1,250.1	-	-	1,385.0	1,250.1
Health	387.3	343.6	-	-	387.3	343.6
Welfare	9,158.3	7,974.1	-	-	9,158.3	7,974.1
Conservation, culture and development	590.1	535.0	-	-	590.1	535.0
Education	7,369.7	7,012.8	-	-	7,369.7	7,012.8
Transportation	1,309.3	1,770.7	-	-	1,309.3	1,770.7
Interest expense	0.7	0.8	-	-	0.7	0.8
Unemployment compensation fund	-	-	846.0	758.7	846.0	758.7
Other	-	-	24.5	32.9	24.5	32.9
Total expenses	25,372.4	23,449.3	870.5	791.6	26,242.9	24,240.9
Excess (deficiency) before transfers	823.3	736.8	(68.0)	(106.3)	755.3	630.5
Transfers	(3.7)	(1.0)	3.7	1.0	-	-
Change in net assets	819.6	735.8	(64.3)	(105.3)	755.3	630.5
Beginning net assets, as restated	18,127.3	17,391.5	353.5	458.8	18,480.8	17,850.3
Ending net assets	$ 18,946.9	$ 18,127.3	$ 289.2	$ 353.5	$ 19,236.1	$ 18,480.8

Governmental Activities

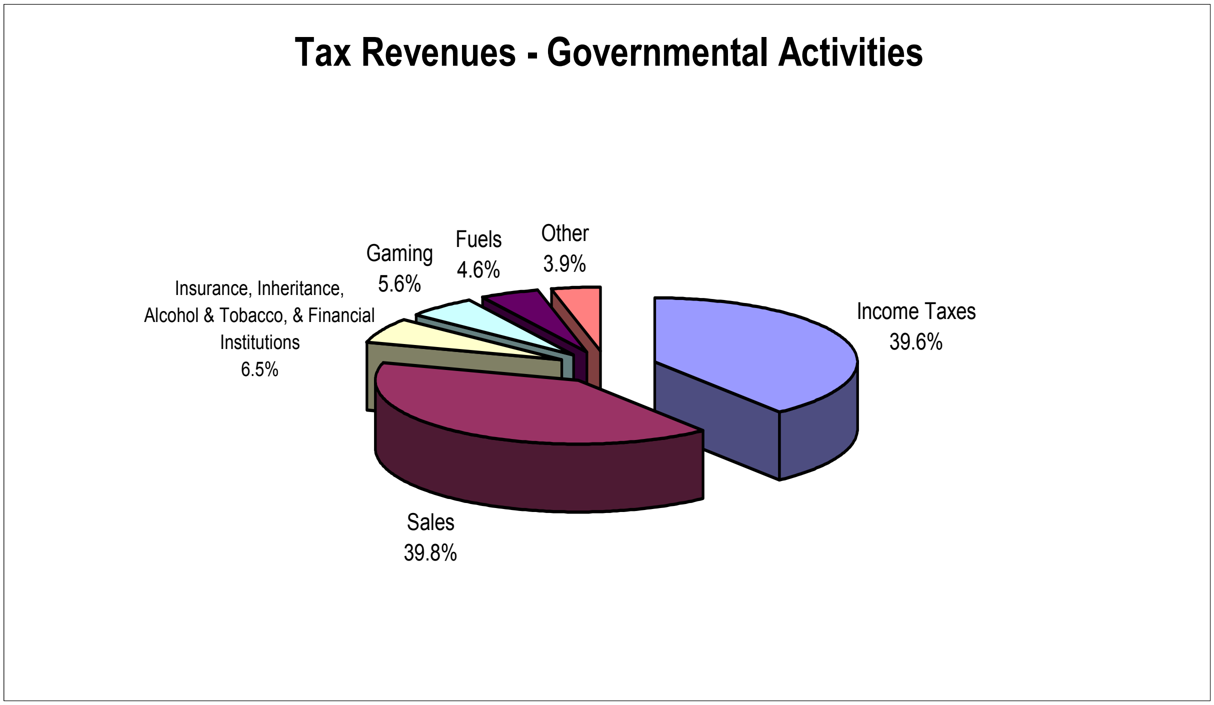
Program expenses exceeded program revenues by $14.3 billion. General revenues and transfers were $15.1 billion, leaving an increase in net assets of $0.8 billion, which is 3.1% of total revenues.

The increase to excess (deficiency) before transfers of $86.5 million was brought about by an increase of total revenues of $2.0 billion offset by an increase in total expenses of $1.9 billion.

Revenues increased from increases in tax rates. Sales tax rates increased from 6% to 7% or 16.7% effective April 1, 2008. Effective July 1, 2007, the cigarette tax rate increased from $0.555 per pack to $0.995 or 79.3% per pack. These two increases in tax rates contributed to significant increases in sales and alcohol and tobacco tax revenues. Another major factor for the increase in revenues was in operating grants and contributions which was due principally to the recognition of a grant receivable for Medicaid expenditures that were recorded as a payable as of June 30, 2008.

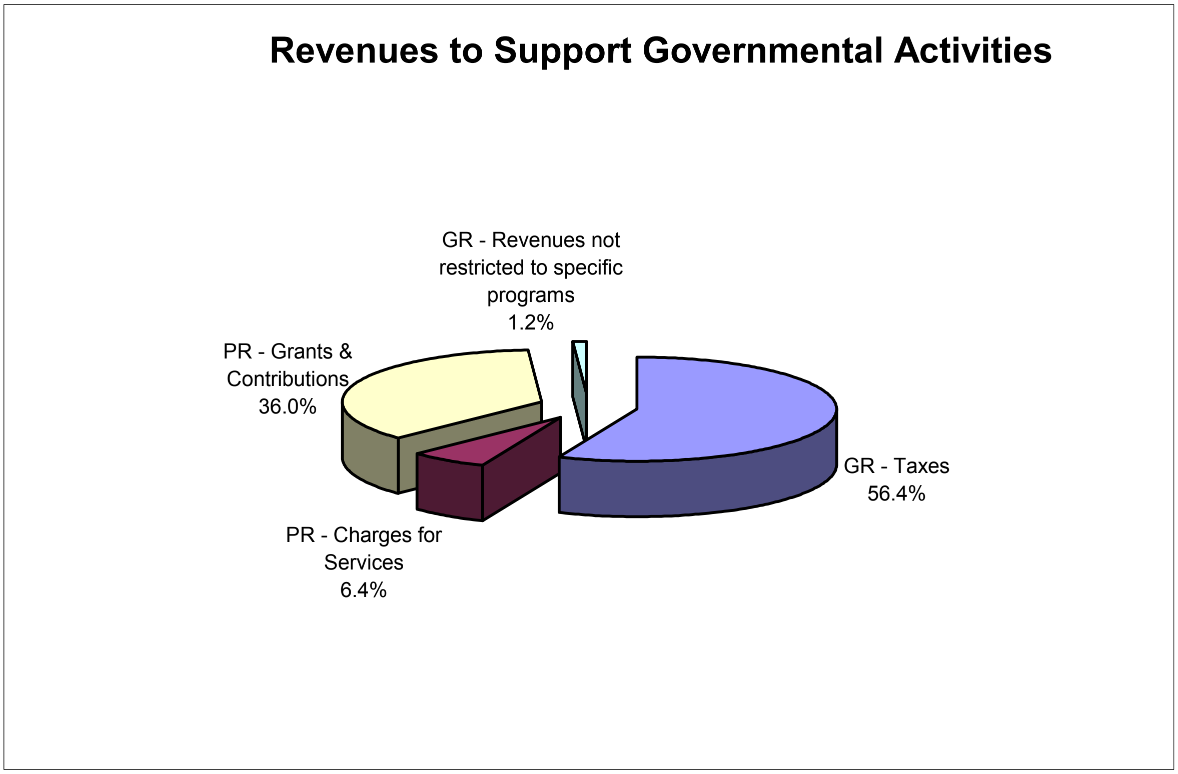
The increase in expenses was caused by increases in general government spending of $608.3 million and in welfare spending of $1.2 billion. Medicaid Assistance Fund Expenditures increased by $1.0 billion which was the critical factor for the increase in Welfare expense.

Tax revenues for governmental activities were broken down as follows:



Tax revenues of $14.8 billion represent 56.3% of total revenues for governmental activities. This compares to $14.0 billion in FY 2007 or 58.0% of total revenues in FY 2007. Program revenues accounted for $11.1 billion or 42.4% of total revenues. In FY 2007, program revenues accounted for $9.8 billion or 40.7% of total revenues. General revenues other than tax revenues were $315.6 million or 1.2% of total revenues. Of this $239.4 million was investment earnings. This compares to 2007, when general revenues other than taxes were $330.3 million or 1.4% of total revenues and $260.8 million was investment earnings. Investment earnings decreased by $21.4 million from FY 2007 to FY 2008 or 8.2% due to the decrease in interest rates.

Total revenues for governmental activities were broken down as follows:



PR = program revenues
GR = general revenues

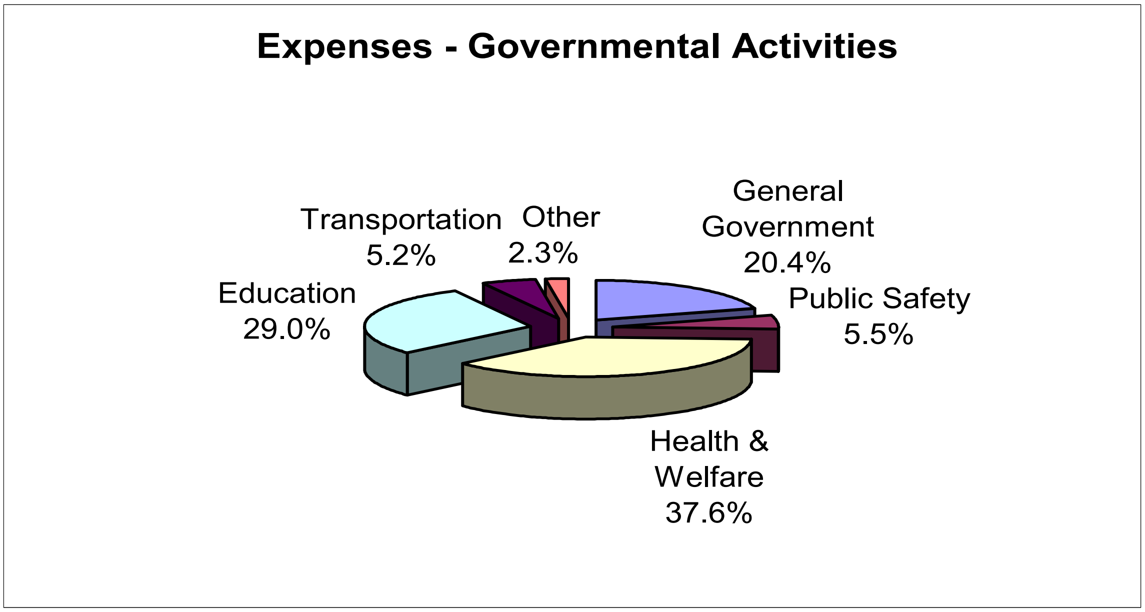
Total revenues were 103.3% of expenses which was the same percentage in FY 2007. Total revenues grew 8.4% from $24.2 billion in FY 2007 to $26.2 billion in FY 2008. Expenses grew 8.2% from $23.5 billion in FY 2007 to $25.4 billion in FY 2008.

The largest portion of the State's expenses is Health and Welfare, which is $9.5 billion, or 37.6% of total expenses. This compares with $8.2 billion, or 35.0% of total expenses in FY 2007. This increase was due in part to the creation of the Healthy Indiana Plan, a health insurance program for uninsured adults. The State also increased its assistance under the Childrens Health Insurance Program. In addition, the state increased the number of family case managers in the Division of Child Services. Some of the major expenses were Medicaid assistance including administration, $6.8 billion and the federal food stamp program, $788.5 million.

Education comprises 29.0%, or $7.4 billion, of the State's expenses. In FY 2007, Education accounted for 29.9%, or $7.0 billion, of expenses. All but $854.0 million of this is funded from general revenues. Some of the major expenses were tuition support, $3.9 billion, State colleges and universities, $1.3 billion, Teachers' Retirement Pension, $621.2 million, and the national school lunch program, $205.6 million. Education expenditures remained relatively consistent as compared to the prior year.

$5.2 billion, or 20.4% of expenses, was spent for General Government. General Government comprised $4.6 billion or 19.9% of expenses in FY 2007. General Government includes local distributions and money for State administration and those functions that serve the State as a whole. Examples of local distributions are the property tax replacement credit, which subsidizes local property tax collections, and the motor vehicle excise replacement credit, which subsidizes automobile license fees. The State's administrative costs have increased due in large part to the rising costs of goods and services nationally. Examples of State administration would be the executive branch of government, the State legislature, and the judiciary.

Total expenses for governmental activities were broken down as follows:



Business-type Activities

Business-type activities represent 3.0% of the Primary Government's revenues and 3.3% of the expenses. The Unemployment Compensation Fund accounts for 97.3% of business-type activities' operating revenues and 97.2% of operating expenses. The change in net assets for business-type activities was a decline of $64.3 million.

The Unemployment Compensation Fund collects employer taxes and the federal share of unemployment compensation. Benefits are paid to eligible individuals and the fund covers general and administrative expenses. Benefits and administrative expenses paid exceeded revenue in the fund by $77.2 million. This compares to FY 2007 when this fund's expenses exceeded revenue by $106.7 million. Employer contributions into the fund increased by $4.0 million, from $613.7 million in FY 2007 to $617.7 million in FY 2008. The decrease in net assets is due to the increase in benefits paid because of more Hoosiers receiving unemployment benefits.

Net Cost of Primary Government
(in millions)

	June 30, 2008	June 30, 2007	% change
Governmental Activities:			
General government	$ 3,883.6	$ 3,551.3	9.4%
Public safety	714.3	587.5	21.6%
Health	141.7	124.5	13.8%
Welfare	2,496.9	2,286.8	9.2%
Conservation, culture, and development	169.6	182.9	-7.3%
Education	6,515.7	6,222.2	4.7%
Transportation	329.9	655.9	-49.7%
Unallocated interest expense	0.7	0.8	-12.5%
Business-type Activities:			
Unemployment Compensation Fund	93.7	129.0	-27.4%
Other	(4.1)	2.3	-278.3%
TOTAL	$ 14,342.0	$ 13,743.2	4.4%

This schedule shows the net expense (revenue) attributable to each function of government. Each function of Indiana government is either self-supporting (a negative number) or requires additional general revenues to cover expenses (a positive number).

Financial Analysis of the State's Funds

The following is an analysis of the State's major governmental funds. Please note that transfers in and transfers out for these funds are explained in much greater detail in note IV(B) in the Notes to the Financial Statements.

General Fund

The General Fund is maintained to account for resources obtained and used for those services traditionally provided by State government which are not required to be accounted for in another fund. The fund balance of the General Fund at June 30, 2008 was $2.9 billion, which is 53.7% of assets. This compares to a fund balance at June 30, 2007 of $2.3 billion, which was 43.2% of assets. This indicates that the State's financial position in the General Fund is better than the prior year by $611.1 million. The fund balance of $2.9 billion is composed of reserves of $0.6 billion and unreserved of $2.3 billion. Major reserves are:

- Encumbrances of $44.7 million, which is money set aside to pay for future obligations.
- Loans of $169.1 million, which consists of $18.1 million in loans to entities outside the primary government and $151.0 million in interfund loans.
- Tuition support of $400.0 million, which is money set aside for distributions to schools.

The State calculates a cash basis surplus balance monthly. The year-end surplus balance is combined with estimated revenue forecasts to assess and determine the State's budget. This surplus balance is contained in the General Fund. As of June 30, 2008, the surplus balance was $1,413.1 million. The balance increased by $127.4 million from the June 30, 2007 balance of $1,285.7 million. This surplus balance is composed of:

- $400.0 million tuition support, which is money set aside to pay for distributions to schools.
- $363.0 million rainy day fund, which is to assist in stabilizing revenue during periods of economic recession and is part of designated unreserved.
- $592.5 million, which represents the excess of revenues over expenditures.
- $57.6 million which represents the reserve for Medicaid.

The $592.5 million is on a cash basis. Accrual adjustments of $509.1 million reconcile this to the General Fund unreserved, undesignated fund balance on a GAAP basis of $1,306.4 million. The unreserved, undesignated fund balance of $1,306.4 million plus the unreserved fund balance designated for appropriations of $416.2 million, plus the unreserved fund balance designated for allotments of $534.4 million give the total unreserved fund balance of $2,257.0 million. This ties to the balance sheet for the General Fund. For more information on designations of unreserved fund balance, see the chart in the Notes to the Financial Statements III(B).

The General Fund's revenues increased 13.0%, or $1.3 billion, from FY 2007, primarily due to a 37.9% increase or $1.0 billion in sales tax revenue. When the state increased its sales tax rate, it also increased the percentage of sales tax revenue to be allocated to the General Fund.

The General Fund had transfers in of $2.7 billion compared to $2.6 billion in FY 2007. Transfers out were $4.2 billion compared to $3.5 billion in FY 2007. More detail on these transfers can be found in the Notes to the Financial Statements IV(B).

Overall, the improved position of the General Fund in the amount of $491.0 million can be attributed to the increase in the state sales tax rate from 6% to 7% and prudent fiscal management.

Motor Vehicle Highway Fund

The Motor Vehicle Highway Fund receives portions of gas and special fuel tax, motor vehicle registration fees, the motor carrier surtax, federal revenue, and other revenues. These are distributed to cities and towns, counties and the State Department of Transportation and are used to help fund the State Police, the Bureau of Motor Vehicles, the Department of Revenue and others. The fund collected $485.7 million in taxes vs. $498.3 million in FY 2007. Current service charges, including vehicle licenses, decreased from $137.0 million to $135.0 million. These decreases are a result of reduced driving by Indiana citizens due to high gas prices and a credit given to citizens for online vehicle registrations. The fund distributed $369.4 million to local units of government, $230.7 million for public safety, and transferred $354.0 million to other funds, which include the Department of Transportation and the Underground Petroleum Storage Tank Excess Liability Fund. These amounts compare to FY 2007 distributions of $301.1 million to local units of government, $193.0 million for public safety, and transfers of $373.8 million to other funds. The change in fund balance from FY 2007 to FY 2008 was a decrease of $14.4 million.

Medicaid Assistance Fund

Medicaid is an insurance program for low-income people. It is jointly funded by the Federal government and the State. The Medicaid Assistance Fund received $4.1 billion in Federal revenue as compared to $3.8 billion in FY 2007. State funding comes through the $1.9 billion of transfers in which was the same total in FY 2007. Transfers out were $151.9 million compared with $212.9 million in FY 2007. The Fund distributed $6.5 billion in Medicaid assistance as compared to $5.5 billion in FY 2007. This increase was due in part to the creation of the Healthy Indiana Plan, a health insurance program for uninsured adults. The State also increased its assistance under the Childrens Health Insurance Program. In addition, the state increased the number of family case managers in the Division of Child Services. The change in fund balance increased by $37.6 billion from FY 2007 to FY 2008.

Major Moves Construction Fund

The Major Moves Construction Fund was created in fiscal year 2006 as part of the leasing of the Indiana Toll Road to Cintra-Mcquarie, a private company. This fund distributes money received from the Toll Road lease for new constructions and major preservation of highways and bridges throughout Indiana.

The Major Moves Construction Fund transferred $100.0 million to the State Highway Department Fund and $75.0 million to the Motor Vehicle Highway Fund. The fund received $133.3 million in investment income and distributed $10.0 million to the Northwest Indiana Regional Development Authority. The change in fund balance from FY 2007 to FY 2008 was a decline of $128.7 million.

State Highway Department Fund

The State Highway Department Fund was created to fund the construction, reconstruction, operation, maintenance, and control of State highways and tollways. The fund collected $668.0 million in grants and received $591.1 million in transfers in, which are taxes and revenues collected in other funds, compared with $825.1 million and $636.5 million in FY 2007, respectively. The fund expended $1.7 billion during the year, compared with $1.5 billion in FY 2007. The fund balance decreased by $344.5 million from FY 2007 to FY 2008. This decrease was caused principally by the increase in expenditures to improve the State's road systems under the Major Moves initiative.

Property Tax Replacement Fund

The Property Tax Replacement Fund collects sales taxes and receives as transfers from other funds, sales, income, and gaming taxes. These are dedicated to tuition support and to property tax replacement distribution to local units of government. This is to relieve the property tax burden to the citizens. In FY 2008, the fund collected $2.1 billion in sales taxes, as compared to $2.7 billion in FY 2007. This decrease was due to the reallocation of sales tax revenues from this fund to the General Fund per legislation.

The fund received transfers in of $713.6 million for income taxes and $522.2 million in reimbursement for tuition support in the General Fund. This compares to FY 2007 tax transfers of $695.0 and $73.0 million, respectively, from the General Fund. The fund received transfers in of $582.9 million from the State Gaming Fund, as compared to $625.0 million in FY 2007. The fund also received transfers in of $32.6 million in sales taxes collected in the Tax Collection Fund.

The fund has a total transfer out for the year of $1.9 billion. Out of this amount, the fund transferred out $1.7 billion to the General Fund for tuition support per legislation. $80.4 million was transferred to the Build Indiana Fund, in contrast to FY 2007 when $94.7 million was transferred. The change in fund balance from FY 2007 to FY 2008 was a decline of $119.1 million. This was caused principally by the transferring of the balance of this fund to close out the fund as of June 30, 2008.

Tobacco Settlement Fund

The Tobacco Settlement Fund is used to receive and distribute revenue from the Tobacco Master Settlement Agreement entered into on November 23, 1998, by the State and leading United States tobacco product manufacturers. During fiscal year 2008, the State collected $147.5 million from tobacco product manufacturers as compared to $124.9 million in FY 2007.

The State expended $13.8 million to fund operating and capital expenses associated with community health centers. $12.1 million was spent for land and buildings at State hospitals. $3.0 million was spent for the Indiana Local Health Department Trust Account for distribution to the counties, $3.5 million for advertising, and $0.7 million for management consultants. Transfers out of the Fund were $87.2 million as compared to $134.9 million in FY 2007.

The change in fund balance from FY 2007 to FY 2008 was an increase of $13.2 million, caused principally by the increase in tobacco settlement receipts.

General Fund Budgetary Highlights

Actual State General Fund revenue collections for FY 2008 were 2.4% higher than FY 2007 collections. The budget enacted in May 2007 appropriated 4.8% more General Fund dollars for FY 2008 over FY 2007, and 3.4% more for FY 2009 over FY 2008. Administrative actions taken by Governor Daniels reduced actual expenditure growth to just 3.9% in FY 2008 over FY 2007, enabling the State to close the books with a balanced budget for the third consecutive year. Expenditure growth has averaged 2.8% over the past four years in comparison to growth of nearly 5.9% between FY 1996 and FY 2004.

At year-end, the State had $1.4 billion in reserves. The reserves consist of $57.6 million in Medicaid Reserves, $400.0 million in Tuition Support Reserves, $363.0 million in the Rainy Day Fund, and $592.6 million in General Fund working balance. At the close of FY 2008, only $31.1 million of payment delays to public universities remained. These dollars are to be released in FY 2009 after Budget Committee approval.

Capital Asset and Debt Administration

Capital Assets

Capital assets were $10.7 billion, which was 44.0% of total assets for the primary government. Related debt was $1.3 billion. Total capital assets net of related debt for the primary government was $9.4 billion. Related debt was 12.0% of capital assets. Total capital assets increased by $621.6 million or 6.2% and is mainly attributable to increases in the Indiana Department of Transportation's land, infrastructure, and construction in progress. INDOT's capital assets increase of $606.1 million accounted for over 97% of the total increase in capital assets. Construction in progress consisting of right of way and work in progress increased $388.5 million, infrastructure consisting of interstate roads, non-interstate roads, and bridges increased $157.9 million, and land increased by $59.7 million. More detailed information about the State's capital assets is presented in Note IV(D) to the Financial Statements.

The following table shows the percentage change from fiscal year 2007 to fiscal year 2008.

State of Indiana
Capital Assets
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government		Total % Change
	2008	2007	2008	2007	2008	2007	
Land	$ 1,316.5	$ 1,254.2	$ -	$ -	$ 1,316.5	$ 1,254.2	5.0%
Infrastructure	7,762.9	7,605.0	-	-	7,762.9	7,605.0	2.1%
Construction in Progress	724.0	316.7	3.1	-	727.1	316.7	129.6%
Property, plant and equipment	1,843.0	1,820.7	22.8	22.7	1,865.8	1,843.4	1.2%
Less accumulated depreciation	(985.1)	(956.9)	(12.2)	(11.6)	(997.3)	(968.5)	3.0%
Total	**$ 10,661.3**	**$ 10,039.7**	**$ 13.7**	**$ 11.1**	**$ 10,675.0**	**$ 10,050.8**	**6.2%**

Long-term Obligations

Major long-term obligations items are included in the following table. These items comprised 100% of total long-term liabilities and 30.9% of total liabilities.

The following table shows the percentage change from fiscal year 2007 to fiscal year 2008.

State of Indiana
Long-term Liabilities
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government		Total % Change
	2008	2007	2008	2007	2008	2007	
Accrued liability for compensated absences	$ 67.9	$ 58.9	$ 0.2	$ 0.2	$ 68.1	$ 59.1	15.2%
Intergovernmental payable	60.0	70.0	-	-	60.0	70.0	-14.3%
Capital lease payable	1,280.4	1,297.1	-	-	1,280.4	1,297.1	-1.3%
Claims payable	-	-	47.0	50.0	47.0	50.0	-6.0%
Net pension obligations	10.8	8.1	-	-	10.8	8.1	33.3%
Other postemployment benefits	35.7	-	-	-	35.7	-	N/A
Due to component units	50.0	81.0	-	-	50.0	81.0	-38.3%
Total	**$ 1,504.8**	**$ 1,515.1**	**$ 47.2**	**$ 50.2**	**$ 1,552.0**	**$ 1,565.3**	**-0.8%**

Total long-term liabilities decreased by 0.8% or $13.3 million. Significant decreases were in intergovernmental payables of $10.0 million, capital leases payable of $16.7 million, and due to component units of $31.0 million.

The decrease in due to component units is from the extinguishment of payment delays to the colleges and universities.

The decrease in capital leases payable is made up in large part from a decrease of $13.1 million in the direct financing lease with the Highway Revenue Bonds Fund of the Indiana Finance Authority. We had other capital leases that decreased by $3.6 million.

The $10.0 million decrease in intergovernmental payables resulted from a distribution for infrastructure projects under the Major Moves Construction Fund.

Significant increases in long-term liabilities were for compensated absences totaling $9.0 million and for other postemployment benefits of $35.7 million. Due to the implementation of GASB 45, we are reporting for the first time a long-term liability for other postemployment benefits.

Claims payable for business activities decreased by $3.0 million. This was the amount of decrease in claims payable for the Indiana Residual Malpractice Insurance Authority.

More detailed information about the State's long term obligations is presented in Note IV(F) to the Financial Statements.

Infrastructure

As required by GASB Statement No. 34, the State has capitalized its infrastructure. This amounts to $7.7 billion in roads and bridges using the modified approach, $1.1 billion in right of way classified as land, and $14.6 million in dams being depreciated. In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the State.
- Document that the assets are being preserved

approximately at or above the established condition level.

Under the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 27,739 lane miles of roads and approximately 5,222 bridges that the State is responsible to maintain.

The State has consistently maintained the assessed conditions of roads over the past eight years. It is the State's policy to maintain Interstate and National Highway System (NHS) Non-Interstate roads at an average Pavement Quality Index (PQI) of 75 and Non-NHS roads at an average PQI of 65. The most recent condition assessment, completed for FY 2008, indicated that the average PQI for roads exceeded the minimum acceptable standard.

The State has maintained the assessed conditions of bridges at levels which are above the established benchmarks. It is the State's policy to maintain Interstate bridges at an average sufficiency rating of 87%, NHS Non-Interstate bridges at an average sufficiency rating of 85%, and Non-NHS bridges at an average sufficiency rating of 83%. The most recent condition assessment, completed in FY 2008, indicated that the average sufficiency rating for bridges exceeded the minimum acceptable standard.

The total actual maintenance and preservation costs for infrastructure presented as required supplementary information were higher than their plan 'needed' as INDOT realized increased funding from all sources for projects during the year. However, the lone category where actual maintenance and preservation costs were lower than the plan 'needed' was for NHS and NON-NHS Roads - Non - Interstate. This was because the plan 'needed' amount is an estimate while the actual costs reflect unforeseen savings and delays.

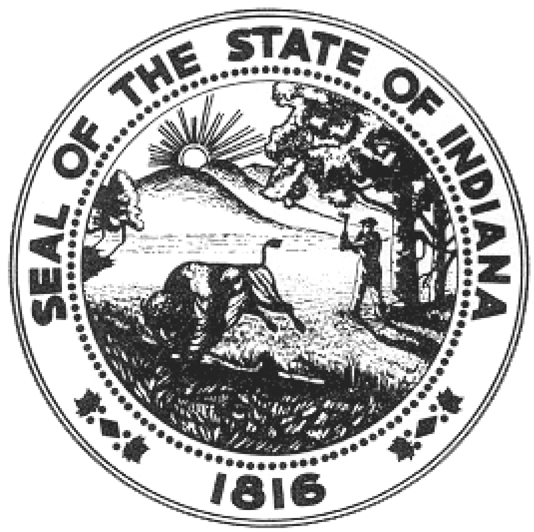
Economic Factors

The forecast upon which the FY 2008 state budget was based was updated in April 2007. The April 2007 updated forecast projected real Gross Domestic Product (GDP) to increase by 2.5% in FY 2008. The U.S. Bureau of Economic Analysis currently estimates that real GDP increased by 2.4% in FY 2008. The April 2007 updated forecast projects real GDP growth of 2.9% in FY 2009.

The April 2007 updated forecast projected that Indiana non-farm personal income would increase by 4.3% in FY 2008. The U.S. Bureau of Economic Analysis currently estimates that Indiana non-farm personal income increased by 3.9% in FY 2008. The April 2007 updated forecast projects that Indiana non-farm personal income will increase by 4.6% in FY 2009.

Contacting the Auditor of State

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Auditor of State, Room 240 State House, 200 West Washington Street, Indianapolis, Indiana 46204-2793, telephone (317) 232-3300.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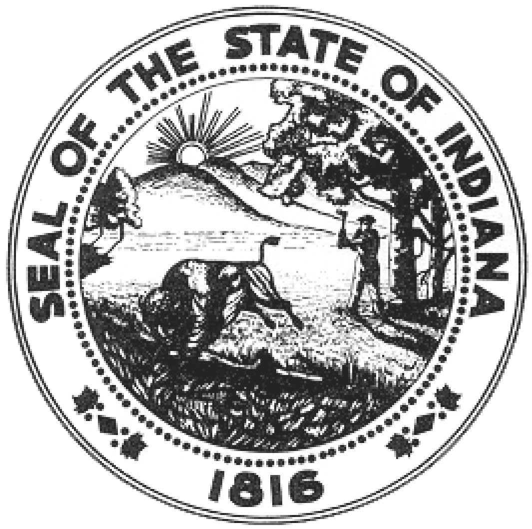
BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE

FINANCIAL STATEMENTS


SEAL OF THE STATE OF INDIANA
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State of Indiana
Statement of Net Assets
June 30, 2008
(amounts expressed in thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets:				
Current assets:				
Cash, cash equivalents and investments	$ 7,452,010	$ 293,275	**$ 7,745,285**	$ 3,343,249
Securities lending collateral	2,437,137	-	**2,437,137**	548,956
Receivables (net)	2,148,038	39,682	**2,187,720**	666,811
Inventory	5,802	608	**6,410**	14,690
Prepaid expenses	3,956	45	**4,001**	22,153
Loans	57,146	-	**57,146**	-
Intergovernmental loans	-	-	**-**	1,068,689
Due from primary government	-	-	**-**	34,561
Due from component unit	36,088	-	**36,088**	-
Investment in direct financing lease	-	-	**-**	53,090
Funds held in trust by others	-	-	**-**	18,159
Other postemployment benefits	-	-	**-**	6,303
Other current assets	-	-	**-**	60,744
Total current assets	12,140,177	333,610	**12,473,787**	5,837,405
Noncurrent assets:				
Cash, cash equivalents and investments - restricted	-	-	**-**	2,478,638
Taxes, interest, and penalties receivable	445,194	-	**445,194**	4,722
Other receivables	13,325	-	**13,325**	5,371,790
Investments - unrestricted	-	-	**-**	4,381,770
Loans	474,894	-	**474,894**	22
Bond issuance costs net of amortization	-	-	**-**	48,570
Intergovernmental loans	-	-	**-**	1,736,315
Due from primary government	-	-	**-**	50,000
Investment in direct financing lease	-	-	**-**	1,447,101
Net pension assets	181,362	-	**181,362**	-
Other postemployment benefits	-	-	**-**	1,191
Other noncurrent assets	5	-	**5**	74,607
Capital assets:				
Land	1,316,455	-	**1,316,455**	355,874
Infrastructure	7,762,926	-	**7,762,926**	534,442
Construction in progress	724,035	3,056	**727,091**	1,303,865
Property, plant, and equipment	1,842,960	22,802	**1,865,762**	8,902,719
Less accumulated depreciation	(985,093)	(12,185)	**(997,278)**	(3,826,555)
Total capital assets, net of depreciation	10,661,283	13,673	**10,674,956**	7,270,345
Total noncurrent assets	11,776,063	13,673	**11,789,736**	22,865,071
Total assets	**23,916,240**	**347,283**	**24,263,523**	**28,702,476**
Liabilities:				
Current liabilities:				
Accounts payable	527,010	587	**527,597**	409,027
Claims payable	-	2,737	**2,737**	11,109
Interest payable	-	-	**-**	150,402
Current portion of long-term debt	-	-	**-**	1,658,051
Line of credit	-	-	**-**	478,475
Intergovernmental payable	152,957	-	**152,957**	-
Due to primary government	-	-	**-**	36,088
Due to component unit	34,561	-	**34,561**	-
Capital lease payable	41,153	-	**41,153**	1,561
Accrued prize liability	-	-	**-**	62,585
Salaries, health, disability, and benefits payable	129,965	452	**130,417**	31,163
Tax refunds payable	45,497	-	**45,497**	-
Deferred revenue	11,141	6,437	**17,578**	299,806
Accrued liability for compensated absences	80,522	186	**80,708**	62,230
Other postemployment benefits	-	-	**-**	5,563
Securities lending payable	4,457	-	**4,457**	-
Securities lending collateral	2,437,137	-	**2,437,137**	548,956
Deposits held in custody for others	-	-	**-**	58,937
Other current liabilities	41	418	**459**	63,534
Total current liabilities	3,464,441	10,817	**3,475,258**	3,877,487

State of Indiana
Statement of Net Assets
June 30, 2008
(amounts expressed in thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Long-term liabilities:				
Accrued liability for compensated absences	$ 67,863	$ 237	**$ 68,100**	$ 56,605
Claims payable	-	46,974	**46,974**	-
Intergovernmental payable	60,000	-	**60,000**	-
Accrued prize liability	-	-	**-**	80,630
Internal balances	-	-	**-**	-
Net pension obligations	10,833	-	**10,833**	-
Other postemployment benefits	35,745	-	**35,745**	7,834
Due to component unit	50,000	-	**50,000**	-
Deferred revenue	-	-	**-**	3,709,235
Capital lease payable	1,280,440	-	**1,280,440**	9,083
Funds held in trust for others	-	-	**-**	160,067
Advances from federal government	-	-	**-**	35,517
Revenue bonds/notes payable	-	-	**-**	12,135,832
Other noncurrent liabilities	-	-	**-**	60,062
Total long-term liabilities	1,504,881	47,211	**1,552,092**	16,254,865
Total liabilities	**4,969,322**	**58,028**	**5,027,350**	**20,132,352**
Net Assets:				
Invested in capital assets net of related debt	9,339,690	13,673	**9,353,363**	3,049,564
Restricted-nonexpendable:				
Grants/constitutional restrictions	-	-	**-**	2,974
Permanent funds	555,950	-	**555,950**	-
Future debt service	-	-	**-**	118,515
Instruction and research	-	-	**-**	198,481
Student aid	-	-	**-**	155,770
Other purposes	-	-	**-**	114,810
Total restricted-nonexpendable	555,950	-	**555,950**	590,550
Restricted-expendable:				
Instruction and research	-	-	**-**	430,105
Grants/constitutional restrictions	163,841	-	**163,841**	11,106
Endowments	-	-	**-**	510,015
Future debt service	-	-	**-**	249,365
Pension fund distribution	-	-	**-**	14,617
Public safety programs	-	-	**-**	7,016
Student aid	-	-	**-**	719,477
Auxiliary enterprises	-	-	**-**	8,076
Capital projects	-	-	**-**	406,943
Repairs and rehabilitation	-	-	**-**	806
Water pollution and drinking water projects	-	-	**-**	894,366
Unemployment compensation	-	265,013	**265,013**	-
Unrealized gains	-	-	**-**	96,329
Other purposes	-	-	**-**	20,995
Total restricted-expendable	163,841	265,013	**428,854**	3,369,216
Unrestricted	8,887,437	10,569	**8,898,006**	1,560,794
Total net assets	**$ 18,946,918**	**$ 289,255**	**$ 19,236,173**	**$ 8,570,124**

The notes to the financial statements are an integral part of this statement.

State of Indiana
Statement of Activities
For the Year Ended June 30, 2008
(amounts expressed in thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
					Primary Government			
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**	**Component Units**
Primary government:								
Governmental activities:								
General government	$ 5,172,003	$ 838,962	$ 449,239	$ 199	$ (3,883,603)	$ -	$ (3,883,603)	$ -
Public safety	1,384,954	461,330	182,686	26,637	(714,301)	-	(714,301)	-
Health	387,349	15,030	230,544	46	(141,729)	-	(141,729)	-
Welfare	9,158,302	180,314	6,481,086	-	(2,496,902)	-	(2,496,902)	-
Conservation, culture and development	590,073	146,441	273,986	-	(169,646)	-	(169,646)	-
Education	7,369,686	3,987	849,987	-	(6,515,712)	-	(6,515,712)	-
Transportation	1,309,247	38,142	941,228	-	(329,877)	-	(329,877)	-
Unallocated interest expense	724	-	-	-	(724)	-	(724)	-
Total governmental activities	25,372,338	1,684,206	9,408,756	26,882	(14,252,494)	-	(14,252,494)	-
Business-type activities:								
Unemployment Compensation Fund	845,956	617,737	134,559	-	-	(93,660)	(93,660)	-
Other	24,480	28,590	-	-	-	4,110	4,110	-
Total business-type activities	870,436	646,327	134,559	-	-	(89,550)	(89,550)	-
Total primary government	$ 26,242,774	$ 2,330,533	$ 9,543,315	$ 26,882	(14,252,494)	(89,550)	(14,342,044)	-
Component units:								
Proprietary	1,870,055	1,451,797	568,389	101,038	-	-	-	251,169
Colleges and universities	5,357,146	2,632,371	1,111,225	114,903	-	-	-	(1,498,647)
Total component units	$ 7,227,201	$ 4,084,168	$ 1,679,614	$ 215,941	-	-	-	(1,247,478)
		General Revenues:						
		Income tax			5,838,675	-	5,838,675	-
		Sales tax			5,873,260	-	5,873,260	-
		Fuels tax			676,144	-	676,144	-
		Gaming tax			826,359	-	826,359	-
		Inheritance tax			166,094	-	166,094	-
		Alcohol & tobacco tax			556,498	-	556,498	-
		Insurance tax			203,110	-	203,110	-
		Financial institutions tax			37,419	-	37,419	-
		Other tax			582,618	-	582,618	-
		Total taxes			14,760,177	-	14,760,177	-
		Revenue not restricted to specific programs						
		Investment earnings			239,372	21,625	260,997	137,915
		Payments from State of Indiana			-	-	-	1,430,252
		Other			76,199	-	76,199	342,975
		Transfers within primary government			(3,699)	3,699	-	-
		Total general revenues and transfers			15,072,049	25,324	15,097,373	1,911,142
		Changes in net assets			819,555	(64,226)	755,329	663,664
		Net assets - beginning, as restated			18,127,363	353,481	18,480,844	7,906,460
		Net assets - ending			$ 18,946,918	$ 289,255	$ 19,236,173	$ 8,570,124

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

State of Indiana
Balance Sheet
Governmental Funds
June 30, 2008
(amounts expressed in thousands)

	General Fund	Motor Vehicle Highway Fund	Medicaid Assistance Fund	Major Moves Construction Fund
Assets:				
Cash, cash equivalents and investments-unrestricted	$ 1,751,004	$ -	$ 70,883	$ 2,574,242
Securities lending collateral	1,570,046	-	-	309,347
Receivables:				
Taxes (net of allowance for uncollectible accounts)	1,830,245	23,089	-	-
Securities lending	3,075	-	-	484
Accounts	15,853	-	5,699	-
Grants	2,979	71	169,416	-
Interest	5,143	-	-	-
Interfund loans	150,989	63,277	-	-
Due from component unit	313	-	-	-
Prepaid expenditures	474	15	-	-
Loans	18,698	-	-	-
Total assets	$ 5,348,819	$ 86,452	$ 245,998	$ 2,884,073
Liabilities:				
Accounts payable	$ 62,737	$ 2,898	$ 249,419	$ -
Salaries and benefits payable	42,068	6,641	-	-
Interfund loans	-	12,405	-	-
Interfund services used	3,102	2,656	-	-
Intergovernmental payable	60,838	25,517	-	-
Due to component unit	-	-	-	-
Tax refunds payable	39,764	-	-	-
Deferred revenue	690,520	12,943	-	-
Accrued liability for compensated absences-current	2,764	69	-	-
Securities lending payable	3,075	-	-	484
Securities lending collateral	1,570,046	-	-	309,347
Total liabilities	2,474,914	63,129	249,419	309,831
Fund balance:				
Reserved:				
Encumbrances	44,737	4,754	-	-
Special purposes	-	-	-	-
Tuition support	400,000	-	-	-
Interfund loans	150,989	63,277	-	-
Long-term loans and advances	18,156	-	-	-
Restricted purposes	2,979	71	1,695	-
Unreserved:				
Unreserved fund balance reported in:				
General fund	2,257,044	-	-	-
Special revenue funds	-	(44,779)	(5,116)	2,574,242
Capital projects funds	-	-	-	-
Permanent funds	-	-	-	-
Total fund balances	2,873,905	23,323	(3,421)	2,574,242
Total liabilities and fund balances	$ 5,348,819	$ 86,452	$ 245,998	$ 2,884,073

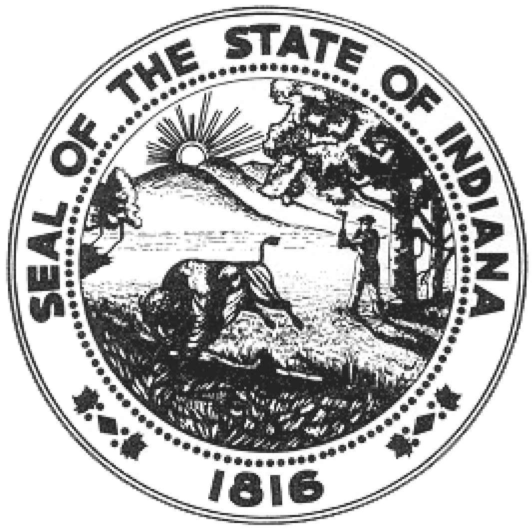
The notes to the financial statements are an integral part of this statement.

State Highway Department Fund	Property Tax Replacement Fund	Tobacco Settlement Fund	Non-major Governmental Funds	Total
$ 162,656	$ -	$ 148,972	$ 2,616,015	**$ 7,323,772**
5,500	-	33,000	519,244	**2,437,137**
-	-	-	185,471	**2,038,805**
7	-	45	846	**4,457**
692	-	-	38,354	**60,598**
32,608	-	-	171,337	**376,411**
10	-	21	1,730	**6,904**
-	-	-	-	**214,266**
-	-	-	35,775	**36,088**
-	-	-	25	**514**
7,586	-	-	505,756	**532,040**
$ 209,059	$ -	$ 182,038	$ 4,074,553	**$ 13,030,992**
$ 17,842	$ -	$ 1,962	127,055	**$ 461,913**
10,099	-	57	31,191	**90,056**
-	-	-	201,861	**214,266**
782	-	4	4,758	**11,302**
-	-	-	56,602	**142,957**
-	-	-	3,533	**3,533**
-	-	-	5,733	**45,497**
692	-	-	67,549	**771,704**
757	-	3	2,077	**5,670**
7	-	45	846	**4,457**
5,500	-	33,000	519,244	**2,437,137**
35,679	-	35,071	1,020,449	**4,188,492**
1,357,633	-	14,527	186,617	**1,608,268**
-	-	-	4,336	**4,336**
-	-	-	-	**400,000**
-	-	-	-	**214,266**
6,686	-	-	485,182	**510,024**
32,608	-	-	126,488	**163,841**
-	-	-	-	**2,257,044**
(1,223,547)	-	132,440	1,543,827	**2,977,067**
-	-	-	78,953	**78,953**
-	-	-	628,701	**628,701**
173,380	-	146,967	3,054,104	**8,842,500**
$ 209,059	$ -	$ 182,038	$ 4,074,553	**$ 13,030,992**

State of Indiana
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2008
(amounts expressed in thousands)

Total fund balances-governmental funds			$	8,842,500
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:				
Land	$	1,316,455		
Infrastructure assets		7,762,926		
Construction in progress		724,010		
Property, plant, and equipment		1,795,651		
Accumulated depreciation		(959,431)		
Total capital assets, net of depreciation				10,639,611
The State's pension funds have net pension assets not reported as assets in the funds.				181,362
Some of the state's receivables will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.				
Taxes receivable	$	760,564		
Accounts receivable		111,694		
				872,258
Some liabilities reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.				
Accounts payable	$	(124,463)		
Salaries, health, disability and benefits payable		(1,219)		
Due to component unit		(31,028)		
				(156,710)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.				116,125
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:				
Accrued liability for compensated absences		(139,013)		
Other postemployment benefits		(35,745)		
Loan from the Indiana Board for Depositories		(50,000)		
Capital lease payable		(1,312,637)		
Net pension obligations		(10,833)		
Total long-term liabilities				(1,548,228)
Net assets of governmental activities			$	18,946,918

The notes to the financial statements are an integral part of this statement.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State of Indiana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008
(amounts expressed in thousands)

	General Fund	Motor Vehicle Highway Fund	Medicaid Assistance Fund	Major Moves Construction Fund
Revenues:				
Taxes:				
Income	$ 5,728,520	$ -	$ -	$ -
Sales	3,653,894	-	-	-
Fuels	-	311,886	-	-
Gaming	83,766	-	-	-
Inheritance	166,095	-	-	-
Alcohol and tobacco	345,478	-	-	-
Insurance	200,626	-	-	-
Financial Institutions	-	-	-	-
Other	212,776	173,846	-	-
Total taxes	10,391,155	485,732	-	-
Current service charges	195,981	134,977	123,594	-
Investment income	239,128	-	86	133,294
Sales/rents	3,710	5	-	-
Grants	10,406	12,593	4,122,329	-
Other	72,489	35,152	554,292	-
Total revenues	10,912,869	668,459	4,800,301	133,294
Expenditures:				
Current:				
General government	1,526,935	369,400	-	-
Public safety	682,091	230,705	-	-
Health	93,455	41	-	-
Welfare	284,049	-	6,536,774	-
Conservation, culture and development	87,121	-	-	-
Education	6,288,452	260	-	-
Transportation	1,509	833	-	88,291
Total expenditures	8,963,612	601,239	6,536,774	88,291
Excess (deficiency) of revenues over expenditures	1,949,257	67,220	(1,736,473)	45,003
Other financing sources (uses):				
Transfers in	2,710,985	272,320	1,925,968	1,304
Transfers (out)	(4,169,456)	(353,980)	(151,851)	(175,000)
Proceeds from capital lease	228	69	-	-
Total other financing sources (uses)	(1,458,243)	(81,591)	1,774,117	(173,696)
Net change in fund balances	491,014	(14,371)	37,644	(128,693)
Fund Balance July 1, as restated	2,382,891	37,694	(41,065)	2,702,935
Fund Balance June 30	**$ 2,873,905**	**$ 23,323**	**$ (3,421)**	**$ 2,574,242**

The notes to the financial statements are an integral part of this statement.

State Highway Department Fund	Property Tax Replacement Fund	Tobacco Settlement Fund	Non-Major Governmental Funds	Total
$ -	$ -	$ -	$ 112,950	**$ 5,841,470**
-	2,060,875	-	138,813	**5,853,582**
-	-	-	359,278	**671,164**
-	-	-	742,574	**826,340**
-	-	-	-	**166,095**
-	-	-	211,326	**556,804**
-	-	-	2,484	**203,110**
-	-	-	38,777	**38,777**
-	-	-	193,365	**579,987**
-	2,060,875	-	1,799,567	**14,737,329**
5,400	-	147,475	1,107,585	**1,715,012**
569	-	6,486	69,796	**449,359**
1,532	-	-	17,947	**23,194**
667,939	-	-	3,273,947	**8,087,214**
85,766	-	225	442,899	**1,190,823**
761,206	2,060,875	154,186	6,711,741	**26,202,931**
180	2,088,998	20,050	1,178,728	**5,184,291**
-	-	-	474,600	**1,387,396**
-	-	34,297	261,506	**389,299**
-	-	1,091	2,337,472	**9,159,386**
-	-	111	504,464	**591,696**
-	-	-	1,112,213	**7,400,925**
1,693,484	-	-	247,733	**2,031,850**
1,693,664	2,088,998	55,549	6,116,716	**26,144,843**
(932,458)	(28,123)	98,637	595,025	**58,088**
591,143	1,854,445	1,771	2,088,703	**9,446,639**
(29,532)	(1,945,486)	(87,205)	(2,526,578)	**(9,439,088)**
26,315	-	-	108	**26,720**
587,926	(91,041)	(85,434)	(437,767)	**34,271**
(344,532)	(119,164)	13,203	157,258	**92,359**
517,912	119,164	133,764	2,896,846	**8,750,141**
$ 173,380	**$ -**	**$ 146,967**	**$ 3,054,104**	**$ 8,842,500**

State of Indiana
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008
(amounts expressed in thousands)

Net change in fund balances-total governmental funds	$	92,359
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report net capital outlays for infrastructure as expenditures. However in the statement of activities these outlays are capitalized and under the modified approach not depreciated. This is the amount of the net capital outlays for infrastructure under the modified approach in the current period.		606,123
Governmental funds report net capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which net capital outlays ($72,513) exceeds depreciation ($59,307) in the current period.		13,206
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Tax revenue		23,402
Non-tax revenue		(30,754)
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds.		
Operating expenses		12,192
Statutory expenses		85,000
Amounts due to component units		9,877
Payment delays to colleges and universities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		31,132
The change in net pension assets and net pension obligations do not provide or require the use of current financial resources:		
Decrease in net pension assets		(24,323)
Decrease in net pension obligations		(507)
The change in other postemployment benefits do not provide or require the use of current financial resources.		(35,745)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, data processing, telecommunications, fleet management, and printing, to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities.		37,593
Change in net assets of governmental activities.	$	819,555

The notes to the financial statements are an integral part of this statement.

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State of Indiana
Statement of Fund Net Assets
Proprietary Funds
June 30, 2008
(amounts expressed in thousands)

	Unemployment Compensation Fund	Non-Major Enterprise Funds	Total	Internal Service Funds
Assets				
Current assets:				
Cash, cash equivalents and investments - unrestricted	$ 226,976	$ 66,299	**$ 293,275**	$ 128,239
Receivables:				
Accounts	32,519	946	**33,465**	7,689
Interest	-	688	**688**	-
Grants	5,529	-	**5,529**	-
Interfund services provided	-	-	**-**	11,302
Inventory	-	608	**608**	5,802
Prepaid expenses	-	45	**45**	3,956
Total current assets	265,024	68,586	**333,610**	156,988
Noncurrent assets:				
Capital assets:				
Construction in progress	-	3,056	**3,056**	25
Property, plant, and equipment	-	22,802	**22,802**	47,309
Less accumulated depreciation	-	(12,185)	**(12,185)**	(25,662)
Total capital assets, net of depreciation	-	13,673	**13,673**	21,672
Other assets	-	-	**-**	5
Total noncurrent assets	-	13,673	**13,673**	21,677
Total assets	**265,024**	**82,259**	**347,283**	**178,665**
Liabilities				
Current liabilities:				
Accounts payable	11	576	**587**	10,635
Claims payable	-	2,737	**2,737**	-
Salaries and benefits payable	-	452	**452**	1,388
Capital lease payable	-	-	**-**	466
Health/disability benefits payable	-	-	**-**	37,302
Accrued liability for compensated absences	-	186	**186**	1,942
Deferred revenue	-	6,437	**6,437**	516
Other liabilities	-	418	**418**	41
Total current liabilities	11	10,806	**10,817**	52,290
Noncurrent liabilities:				
Accrued liability for compensated absences	-	237	**237**	1,760
Capital lease payable	-	-	**-**	8,490
Claims payable	-	46,974	**46,974**	-
Total noncurrent liabilites	-	47,211	**47,211**	10,250
Total liabilities	**11**	**58,017**	**58,028**	**62,540**
Net assets				
Invested in capital assets net of related debt	-	13,673	**13,673**	12,716
Restricted-expendable:				
Unemployment compensation	265,013	-	**265,013**	**-**
Unrestricted	-	10,569	**10,569**	103,409
Total net assets	**$ 265,013**	**$ 24,242**	**$ 289,255**	**$ 116,125**

The notes to the financial statements are an integral part of this statement.

State of Indiana
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2008

(amounts expressed in thousands)

	Unemployment Compensation Fund	Non-Major Enterprise Funds	Total	Internal Service Funds
Operating revenues:				
Sales/rents/premiums	$ -	$ 28,347	**$ 28,347**	$ 483,015
Employer contributions	617,737	-	**617,737**	-
Charges for services	-	-	**-**	1,392
Other	-	243	**243**	425
Total operating revenues	617,737	28,590	**646,327**	484,832
Cost of sales	-	4,013	**4,013**	35,648
Gross margin	617,737	24,577	**642,314**	449,184
Operating expenses:				
General and administrative expense	10,787	19,235	**30,022**	121,318
Claims expense	-	465	**465**	-
Health / disability benefit payments	-	-	**-**	272,537
Unemployment compensation benefits	835,169	-	**835,169**	-
Depreciation and amortization	-	582	**582**	5,744
Other	-	185	**185**	-
Total operating expenses	845,956	20,467	**866,423**	399,599
Operating income (loss)	(228,219)	4,110	**(224,109)**	49,585
Nonoperating revenues (expenses):				
Interest and other investment income	16,481	5,144	**21,625**	3
Interest and other investment expense	-	-	**-**	(724)
Gain (Loss) on disposition of assets	-	-	**-**	516
Other	134,559	-	**134,559**	(2,853)
Total nonoperating revenues (expenses)	151,040	5,144	**156,184**	(3,058)
Income before contributions and transfers	(77,179)	9,254	**(67,925)**	46,527
Capital contributions	-	-	**-**	2,316
Transfers in	-	3,699	**3,699**	2,880
Transfers (out)	-	-	**-**	(14,130)
Change in net assets	(77,179)	12,953	**(64,226)**	37,593
Total net assets, July 1, as restated	**342,192**	**11,289**	**353,481**	**78,532**
Total net assets, June 30	**$ 265,013**	**$ 24,242**	**$ 289,255**	**$ 116,125**

The notes to the financial statements are an integral part of this statement.

State of Indiana
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2008
(amounts expressed in thousands)

	Unemployment Compensation Fund	Non-Major Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities:				
Cash received from customers	$ 619,004	$ 27,727	**$ 646,731**	$ 483,956
Cash paid for general and administrative	(10,787)	(19,522)	**(30,309)**	(120,670)
Cash paid for salary/health/disability benefit payments	-	-	**-**	(259,125)
Cash paid to suppliers	-	(4,031)	**(4,031)**	(33,368)
Cash paid for claims expense	(835,176)	(3,184)	**(838,360)**	-
Net cash provided (used) by operating activities	(226,959)	990	**(225,969)**	70,793
Cash flows from noncapital financing activities:				
Transfers in	-	-	**-**	2,880
Transfers out	-	-	**-**	(14,130)
Other	133,967	-	**133,967**	(1,332)
Net cash provided (used) by noncapital financing activities	133,967	-	**133,967**	(12,582)
Cash flows from capital and related financing activities:				
Acquisition/construction of capital assets	-	(3,150)	**(3,150)**	(5,787)
Proceeds from sale of assets	-	-	**-**	961
Principal payments -- capital leases	-	-	**-**	(466)
Capital contributions	-	3,699	**3,699**	-
Interest paid	-	-	**-**	(724)
Net cash provided (used) by capital and related financing activities	-	549	**549**	(6,016)
Cash flows from investing activities:				
Proceeds from sales of investments	-	9,402	**9,402**	-
Purchase of investments	-	(12,555)	**(12,555)**	-
Interest income (expense) on investments	16,481	2,351	**18,832**	3
Net cash provided (used) by investing activities	16,481	(802)	**15,679**	3
Net increase (decrease) in cash and cash equivalents	(76,511)	737	**(75,774)**	52,198
Cash and cash equivalents, July 1, as restated	303,487	5,722	**309,209**	76,041
Cash and cash equivalents, June 30	**$ 226,976**	**$ 6,459**	**$ 233,435**	**$ 128,239**
Reconciliation of cash , cash equivalents and investments:				
Cash and cash equivalents unrestricted at end of year	$ 226,976	$ 6,459	**$ 233,435**	$ 128,239
Cash and cash equivalents restricted at end of year	-	-	**-**	-
Investments unrestricted	-	59,840	**59,840**	-
Cash, cash equivalents and investments per balance sheet	**$ 226,976**	**$ 66,299**	**$ 293,275**	**$ 128,239**
Noncash investing, capital and financing activities:				
Increase in fair value of investments	$ -	$ 2,796	**$ 2,796**	$ -

State of Indiana
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2008
(amounts expressed in thousands)

	Unemployment Compensation Fund	Non-Major Enterprise Funds	Total	Internal Service Funds
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	$ (228,219)	$ 4,110	**$ (224,109)**	$ 49,585
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation/amortization expense	-	582	**582**	5,744
(Increase) decrease in receivables	1,267	(518)	**749**	1,237
(Increase) decrease in interfund services provided	-	-	**-**	(1,234)
(Increase) decrease in inventory	-	(18)	**(18)**	1,228
(Increase) decrease in prepaid expenses	-	(14)	**(14)**	383
(Increase) decrease in claims payable	-	(2,719)	**(2,719)**	-
Increase (decrease) in health and disability benefits payable	-	-	**-**	12,769
Increase (decrease) in accounts payable	(7)	59	**52**	1,364
Increase (decrease) in deferred revenue	-	(363)	**(363)**	(880)
Increase (decrease) in salaries payable	-	54	**54**	226
Increase (decrease) in compensated absences	-	17	**17**	331
Increase (decrease) in other payables	-	(200)	**(200)**	40
Net cash provided (used) by operating activities	**$ (226,959)**	**$ 990**	**$ (225,969)**	**$ 70,793**

The notes to the financial statements are an integral part of this statement.

State of Indiana
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008
(amounts expressed in thousands)

	Pension Trust Funds	Private-Purpose Trust Funds	Investment Trust Fund	Agency Funds
Assets:				
Cash, cash equivalents and non-pension investments	$ 1,584,512	$ 44,453	$ -	$ 517,564
Securities lending collateral	3,254,263	9,435	2,204	100,750
Receivables:				
Taxes	-	-	-	16,754
Contributions	209,829	-	-	-
Interest	75,471	6	366	-
Securities lending	-	11	5	188
Member loans	3,236	-	-	-
Due from other funds	19,454	-	-	-
Due from component unit	3,498	-	-	-
From investment sales	2,652,699	-	-	-
Other	-	-	-	74
Pension and other employee benefit investments at fair value:				
Equity Securities	11,328,897	-	-	-
Debt Securities	6,492,722	-	-	-
Mutual Funds	3,532,686	-	-	-
Other	1,684,076	-	-	-
Total investments	23,038,382	-	-	-
Pool Investments at Amortized Cost:				
Cash and cash equivalents	-	-	98,480	-
Money Market Mutual Funds	-	-	47,256	-
U.S. Government Agencies	-	-	17,223	-
Commercial Paper	-	-	27,879	-
Total investments	-	-	190,838	-
Other assets	-	-	-	152,505
Property, plant and equipment net of accumulated depreciation	2,927	-	-	-
Total assets	**30,844,271**	**53,905**	**193,413**	**787,835**
Liabilities:				
Accounts/escrows payable	18,668	6,371	-	622,224
Securities purchased payable	2,885,502	-	-	-
Salaries and benefits payable	867	-	-	-
Management fee payable	-	-	23	-
Due to other funds	19,454	-	-	-
Securities lending payable	-	11	4	188
Distributions payable	-	-	12	-
Due to component unit	3,498	-	-	-
Compensated absences	374	-	-	-
Securities lending collateral	3,254,263	9,435	2,204	100,750
Other	159	-	16	64,673
Total liabilities	**6,182,784**	**15,817**	**2,259**	**$ 787,835**
Net assets:				
Held in trust for:				
Employees' pension benefits	24,661,487	-	-	
Trust beneficiaries	-	38,088	-	
Local government investment pool participants	-	-	191,154	
Total net assets	**$ 24,661,487**	**$ 38,088**	**$ 191,154**	

The notes to the financial statements are an integral part of this statement.

State of Indiana
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2008
(amounts expressed in thousands)

	Pension Trust Funds	Private-Purpose Trust Funds	Investment Trust Fund
Additions:			
Member contributions	$ 325,744	$ 83,110	$ 246,307
Employer contributions	1,246,003	-	-
Contributions from the State of Indiana	92,038	-	-
Net investment income (loss)	(1,521,423)	1,209	1,019
Less investment expense	(253,172)	-	(3)
Donations/escheats	-	77,374	-
Transfers in	9,607	-	-
Reinvestment of distributions	-	-	954
Other	405	-	-
Total additions	(100,798)	161,693	248,277
Deductions:			
Pension and disability benefits	1,550,706	-	-
Death benefits	1,008	-	-
Payments to participants/beneficiaries	-	159,427	967
Refunds of contributions and interest	60,440	-	56,107
Administrative	31,987	-	26
Pension relief distributions	134,948	-	-
Depreciation	9	-	-
Transfers out	9,608	-	-
Other	2,422	-	23
Total deductions	1,791,128	159,427	57,123
Net increase (decrease) in net assets	(1,891,926)	2,266	191,154
Net assets held in trust, July 1, as restated	26,553,413	35,822	-
Net assets held in trust, June 30	**$ 24,661,487**	**$ 38,088**	**$ 191,154**

The notes to the financial statements are an integral part of this statement.

State of Indiana
Combining Statement of Net Assets
Discretely Presented Component Units
June 30, 2008
(amounts expressed in thousands)

	Proprietary	Colleges and Universities	Total
Assets:			
Current assets:			
Cash, cash equivalents and investments	$ 1,910,680	$ 1,432,569	**$ 3,343,249**
Securities lending collateral	149,787	399,169	**548,956**
Receivables (net)	324,674	342,137	**666,811**
Inventory	242	14,448	**14,690**
Prepaid expenses	5,321	16,832	**22,153**
Intergovernmental loans	1,068,689	-	**1,068,689**
Due from primary government	3,533	31,028	**34,561**
Investment in direct financing lease	53,090	-	**53,090**
Funds held in trust by others	-	18,159	**18,159**
Other postemployment benefits	-	6,303	**6,303**
Other current assets	5,397	55,347	**60,744**
Total current assets	3,521,413	2,315,992	**5,837,405**
Noncurrent assets:			
Cash, cash equivalents and investments - restricted	679,492	1,799,146	**2,478,638**
Taxes, interest, and penalties receivable	4,722	-	**4,722**
Other receivables	4,963,208	408,582	**5,371,790**
Investments - unrestricted	762,893	3,618,877	**4,381,770**
Loans	-	22	**22**
Bond issuance costs net of amortization	48,396	174	**48,570**
Intergovernmental loans	1,736,315	-	**1,736,315**
Due from primary government	50,000	-	**50,000**
Investment in direct financing lease	1,438,266	8,835	**1,447,101**
Other postemployment benefits	-	1,191	**1,191**
Other noncurrent assets	8,367	66,240	**74,607**
Capital assets:			
Land	165,465	190,409	**355,874**
Infrastructure	267,510	266,932	**534,442**
Construction in progress	850,429	453,436	**1,303,865**
Property, plant, and equipment	1,282,607	7,620,112	**8,902,719**
Less accumulated depreciation	(363,146)	(3,463,409)	**(3,826,555)**
Capital assets, net of accumulated depreciation	2,202,865	5,067,480	**7,270,345**
Total noncurrent assets	11,894,524	10,970,547	**22,865,071**
Total assets	**15,415,937**	**13,286,539**	**28,702,476**
Liabilities:			
Current liabilities:			
Accounts payable	91,417	317,610	**409,027**
Claims payable	11,109	-	**11,109**
Interest payable	147,584	2,818	**150,402**
Current portion of long-term debt	1,322,772	335,279	**1,658,051**
Line of credit	478,475	-	**478,475**
Due to primary government	36,088	-	**36,088**
Capital lease payable	-	1,561	**1,561**
Accrued prize liability	62,585	-	**62,585**
Salaries, health, disability, and benefits payable	94	31,069	**31,163**
Deferred revenue	86,058	213,748	**299,806**
Accrued liability for compensated absences	-	62,230	**62,230**
Other postemployment benefits	-	5,563	**5,563**
Securities lending collateral	149,787	399,169	**548,956**
Deposits held in custody for others	24,484	34,453	**58,937**
Other current liabilities	20,004	43,530	**63,534**
Total current liabilities	2,430,457	1,447,030	**3,877,487**
Long-term liabilities:			
Accrued liability for compensated absences	-	56,605	**56,605**
Accrued prize liability	80,630	-	**80,630**
Other postemployment benefits	-	7,834	**7,834**
Deferred revenue	3,657,947	51,288	**3,709,235**
Capital lease payable	-	9,083	**9,083**
Funds held in trust for others	-	160,067	**160,067**
Advances from federal government	6,643	28,874	**35,517**
Revenue bonds/notes payable	10,268,387	1,867,445	**12,135,832**
Other noncurrent liabilities	4,076	55,986	**60,062**
Total long-term liabilities	14,017,683	2,237,182	**16,254,865**
Total liabilities	**16,448,140**	**3,684,212**	**20,132,352**
Net Assets:			
Invested in capital assets net of related debt	154,886	2,894,678	**3,049,564**
Restricted-nonexpendable:			
Grants/constitutional restrictions	2,974	-	**2,974**
Future debt service	118,515	-	**118,515**
Instruction and research	-	198,481	**198,481**
Student aid	-	155,770	**155,770**
Other purposes	-	114,810	**114,810**
Total restricted-nonexpendable	121,489	469,061	**590,550**
Restricted-expendable:			
Instruction and research	-	430,105	**430,105**
Grants/constitutional restrictions	346	10,760	**11,106**
Endowments	-	510,015	**510,015**
Future debt service	224,829	24,536	**249,365**
Pension fund distribution	14,617	-	**14,617**
Public safety programs	-	7,016	**7,016**
Student aid	-	719,477	**719,477**
Auxiliary enterprises	-	8,076	**8,076**
Capital projects	155,241	251,702	**406,943**
Repairs and rehabilitation	-	806	**806**
Water pollution and drinking water projects	894,366	-	**894,366**
Unrealized gains	-	96,329	**96,329**
Other purposes	-	20,995	**20,995**
Total restricted-expendable	1,289,399	2,079,817	**3,369,216**
Unrestricted	(2,597,977)	4,158,771	**1,560,794**
Total net assets	**$ (1,032,203)**	**$ 9,602,327**	**$ 8,570,124**

The notes to the financial statements are an integral part of this statement.

State of Indiana
Combining Statement of Activities
Discretely Presented Component Units
For the Fiscal Year Ended June 30, 2008
(amounts expressed in thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Proprietary	Colleges and Universities	Net (Expense) Revenue
Proprietary	$ 1,870,055	$ 1,451,797	$ 568,389	$ 101,038	$ 251,169	$ -	$ 251,169
Colleges and universities	5,357,146	2,632,371	1,111,225	114,903	-	(1,498,647)	(1,498,647)
Total component units	$ 7,227,201	$ 4,084,168	$ 1,679,614	$ 215,941	251,169	(1,498,647)	(1,247,478)
		General Revenues:					
		Investment earnings			127,551	10,364	137,915
		Payments from State of Indiana			1,157	1,429,095	1,430,252
		Other			-	342,975	342,975
		Total general revenues			128,708	1,782,434	1,911,142
		Change in net assets			379,877	283,787	663,664
		Net assets - beginning, as restated			(1,412,080)	9,318,540	7,906,460
		Net assets - ending			$ (1,032,203)	$ 9,602,327	$ 8,570,124

The notes to the financial statements are an integral part of this statement.

State of Indiana
Combining Statement of Net Assets
Discretely Presented Component Units - Proprietary Funds
June 30, 2008
(amounts expressed in thousands)

	Indiana Finance Authority	Indiana Bond Bank	Indiana Housing and Community Development Authority	Board for Depositories
Assets				
Current assets:				
Cash, cash equivalents and investments	$ 798,077	$ 59,756	$ 568,511	$ 170,723
Securities lending collateral	-	-	-	149,787
Receivables (net)	135,302	29,549	1,089	1,902
Inventory	-	-	-	-
Prepaid expenses	-	-	-	-
Intergovernmental loans	-	1,068,689	-	-
Due from primary government	3,533	-	-	-
Investment in direct financing lease	53,090	-	-	-
Other current assets	70	-	5,296	-
Total current assets	990,072	1,157,994	574,896	322,412
Noncurrent assets:				
Cash, cash equivalents and investments - restricted	-	42,331	546,790	-
Taxes, interest, and penalties receivable	-	-	4,722	-
Loans receivable	2,236,557	-	942,473	-
Investments - unrestricted	670,553	-	-	92,340
Bond issuance costs, net of amortization	15,454	22,721	10,221	-
Intergovernmental loans	-	1,736,315	-	-
Due from primary government	-	-	-	50,000
Investment in direct financing lease	1,438,266	-	-	-
Other noncurrent assets	151	-	-	6
Capital assets:				
Land	85,934	-	-	-
Infrastructure	267,510	-	-	-
Construction in progress	65,581	-	-	-
Property, plant, and equipment	1,226,766	-	2,387	200
Less accumulated depreciation	(343,040)	-	(1,836)	(166)
Total capital assets, net of depreciation	1,302,751	-	551	34
Total noncurrent assets	5,663,732	1,801,367	1,504,757	142,380
Total assets	**6,653,804**	**2,959,361**	**2,079,653**	**464,792**
Liabilities				
Current liabilities:				
Accounts payable	5,077	747	1,538	401
Claims payable	-	-	-	-
Interest payable	67,194	44,170	33,822	-
Current portion of long-term debt	213,452	1,089,490	19,830	-
Line of credit	-	-	478,475	-
Due to primary government	339	-	-	-
Accrued prize liability	-	-	-	-
Salaries, health, disability, and benefits payable	-	-	-	-
Deferred revenue	77,138	-	-	-
Securities lending collateral	-	-	-	149,787
Deposits held in custody for others	-	24,160	324	-
Other current liabilities	392	-	16,414	3
Total current liabilities	363,592	1,158,567	550,403	150,191
Long-term liabilities:				
Accrued prize liability	-	-	-	-
Deferred revenue	3,595,060	-	-	-
Advances from federal government	6,643	-	-	-
Revenue bonds/notes payable	4,588,693	1,785,115	1,330,518	-
Other noncurrent liabilities	-	494	35	-
Total long-term liabilities	8,190,396	1,785,609	1,330,553	-
Total liabilities	**8,553,988**	**2,944,176**	**1,880,956**	**150,191**
Net assets				
Invested in capital assets net of related debt	39,620	-	551	34
Restricted-nonexpendable				
Grants/constitutional restrictions	-	-	2,974	-
Future debt service	-	-	118,515	-
Total restricted-nonexpendable	-	-	121,489	-
Restricted-expendable				
Grants/constitutional restrictions	-	-	-	-
Future debt service	207,736	1,997	-	-
Pension fund distribution	-	-	-	14,617
Capital projects	-	-	-	-
Water pollution and drinking water projects	894,366	-	-	-
Total restricted-expendable	1,102,102	1,997	-	14,617
Unrestricted (deficit)	(3,041,906)	13,188	76,657	299,950
Total net assets	**$ (1,900,184)**	**$ 15,185**	**$ 198,697**	**$ 314,601**

The notes to the financial statements are an integral part of this statement.

Secondary Market for Education Loans	State Lottery Commission	Indiana Stadium and Convention Building Authority	Non-Major	Total Component Units
$ 88,313	$ 76,660	$ 128,370	$ 20,270	$ 1,910,680
-	-	-	-	149,787
120,963	33,138	16	2,715	324,674
-	230	-	12	242
-	5,216	-	105	5,321
-	-	-	-	1,068,689
-	-	-	-	3,533
-	-	-	-	53,090
31	-	-	-	5,397
209,307	115,244	128,386	23,102	3,521,413
-	90,221	-	150	679,492
-	-	-	-	4,722
1,784,178	-	-	-	4,963,208
-	-	-	-	762,893
-	-	-	-	48,396
-	-	-	-	1,736,315
-	-	-	-	50,000
-	-	-	-	1,438,266
8,210	-	-	-	8,367
-	-	-	79,531	165,465
-	-	-	-	267,510
-	-	784,848	-	850,429
3,033	8,059	-	42,162	1,282,607
(1,302)	(4,322)	-	(12,480)	(363,146)
1,731	3,737	784,848	109,213	2,202,865
1,794,119	93,958	784,848	109,363	11,894,524
2,003,426	209,202	913,234	132,465	15,415,937
4,827	22,309	56,227	291	91,417
-	-	-	11,109	11,109
1,423	-	975	-	147,584
-	-	-	-	1,322,772
-	-	-	-	478,475
-	35,749	-	-	36,088
-	62,585	-	-	62,585
-	-	-	94	94
-	784	-	8,136	86,058
-	-	-	-	149,787
-	-	-	-	24,484
-	2,145	-	1,050	20,004
6,250	123,572	57,202	20,680	2,430,457
-	80,630	-	-	80,630
-	-	62,887	-	3,657,947
-	-	-	-	6,643
1,924,850	-	639,211	-	10,268,387
3,547	-	-	-	4,076
1,928,397	80,630	702,098	-	14,017,683
1,934,647	204,202	759,300	20,680	16,448,140
1,731	3,737	-	109,213	154,886
-	-	-	-	2,974
-	-	-	-	118,515
-	-	-	-	121,489
-	-	-	346	346
15,096	-	-	-	224,829
-	-	-	-	14,617
-	-	153,934	1,307	155,241
-	-	-	-	894,366
15,096	-	153,934	1,653	1,289,399
51,952	1,263	-	919	(2,597,977)
$ 68,779	$ 5,000	$ 153,934	$ 111,785	$ (1,032,203)

State of Indiana
Combining Statement of Activities
Discretely Presented Component Units - Proprietary Funds
For the Fiscal Year Ended June 30, 2008
(amounts expressed in thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Indiana Finance Authority	Indiana Bond Bank	Indiana Housing and Community Development Authority
Indiana Finance Authority	$ 319,156	$ 475,642	$ 30,011	$ -	$ 186,497	$ -	$ -
Indiana Bond Bank	128,722	261	128,731	-	-	270	-
Indiana Housing and Community Development Authority	361,611	62,309	272,997	-	-	-	(26,305)
Board for Depositories	22,389	-	23,491	-	-	-	-
Secondary Market for Educational Loans	106,735	-	95,593	-	-	-	-
State Lottery Commission	829,931	823,076	-	-	-	-	-
Indiana Stadium and Convention Building Authority	-	-	16,929	101,038	-	-	-
Non-Major Proprietary	101,511	90,509	637	-	-	-	-
Total component units	$ 1,870,055	$ 1,451,797	$ 568,389	$ 101,038	186,497	270	(26,305)
General revenues:							
Investment earnings					70,813	616	48,142
Payments from State of Indiana					-	-	-
Total general revenues					70,813	616	48,142
Change in net assets					257,310	886	21,837
Net assets - beginning, as restated					(2,157,494)	14,299	176,860
Net assets - ending					$ (1,900,184)	$ 15,185	$ 198,697

The notes to the financial statements are an integral part of this statement.

continued on next page

State of Indiana
Combining Statement of Activities
Discretely Presented Component Units - Proprietary Funds
For the Fiscal Year Ended June 30, 2008
(amounts expressed in thousands)

	Net (Expense) Revenue and Changes in Net Assets					
	Board for Depositories	Secondary Market for Education Loans	State Lottery Commission	Indiana Stadium and Convention Building Authority	Non-Major	Net (Expense) Revenue
Indiana Finance Authority	$ -	$ -	$ -	$ -	$ -	$ 186,497
Indiana Bond Bank	-	-	-	-	-	270
Indiana Housing and Community Development Authority	-	-	-	-	-	(26,305)
Board for Depositories	1,102	-	-	-	-	1,102
Secondary Market for Educational Loans	-	(11,142)	-	-	-	(11,142)
State Lottery Commission	-	-	(6,855)	-	-	(6,855)
Indiana Stadium and Convention Building Authority	-	-	-	117,967	-	117,967
Non-Major Proprietary	-	-	-	-	(10,365)	(10,365)
Total component units	1,102	(11,142)	(6,855)	117,967	(10,365)	251,169
General revenues:						
Investment earnings	-	-	6,855	-	1,125	127,551
Payments from State of Indiana	-	-	-	-	1,157	1,157
Total general revenues	-	-	6,855	-	2,282	128,708
Change in net assets	1,102	(11,142)	-	117,967	(8,083)	379,877
Net assets - beginning, as restated	313,499	79,921	5,000	35,967	119,868	(1,412,080)
Net assets - ending	$ 314,601	$ 68,779	$ 5,000	$ 153,934	$ 111,785	$ (1,032,203)

State of Indiana
Combining Statement of Net Assets
Discretely Presented Component Units - Colleges and Universities
June 30, 2008
(amounts expressed in thousands)

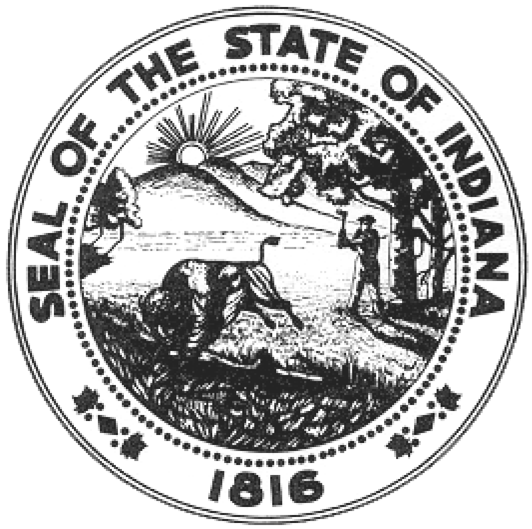
	Indiana University	Purdue University	Non-Major Colleges and Universities	Totals
Assets				
Current assets:				
Cash, cash equivalents and investments	$ 733,265	$ 384,014	$ 315,290	**$ 1,432,569**
Securities lending collateral	273,778	125,391	-	**399,169**
Receivables (net)	112,944	98,926	130,267	**342,137**
Inventory	9,501	-	4,947	**14,448**
Prepaid expenses	-	-	16,832	**16,832**
Due from primary government	12,172	8,595	10,261	**31,028**
Funds held in trust by others	-	-	18,159	**18,159**
Other postemployment benefits	-	-	6,303	**6,303**
Other current assets	21,739	31,437	2,171	**55,347**
Total current assets	1,163,399	648,363	504,230	**2,315,992**
Noncurrent assets:				
Cash, cash equivalents and investments - restricted	-	1,739,307	59,839	**1,799,146**
Other receivables	300,193	85,864	22,525	**408,582**
Investments - unrestricted	2,043,187	804,065	771,625	**3,618,877**
Loans	-	22	-	**22**
Bond issuance costs net of amortization	-	-	174	**174**
Investment in direct financing lease	8,835	-	-	**8,835**
Other postemployment benefits	-	-	1,191	**1,191**
Other noncurrent assets	-	47,456	18,784	**66,240**
Capital assets:				
Land	52,962	22,721	114,726	**190,409**
Infrastructure	143,508	59,939	63,485	**266,932**
Construction in progress	226,497	137,698	89,241	**453,436**
Property, plant, and equipment	3,164,145	2,590,623	1,865,344	**7,620,112**
Less accumulated depreciation	(1,494,871)	(1,174,782)	(793,756)	**(3,463,409)**
Total capital assets, net of depreciation	2,092,241	1,636,199	1,339,040	**5,067,480**
Total noncurrent assets	4,444,456	4,312,913	2,213,178	**10,970,547**
Total assets	**5,607,855**	**4,961,276**	**2,717,408**	**13,286,539**
Liabilities				
Current liabilities:				
Accounts payable	199,426	59,426	58,758	**317,610**
Interest payable	-	-	2,818	**2,818**
Current portion of long-term debt	51,312	232,176	51,791	**335,279**
Capital lease payable	1,518	-	43	**1,561**
Salaries, health, disability, and benefits payable	-	10,809	20,260	**31,069**
Deferred revenue	138,069	41,983	33,696	**213,748**
Accrued liability for compensated absences	36,308	24,644	1,278	**62,230**
Other postemployment benefits	-	4,880	683	**5,563**
Securities lending collateral	273,778	125,391	-	**399,169**
Deposits held in custody for others	-	22,576	11,877	**34,453**
Other current liabilities	-	21,275	22,255	**43,530**
Total current liabilities	700,411	543,160	203,459	**1,447,030**
Long-term liabilities:				
Accrued liability for compensated absences	14,060	27,653	14,892	**56,605**
Other postemployment benefits	3,755	1,254	2,825	**7,834**
Deferred revenue	48,729	-	2,559	**51,288**
Capital lease payable	9,064	-	19	**9,083**
Funds held in trust for others	83,512	61,278	15,277	**160,067**
Advances from federal government	-	20,052	8,822	**28,874**
Revenue bonds/notes payable	750,874	488,588	627,983	**1,867,445**
Other noncurrent liabilities	32,308	3,149	20,529	**55,986**
Total long-term liabilities	942,302	601,974	692,906	**2,237,182**
Total liabilities	**1,642,713**	**1,145,134**	**896,365**	**3,684,212**
Net assets				
Invested in capital assets net of related debt	1,336,766	913,478	644,434	**2,894,678**
Restricted-nonexpendable				
Instruction and research	-	197,569	912	**198,481**
Student aid	-	149,752	6,018	**155,770**
Other purposes	67,508	28,043	19,259	**114,810**
Total restricted-nonexpendable	67,508	375,364	26,189	**469,061**
Restricted-expendable				
Instruction and research	85,480	250,159	94,466	**430,105**
Grants/constitutional restrictions	-	-	10,760	**10,760**
Endowments	-	490,583	19,432	**510,015**
Future debt service	21,536	-	3,000	**24,536**
Public safety programs	-	-	7,016	**7,016**
Student aid	23,182	590,466	105,829	**719,477**
Auxiliary enterprises	-	4,584	3,492	**8,076**
Capital projects	14,122	96,893	140,687	**251,702**
Repairs and rehabilitation	-	-	806	**806**
Unrealized gains	-	96,329	-	**96,329**
Other purposes	-	-	20,995	**20,995**
Total restricted-expendable	144,320	1,529,014	406,483	**2,079,817**
Unrestricted (deficit)	2,416,548	998,286	743,937	**4,158,771**
Total net assets	**$ 3,965,142**	**$ 3,816,142**	**$ 1,821,043**	**$ 9,602,327**

The notes to the financial statements are an integral part of this statement.

State of Indiana
Combining Statement of Activities
Discretely Presented Component Units - Colleges and Universities
For the Fiscal Year Ended June 30, 2008
(amounts expressed in thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Indiana University	Purdue University	Non-Major Colleges and Universities	Net (Expense) Revenue
Indiana University	$ 2,446,436	$ 1,308,221	$ 685,168	$ 23,082	$ (429,965)	$ -	$ -	$ (429,965)
Purdue University	1,660,653	813,937	319,004	85,348	-	(442,364)	-	(442,364)
Non-Major Colleges and Universities	1,250,057	510,213	107,053	6,473	-	-	(626,318)	(626,318)
Total component units	$ 5,357,146	$ 2,632,371	$ 1,111,225	$ 114,903	(429,965)	(442,364)	(626,318)	(1,498,647)
General revenues:								
Investment earnings					(47,248)	22,231	35,381	10,364
Payments from State of Indiana					558,022	377,004	494,069	1,429,095
Other					59,149	104,974	178,852	342,975
Total general revenues					569,923	504,209	708,302	1,782,434
Change in net assets					139,958	61,845	81,984	283,787
Net assets - beginning, as restated					3,825,184	3,754,297	1,739,059	9,318,540
Net assets - ending					$ 3,965,142	$ 3,816,142	$ 1,821,043	$ 9,602,327

The notes to the financial statements are an integral part of this statement.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NOTES TO THE FINANCIAL STATEMENTS

STATE OF INDIANA

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June 30, 2008

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STATE OF INDIANA
Notes to the Financial Statements
June 30, 2008
(schedule amounts are expressed in thousands)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

As required by generally accepted accounting principles, these financial statements present the government (State of Indiana) and its component units. Blended component units, although legally separate entities, are in substance part of the government's operations; data from these units are combined with data of the primary government. Discretely presented component units are reported in one column in the government-wide financial statements. This column contains the proprietary fund types and colleges and universities. This is to emphasize that, as well as being legally separate from the government, they also provide services to and benefit local governments and/or the citizens of the State of Indiana. Of the component units, the Indiana Housing and Community Development Authority and the Indiana Comprehensive Health Insurance Association have a December 31, 2007, fiscal year-end.

Blended Component Units

The following are blended component units of the State of Indiana. The primary government appoints a voting majority of their boards and is able to impose its will. Although they are legally separate from the State, the units are reported as if they were part of the State because they provide services entirely or almost entirely to the State. These component units are audited by the State Board of Accounts.

The Bureau of Motor Vehicle Commission is responsible for the operation and administration of the State's license branches. The five member commission is appointed by the governor. It consists of four individuals and a commissioner. No more than three of the members may be of the same political party. The Commission is reported as a non-major governmental fund.

The Indiana Economic Development Corporation was created to improve the quality of life for the citizens of Indiana by encouraging the diversification of Indiana's economy, by the orderly economic development and growth of Indiana, the creation of new jobs, the retention of existing jobs, the growth and modernization of existing industry and the promotion of Indiana. The Corporation is composed of 12 members, none of whom may be members of the general assembly. These members consist of the governor and 11 individuals appointed by the governor. At least five members must belong to the same political party as the governor. At least three members must belong to a major political party other than the party of which the governor is a member. The Corporation is reported as a non-major governmental fund.

Discretely Presented Component Units

The following are discretely presented component units of the State of Indiana. The primary government appoints a voting majority of their boards and is able to impose its will. All proprietary component units are audited by outside auditors. The State Board of Accounts audits the colleges, universities, and the discrete pension trust funds. College and university foundations are audited by outside auditors.

Formed on May 15, 2005, the Indiana Finance Authority (IFA) combined five formerly independent bodies under one entity. The entities combined included the Indiana Development Finance Authority, State Office Building Commission, Indiana Transportation Finance Authority, Recreational Development Commission and the State Revolving Fund. Effective July 1, 2005, all records, money, and other property held by the Auditor of State with respect to the Supplemental Drinking Water and Wastewater Assistance Programs were transferred to the IFA as the successor entity. The IFA is a body both corporate and politic, and though separate from the State of Indiana (State); the exercise by the IFA of its powers constitutes an essential governmental function. Indiana's constitution restricts State incurrence of debt. As a result, the General Assembly created the IFA and authorized it to issue revenue bonds and other obligations to finance projects for lease to the State.

The IFA finances and refinances state hospitals, state office buildings, state garages, correctional facilities, recreational facilities, highways, bridges, airport facilities, and other related facilities for the benefit of the State. The IFA also provides low interest loans to Indiana communities for environmental improvements. It also promotes business and employment opportunities by issuing tax-exempt financing for industrial development projects, rural development projects, childcare financing, and educational facility projects.

The IFA's revenue bonds and notes are special and limited obligations of the IFA, payable from lease rental revenue, bond or note proceeds and investment income. The IFA's revenue bonds are not general obligations of the IFA nor are they State debt within the meaning of any constitutional provision or limitation. The IFA cannot compel the General Assembly to make appropriations to pay lease rentals. The Authority is reported as a proprietary fund.

The Indiana Bond Bank, created in 1984, is controlled by a board composed of the Treasurer of State, Director of Public Finance and five appointees of the Governor. The Bond Bank issues debt obligations and invests the proceeds in various projects of State and local governments. The unit is reported as a proprietary fund.

The Indiana Housing and Community Development Authority was created in 1978 for the purpose of financing residential housing for persons and families of low and moderate incomes. The Authority's board consists of the Public Finance Director of the Indiana Finance Authority, the Lieutenant Governor, the State Treasurer and four persons appointed by the Governor. The Lieutenant Governor chairs the board. The unit is reported as a proprietary fund.

The Indiana Board for Depositories was established to ensure the safekeeping and prompt payment of all public funds deposited in Indiana banks. The Board, consisting of the Governor, Treasurer of State, Auditor of State, Chairman of the Commission for Financial Institutions, State Examiner of the State Board of Accounts and four members appointed by the Governor, provides insurance on public funds in excess of the Federal Deposit Insurance Corporation limit. The unit is reported as a proprietary fund.

The Indiana Secondary Market for Education Loans, Inc. (ISM) was formed at the request of the Governor to purchase education loans in the secondary market. The Governor appointed the original Board of Directors. ISM provides in its articles of incorporation that changes in the composition of its directors or in its bylaws are subject to the approval of the Governor. The unit is reported as a proprietary fund.

The State Lottery Commission of Indiana is composed of five members appointed by the Governor. Net proceeds from the Lottery are distributed to the State to be used to supplement teachers' retirement, public employees' retirement, and the Build Indiana Fund. A portion of the Build Indiana Fund is then used to supplement the Motor Vehicle Excise Tax Replacement Fund. The Commission is reported as a proprietary fund.

Effective May 15, 2005, the Indiana Stadium and Convention Building Authority was established pursuant to House Bill 1120, which has now been codified at Indiana Code 5-1-17, as a new entity of the State to finance, design, construct and own the new Indiana Stadium in Indianapolis and the upcoming expansion of the adjacent Indiana Convention Center. The Building Authority is governed by a seven member board, comprised of four appointments by the Governor, two appointments by the Mayor of the City of Indianapolis and one appointment by the Governor following nomination from one of the counties surrounding Marion County. The Authority is reported as a proprietary fund.

The White River State Park Development Commission has the responsibility to design and implement a plan for the establishment and development of park, exposition, educational, athletic, and recreational projects to be located within one mile from the banks of the Indiana White River in a consolidated first-class city and county. The Commission is reported as a non-major proprietary fund.

The Indiana Comprehensive Health Insurance Association was created by the State of Indiana to assure that health insurance is made available throughout the year to each eligible Indiana resident applying to the Association for coverage. The board of directors of the Association consists of nine members whose principal residence is in Indiana. Four members are appointed by the insurance commissioner from the members of the Association, one of which must be a representative of health maintenance organization. Two members are appointed by the commissioner and shall be consumers representing policyholders. Other members are the state budget director or designee and the commissioner of the department of insurance or designee. One member appointed by the commissioner must be a representative of health care providers. The Association is reported as a non-major proprietary fund.

Effective July 1, 2000, the Public Employees' Retirement Fund (PERF) became an independent body corporate and politic. PERF is not a department or agency for the State but is an independent instrumentality exercising essential government functions. The PERF board is composed of five trustees appointed by the Governor and the director of the budget agency or the director's designee as an ex officio voting member of the board. The board of trustees administers the following funds: Public Employees' Retirement Fund, Judges' Retirement System, Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Plan, the 1977 Police Officers' and Firefighters' Pension and Disability Fund, the Legislators' Retirement System Defined Benefit Plan, the Legislators' Retirement System Defined Contribution Plan, the Prosecuting Attorneys' Retirement Fund, the Pension Relief Fund, and two death benefit funds. For more information on PERF see Note V(E) Employee Retirement Systems and Plans. All of these funds have been aggregated for presentation in PERF's financial statements.

Effective July 1, 2000, the Teachers' Retirement Fund (TRF) became an independent body corporate and politic. TRF is not a department or agency for the State but is an independent instrumentality exercising essential government functions. The TRF board is composed of five trustees appointed by the Governor and the director of the budget agency or director's designee as an ex officio voting member of the board. For more information on TRF see Note V(E) Employee Retirement Systems and Plans.

The Public Employees' Retirement Fund and the Teachers' Retirement Fund were determined to be significant for note disclosure purposes involving the discretely presented fiduciary component units.

Each of the seven colleges and universities included in this report was established by individual legislation to provide higher education opportunities to the citizens of Indiana. The authority to administer the operations of each institution is granted to a separate board of trustees for each of the seven institutions. The number and makeup of the board of trustees of each college and university is prescribed by legislation specific for that institution. Four universities have nine member boards; two have ten member boards; Ivy Tech Community College has a fourteen-member board of trustees. Appointments to the boards of trustees are made by the Governor and by election of the alumni of the respective universities. Indiana University and Purdue University are reported as a major discretely presented component unit.

The primary government's officials are also responsible for appointing the members of the boards of other organizations, but the primary government's accountability for these organizations does not extend beyond making the appointments.

The financial statements of the individual component units may be obtained from their administrative offices as follows:

Indiana Finance Authority
One North Capitol Ave., Suite 900
Indianapolis, IN 46204

Indiana Bond Bank
10 West Market St. Suite 2980
Indianapolis, IN 46204

State Lottery Commission of Indiana
Pan Am Plaza
201 S. Capitol, Suite 1100
Indianapolis, IN 46225

Indiana Stadium and Convention
Building Authority
425 W. South Street
Indianapolis, IN 46225

Indiana Housing and Community
Development Authority
40 South Meridian, Suite 1000
Indianapolis, IN 46204

Secondary Market for Education Loans, Inc.
Capital Center, Suite 400
251 N. Illinois
Indianapolis, IN 46204

Indiana Board for Depositories
One North Capitol Ave, Suite 444
Indianapolis, IN 46204

Indiana White River State Park
Development Commission
801 West Washington Street
Indianapolis, IN 46204

Indiana Comprehensive Health Insurance
Association
9465 Counselors Row, Suite 200
Indianapolis, IN 46240

Ivy Tech Community College
Assistant Treasurer
50 West Fall Creek Parkway North Drive
Indianapolis, IN 46208

University of Southern Indiana
8600 University Boulevard
Evansville, IN 47712

Indiana University
Poplar's Room. 500, 107 S. Indiana Ave.
Bloomington, IN 47405-1202

Ball State University
Administration Bldg., 301
2000 West University Avenue
Muncie, IN 47306

Indiana State University
Office of the Controller
210 N. 7th Street
Terre Haute, IN 47809

Vincennes University
1002 North 1st Street
Vincennes, IN 47591

Purdue University
Accounting Services
401 South Grant Street
West Lafayette, IN 47907-2024

State of Indiana
Public Employees' Retirement Fund
Harrison Building
143 West Market Street
Indianapolis, IN 46204

Indiana State Teachers' Retirement Fund
150 West Market Street, Suite 300
Indianapolis, IN 46204-2809

B. Government-Wide and Fund Financial Statements

The government-wide financial statements consist of a statement of net assets and a statement of activities. These statements report information about the overall government. They exclude information about fiduciary activities, including component units, which are fiduciary in nature, such as the public employee retirement systems. They distinguish between the primary government and its discretely presented component units as defined under the reporting entity above. They also distinguish between governmental activities and business-type activities of the State. Governmental activities rely on taxes and intergovernmental revenues for their support. Business-type activities, on the other hand, rely on fees and charges for services provided for their support.

The statement of activities matches the State's direct functional expense with the functional program revenue to identify the relative financial burden of each of the State's functions. This format identifies the extent to which each function of the government draws from the general revenues of the government or is self-financing through fees and intergovernmental aid. Certain indirect costs are included in the program expense reported for individual functions of government. Program revenues derive directly from the program itself or from parties outside the State's taxpayers, as a whole. They reduce the net cost of the function to be financed from the general revenues. Program revenues include charges for services, program-specific operating grants and contributions, and program-specific capital grants and contributions. Revenues that do not meet the criteria of program revenues are general revenues. These include all taxes, even those levied for a specific purpose and are reported by type of tax. Investment income is also a general revenue.

Separate financial statements are presented for the State's governmental, proprietary and fiduciary funds. Governmental fund financial statements are the balance sheet and the statement of revenues, expenditures, and changes in fund balances. Major governmental funds are presented in separate columns and non-major funds are aggregated in a separate column. Proprietary and fiduciary funds are reported using the statement of net assets and the statement of changes in net assets. In addition proprietary funds include a statement of cash flows.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement Focus and Basis of Accounting

The government-wide statements and the proprietary and fiduciary fund statements use the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Government-mandated nonexchange revenues and voluntary nonexchange revenues, including federal government mandates on the State, certain grants and entitlements, and most donations, are recognized in the period when all applicable eligibility requirements have been met.

For the government-wide financial statements and enterprise and fiduciary fund statements, the State applies all applicable FASB pronouncements issued before December 1, 1989, and those issued after that date which do not contradict any previously issued GASB pronouncements.

Governmental funds are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For the State of Indiana, “available” means collectible within one month of the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and related liabilities, and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Individual and corporate income tax, sales tax, inheritance tax, cigarette tax, alcoholic beverage tax, motor fuel tax, fines, and penalties are accrued using one month’s revenues.

Gaming taxes and fees and vehicle licenses are received daily via electronic funds transfer with a one to three working day delay, so the first several working days in July revenues are reviewed for materiality and accrued accordingly.

Financial Statement Presentation

A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

Governmental funds are used to account for the government's general government activities. Governmental funds include the general fund, special revenue funds, capital projects funds, debt service funds and permanent funds.

The *General Fund* is the State’s primary operating fund. It is maintained to account for resources obtained and used for those services traditionally provided by State government, which are not required to be accounted for in another fund. The General Fund is a major fund.

The *special revenue* funds account for revenue sources that are legally restricted to expenditure for specific purposes except for major capital projects.

The following special revenue funds are presented as major.

- The *Motor Vehicle Highway Fund* collects motor fuel taxes, special fuel taxes, motor carrier surtaxes, and vehicle license fees for public safety programs and distributions to local units of government for transportation programs.

- The *Medicaid Assistance Fund* receives federal grants and State appropriations which are used to administer the Medicaid and Children’s Health Insurance programs.

- The *Major Moves Construction Fund* distributes money received from the Toll Road lease. This money is used for new construction and major preservation of highways and bridges throughout Indiana.

- The *State Highway Department Fund* receives federal grants and State appropriations that are used for State transportation programs.

- The *Property Tax Replacement Fund* receives corporate income tax and sales tax which is used for education and property tax replacement distributions to local units of government.

- The *Tobacco Settlement Fund* is used to account for funds received under the tobacco master settlement agreement and is used to fund various health programs, tobacco education, prevention, and use control.

The *capital projects funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or fiduciary funds. There are no major capital project funds.

The *permanent funds* are used to account for resources that are legally restricted to the extent that only earnings and not principal may be used for the benefit of the government or its citizens. There are no major permanent funds.

Proprietary funds focus on the determination of operating income, changes in net assets, financial position and cash flows. Operating revenues and expenses are the revenues and expenses that pertain to the fund's principal operations. Nonoperating revenues and expenses are those revenues resulting from secondary or auxiliary activities of the fund. Nonoperating items include interest/investment revenue and expense. Proprietary funds include both enterprise funds and internal service funds.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The State reports the following major enterprise fund:

- The *Unemployment Compensation Fund* collects employer taxes and the federal share of unemployment compensation. Benefits are paid to eligible individuals.

Internal service funds account for operations that provide goods and services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The goods and services provided include fleet management, information technology and communication, aviation, printing, products of correctional industries, and self-insurance. Major fund reporting requirements do not apply to internal service funds. Combined totals for all internal service funds are reported as a separate column on the face of the proprietary fund financial statements.

When both restricted and unrestricted resources are available for use, it is the primary government's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds account for assets held by or on behalf of the government in a trustee capacity or as an agent on behalf of others. They cannot be used to support the State's own programs. Fiduciary funds include pension (and other employee benefit) trust funds, private-purpose trust funds, investment trust funds, and agency funds.

Pension trust funds are used to report resources held in trust for the members and beneficiaries of defined benefit pension plans, and defined contribution pension plans. Pension trust funds include the State Police Pension Fund.

Private-purpose trust funds are used to account for trust arrangements in which both the principal and interest may be spent for the benefit of individuals, private organizations or other governments. Private Purpose funds include the Abandoned Property Fund and the Private Purpose Trust Fund.

Investment trust funds are used to report the external portion of investment pools operated by a sponsoring government. Treasurer of State, local units of government, and quasi-governmental units in Indiana have the opportunity to invest in a common pool of investments that preserves the principal of the public's funds, remains highly-liquid, and maximizes the return on the investment of public funds. The State's investment trust fund is TrustINdiana operated by the state treasurer. The amounts reported represent the external portion of the pool.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets that the government holds for others in an agency capacity. Agency Funds include Employee Payroll Withholding and Benefits, Local Distributions, Child Support and Department of Insurance.

D. Assets, Liabilities and Equity

1. Deposits, Investments and Securities Lending

For purposes of reporting cash flows, cash and cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and near their maturity (generally three months or less from the date of acquisition).

Cash balances of most State funds are commingled in general checking accounts and several special purpose banking accounts. The available cash balance not necessary beyond immediate need is pooled and invested. Interest earned from investments purchased with pooled cash is deposited in the general fund, except as otherwise provided by statute.

Investments and secured lending transactions are stated at fair value. However, money market investments and participating interest-earning investment contracts that mature within one year of acquisition are reported at amortized cost, which approximates fair value. Fair value is determined by quoted market prices which approximate fair value.

Indiana Code 5-13-9 authorizes the Treasurer to invest in deposit accounts issued or offered by a designated depository; securities backed by the full faith and credit of the United States Treasury; and repurchase agreements that are fully collateralized, as determined by the current market value computed on the day the agreement is effective, by interest-bearing obligations that are issued, fully insured or guaranteed by the United States or any U.S. government agency. The Treasurer of State is authorized by statute to accept as collateral safekeeping receipts for securities from: (1) a duly designated depository or (2) a financial institution located either in or out of Indiana, having physical custody of securities, with a combined capital and surplus of at least $10 million, according to the last statement of condition filed by the financial institution with its governmental supervisory body. The Treasurer may not deposit aggregate funds in deposit accounts in any one designated depository in an amount aggregating at any one time more than 50% of the combined capital, surplus and undivided profits of that depository as determined by the last published statement.

Investments which are authorized for the State Teachers' Retirement Fund include: U.S. Treasury and Agency obligations, U.S. Government securities, common stock, international equity, corporate bonds, notes and debentures, repurchase agreements secured by U.S. Treasury obligations, mortgage securities, commercial paper, banker's acceptances, limited liability partnerships, and real estate securities. Investments which are authorized for the State Police Retirement fund include: U.S. Treasury and Agency obligations, State and municipal obligations, domestic corporate bonds/notes, common stock and equity securities, foreign stocks and bonds, mortgage pool investments, and repurchase agreements. The remaining six retirement systems and the Pension Relief Fund are administered by the Public Employees' Retirement Fund Board. The Board is required to diversify investments in accordance with prudent investment standards. Investment guidelines, issued by the Board, contain limits and goals for each type of investment portfolio, and specify prohibited transactions. These guidelines authorize investments of: U.S. Treasury and Agency obligations, domestic corporate bonds/notes, common stock and equity securities, foreign stocks and bonds, mortgage securities, mutual funds, collective trust funds, asset backed, commercial mortgage backed, international stocks, and real estate.

2. Receivables and Payables

In the government-wide and proprietary fund financial statements, revenues are recognized on the flow of economic resources measurement focus. Material receivables are recognized as follows. Uncollected taxes due in the following periods are subject to accrual.

> Individual income tax – Individual withholding tax is due from employers by the 20th day after the end of the month collected. Estimated payments are due from individuals by the 15th of the month immediately following each quarter or the calendar year.
>
> Corporate income tax - Due quarterly on the 20th day of April, June, September, and December with the last payment due on April 15th for a calendar year taxpayer.
>
> Sales tax – Due by the 20th day after the end of the month collected.
>
> Fuel tax – Gasoline tax is due the 20th day after the end of the month collected. Special fuel tax, depending on the status of the taxpayer, is due by the 15th day after the end of the month collected or the 15th day after the end of the quarter collected. Motor carrier surtax is due at the end of the month following the end of the quarter.
>
> Financial institutions tax – same laws as corporate income taxes (see above) for making payments.
>
> Alcohol and tobacco taxes – Cigarette distributors purchase tax stamps within 6 days after they accept delivery of the cigarettes. Cigarette tax is due within 30 days of the issuance of the tax stamp. Alcoholic beverage tax is due by the 20th day after the end of the month collected.
>
> Inheritance tax – due twelve months from the decedent's date of death.

In the governmental fund financial statements, revenue is recognized on the flow of current financial resources. Material receivables are subject to accrual for receipts collected in the month of July.

The State of Indiana does not collect property tax, which is collected by local units of government; a minor portion is remitted to the State semiannually

(June and December) for distribution to the State Fair Commission, Department of Natural Resources and Family and Social Services Administration.

3. Interfund Transactions and Balances

The State has the following types of interfund transactions in the governmental fund and proprietary financial statements:

Interfund service provided and used (reciprocal interfund activity) – Charges for goods or services rendered by one fund to another are treated as revenues of the recipient fund and expenditures/expenses of the disbursing fund.

Interfund Transfers (non-reciprocal interfund activity) – Legally authorized transfers whereby the two parties do not receive equivalent cash, goods or services are reported as transfers.

The types of assets and liabilities resulting from these transactions are:

Interfund loans – These are balances arising from the short-term and long-term portion of interfund transactions.

Interfund services provided/used – These are balances arising in connection with reciprocal interfund activity or reimbursements. Balances relating to discretely presented component units are presented as 'Due from/to component units'.

Interfund services provided and interfund loans are eliminated in the government-wide statements because they are provided by one governmental activity on behalf of another or by one business-type activity on behalf of another.

4. Inventories and Prepaid Items

Inventories for the Inns & Concessions, Institutional Industries and Administrative Services Revolving funds are valued at cost. The costs of governmental fund-type inventories are recorded as expenditures when purchased. The first in/first out (FIFO) method is used for valuation of inventories.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Restricted Net Assets

Certain net assets are classified as restricted net assets because their use is completely restricted by bond indentures, contracts, grantors, contributors, laws or regulations of other governments, or through constitutional provisions or enabling legislation.

6. Capital Assets

Capital outlays are reported as expenditures in the governmental funds and as assets in the government-wide statements to the extent the State's $20,000 capitalization threshold is met. In accordance with GASB Statement No. 34, all infrastructure assets have been capitalized retroactively.

The Indiana Department of Transportation (INDOT) uses the modified approach for reporting its infrastructure. The Department of Natural Resources (DNR) uses the depreciation approach for reporting its infrastructure.

Under the modified approach, the State has determined that the condition level for INDOT infrastructure assets to be maintained is:

- an average Pavement Quality Index (PQI) of 75 for Interstate and National Highway Safety (NHS) Non-Interstate roads,
- an average PQI of 65 for Non-NHS roads,
- an average sufficiency rating of 87% for interstate bridges,
- an average sufficiency rating of 85% for NHS Non-Interstate bridges, and
- an average sufficiency rating of 83% for Non-NHS bridges.

The Division of Program Development of INDOT is responsible for determining the appropriate condition level of the infrastructure assets.

No amounts are capitalized in connection with improvements that lengthen the lives of such assets, unless the improvements also increase their service potential.

INDOT projects are capitalized based on capitalization and preservation percentages assigned to three hundred sixty-two (362) work types. For example, the cost for constructing a new bridge would likely be 100% capitalized; whereas, the cost for adding travel lanes to a road would likely be assigned a work type code resulting in capitalization at 50% and preservation at 50%.

The State maintains an inventory of these infrastructure assets and performs periodic condition assessments to establish that the predetermined condition level is being maintained. Condition assessments are determined on an annual basis for interstates and on a biennial basis for other roads. Sufficiency ratings are determined at least on a biennial basis for all bridges and more frequently for certain bridges depending on their design.

The State makes annual estimates of the amounts that must be expended to preserve and maintain these infrastructure assets at the predetermined condition levels.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated fixed assets are recorded at their estimated fair value at the date of donation.

Capital assets are depreciated in the proprietary and similar trust funds using the straight-line method on both the fund basis and the government-wide basis. Both the government-wide statements and proprietary and similar trust funds use the following estimated useful lives:

Assets	Years
Buildings	20-40
Improvements other than buildings	10-20
Infrastructure (not using modified approach)	20
Furniture, machinery and equipment	3-14
Motor pool vehicles	10 ¢ / mile

The State of Indiana maintains several collections of works of art, historical treasures, and similar assets that are not capitalized. While the collections are maintained by different agencies, each collection is:

- Held for public exhibition, education, or research in furtherance of public service, rather than financial gain.
- Protected, kept unencumbered, cared for, and preserved.
- Subject to an organizational policy that either prohibits sale or requires the proceeds from sales of collection items to be used to acquire other items for collections.

The State's major collections are:

- The State Museum Collection, which is a part of the Indiana Department of Natural Resources, consists of historical buildings and furnishings; personal artifacts; tools and equipment; communication, transportation, recreational and societal artifacts; and art objects.

- The Commission on Public Records, State Archives Collection consists of historical and legal documents, that are generated on: paper or paper substitutes; photographic or chemically based media; magnetic or machine readable media; or any other materials, regardless of form or characteristics.

- The State Library has two collections, the Manuscript Collection and the Indiana History Collection. These collections include historical documents and works of art, most of it of Indiana origin.

Other collections include the Historical Bureau's Indiana Governors' Portrait Collection, the Department of Administration's Statehouse Collection, and the Indiana Arts Commission's Collection. These collections consist primarily of art objects.

7. Compensated Absences

Full-time employees of the State of Indiana are permitted to accumulate earned but unused vacation and sick pay benefits. Vacation leave accumulates at the rate of one day per month and sick leave at the rate of one day every two months plus an extra day every four months. Bonus vacation days are awarded upon completion of five, ten and twenty years of employment.

Personal leave days are earned at the rate of one day every four months; any personal leave accumulated in excess of three days automatically becomes part of the sick leave balance. Upon separation of service, in good standing, employees will be paid for a maximum of thirty (30) unused vacation leave days. In addition, qualifying retiring employees are paid an additional payment up to a maximum of $5,000, which is made up of unused vacation leave over 30 days, unused personal leave, and unused sick leave.

Employees of the legislative and judicial branches as well as those of the Auditor of State may convert a portion of accrued but unused vacation and sick leave into the deferred compensation plan. An employee must have at least 300 hours of vacation or sick leave accrued in order to participate in this plan. There is a sliding scale which determines how many hours are converted from those hours the employee has accrued. The hours converted are deposited into the deferred compensation program's 401(a) plan at 60% of the employee's hourly rate.

Vacation and personal leave and salary-related payments that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available financial resources are reported as long term liabilities in the government-wide, proprietary, and fiduciary fund financial statements.

8. Long-Term Obligations

Long-term debt and other obligations are reported in the government-wide statements and the proprietary funds statements as liabilities in the applicable governmental activities, business-type activities, or proprietary fund.

In the governmental fund financial statements, bond issuance costs and bond discounts are treated as period costs in the year of issue. Proceeds of long term debt, issuance premiums or discounts and certain payments to escrow agents for bond refundings are reported as other financing sources and uses.

9. Fund Equity

In the fund financial statements, reservations of fund equity represent those portions of fund balances that are legally restricted by outside parties for a specific purpose or are not appropriable. In the accompanying balance sheet, reserves for encumbrances and tuition support are examples of the former. Reserves for intergovernmental loans and advances receivables are examples of the latter. The following is a brief description of each reserve and the purpose for which it was established:

Reserve for Tuition Support – established to recognize that the legislature has set aside money, as determined by the State Budget Agency, for paying the monthly distributions to local school units at the beginning of the succeeding fiscal year.

Reserve for Encumbrances – established to recognize money set aside out of one year's budget for goods and/or services ordered during that year that will not be paid for until they are received in a subsequent year.

Reserve for Restricted Purposes – established to recognize legal limitations that specify the purpose or purposes for which resources derived from government-mandated and voluntary nonexchange transactions are to be used.

Reserve for Prepaid Items – established to recognize payments made in advance of receipt of goods and services in an exchange transaction.

Reserve for Interfund Loans – established to recognize short-term and long-term loans issued to other funds within this government and therefore not currently available for expenditure.

Reserve for Intergovernmental Loans – established to recognize that the legislature has set aside money to lend to local units of government for specific purposes. These amounts are loans to individual school corporations, cities, towns, counties and other governmental units. Additionally, the general fund lends money to nonprofit entities. All loans require review and approval of the Indiana State Board of Finance prior to issuance.

Reserve for Debt Service, Special Purposes – established to recognize that certain amounts have been set aside for debt service and for purposes specific to a particular component. Designations of fund balance represent tentative management plans that are subject to change.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

As described in Note I, Summary of Significant Accounting Policies, differences exist between the government-wide and the governmental fund financial statements. These differences are summarized in the reconciliations that follow the governmental fund financial statements.

A. Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

In the government-wide financial statements, capital assets are considered economic resources and are capitalized at cost or estimated historical cost at time of acquisition. Where applicable these costs are offset by accumulated depreciation.

The government-wide statements use the flow of economic resources and accrue receivables that are not available soon enough in the subsequent period to pay for the current period's expenditures. Also under the flow of economic resources, expenses reported in the statement of activities do not require the use of current financial resources. Both these receivables and payables are accrued in the government-wide statements, but not in the fund financial statements.

Internal service funds are used by management to charge the costs of certain activities to individual funds. In the government-wide financial statements, the assets and liabilities of internal service funds are included in governmental activities in the statement of net assets. In the proprietary fund financial statements internal service fund balances are segregated and reported as their own fund type.

B. Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

In the government-wide financial statements, the cost for capital outlays, except for governmental infrastructure, is allocated over the assets' useful lives and is reported as depreciation expense. In the fund financial statements, capital outlays are reported as expenditures in the functional line items.

The government-wide statements use the flow of economic resources and therefore do not report revenues and expenses dependent on the availability of financial resources, as is reported in the fund financial statements. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements. Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the fund financial statements. Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental fund financial statements, but the repayment reduces long-term liabilities in the statement of net assets.

Internal service funds are used by management to charge the costs of certain activities to individual funds. In the government-wide financial statements, the expenses of internal service funds are included in governmental activities in the statement of activities. In the proprietary fund financial statements internal service fund balances are segregated and reported as their own fund type.

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Equity

At June 30, 2008, various funds had a deficit fund balance caused by overdrafts from pooled cash and investments and the posting of accruals to the balance sheet. Temporary cash overdrafts are reported as interfund loans from the general fund.

Fund	Overdraft from pooled cash	Accrual deficits
Governmental Funds		
County Welfare Administration	$ (1,765)	$ (3,800)
Medicaid Administration	(350)	-
Bureau of Motor Vehicles Commission	-	(13,125)
Property Tax Reduction Fund	-	(100,692)
Federal Food Stamp Program	(9,787)	(263)
Major Construction Army National Guard	(345)	-

B. Unreserved Fund Balance

The State of Indiana designates its unreserved fund balance as designated for appropriations, designated for allotments, and undesignated. In order for money to be spent out of a fund it must be appropriated by the legislature and then allotted by the State Budget Agency. The following are the designations of unreserved fund balance at June 30, 2008:

Unreserved Fund Balance

	Designations of Unreserved Fund Balance			
	Designated for Appropriations	Designated for Allotments	Undesignated	Total Unreserved Fund Balance
Governmental Funds				
General Funds	$ 416,232	$ 534,382	$ 1,306,430	$ 2,257,044
Motor Vehicle Highway Fund	-	-	(44,779)	(44,779)
Medicaid Assistance	27,125	(32,241)	-	(5,116)
Major Moves Construction Fund	523,935	-	2,050,307	2,574,242
State Highway Department	-	-	(1,223,547)	(1,223,547)
Tobacco Settlement Fund	132,425	-	15	132,440
Non-Major Special Revenue Funds	773,120	801,505	(29,314)	1,545,311
Non-Major Capital Projects Funds	55,173	22,912	868	78,953
Non-Major Permanent Funds	-	75,993	552,708	628,701
Total Governmental Funds	$ 1,928,010	$ 1,402,551	$ 2,612,688	$ 5,943,249

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits, Investments and Securities Lending

1. Primary Government – Other than Major Moves Construction Fund and Next Generation Trust Fund, Investment Trust Funds, and Pension Trust Funds.

Investment Policy

Indiana Code 5-13-9, 10 and 10.5 establishes the investment powers and guidelines regarding the State of Indiana investments. However, the Major Moves Construction Fund and the Next Generation Trust Fund have separate investment authority as established under Indiana Code 8-14-14 and 8-14-15, respectively. The Treasurer of State shall invest these funds in the same manner as the public employees' retirement fund under Indiana Code 5-10.3-5 with the exception that monies may not be invested in equity securities. For more information, please see the PERF policy in note IV(A)3. There is no formal investment policy for the investment of these funds other than compliance to State statute. State statute does not establish any parameters or guidelines related to the concentration of credit risk, investment credit risk, nor interest rate risk.

Indiana Code 5-13-9 authorizes the Treasurer to invest in deposit accounts issued or offered by a designated depository; securities backed by the full faith and credit of the United States Treasury; and repurchase agreements that are fully collateralized, as determined by the current market value computed on the day the agreement is effective, by interest-bearing obligations that are issued, fully insured or guaranteed by the United States or any U.S. government agency.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statute does not establish any parameters or guidelines related to interest rate risk.

The following is a summary of the Interest Rate Risk Disclosure as of June 30, 2008:

Primary Government (Amounts in thousands)				
			Investment Maturities (in Years)	
Investment Type		**Fair Value Totals**	**Less than 1**	**1 - 5**
U.S. Agencies		$ 2,339,230	$ 2,248,328	$ 90,902
Municipal Bonds		26,095	26,095	-
Local Govt Investment Pool		252,311	252,311	-
Non-U.S. Fixed Income		5,000	-	5,000
Certificate of Deposits		311,413	311,413	-
Money Market Mutual Funds		1,419,000	1,419,000	-
Total		$ 4,353,049	$ 4,257,147	$ 95,902

Custodial Credit Risk

Deposits – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2008, the balance of the State of Indiana's deposits was covered in full by federal depository insurance or by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

Investment Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the State of Indiana. None of the State's investments are exposed to custodial credit risk because they are held in the name of the State of Indiana. Additionally, the Treasurer of State requires all custodians to indemnify the State against all out-of-pocket expenses or losses incurred as a result of (i) the custodian's operational failure, (ii) custodian's failure to carry out the credit analysis, (iii) custodian's failure to maintain proper collateral for each loan, or (iv) failure of an approved counterparty to comply with it's obligations under the applicable securities lending agreement.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Indiana Code 5-13-9-2 authorizes the State Treasurer to invest or reinvest in securities fully guaranteed and issued by (1) the United States Treasury, (2) a federal agency, (3) a federal instrumentality, or (4) a federal government sponsored enterprise. The State Treasurer also may invest or reinvest in money market mutual funds that are in the form of securities of or interests in an open-end, no-load, management-type investment company or investment trust registered under the provisions of the federal Investment Company Act of 1940. The portfolio of the investment company or investment trust must be limited to direct obligations of the United States, a federal agency, a federal instrumentality, a federal government sponsored enterprise, or repurchase agreements fully collateralized by obligations described in numbers (1) through (4) above. The statute also states the securities of or interests in an investment company or investment trust must be rated as one of the following: (1) AAA, or its equivalent, by Standard & Poor's Corporation or its successor; or (2) Aaa, or its equivalent, by Moody's Investors Service, Inc. or its successor.

The following table provides information on the credit quality ratings of investments as of June 30, 2008:

Primary Government
(Amounts in thousands)

Investment Type	S & P	Moody's	Fair Value
U.S. Agencies	AAA	Aaa	$ 2,339,230
Certificate of Deposits	NR	NR	311,413
Municipal Bonds	NR	NR	26,095
Non-US Fixed Income Bonds	A	A	5,000
Local Govt Investment Pool	NR	NR	252,311
Money Market Mutual Funds	AAA	Aaa	1,419,000
Total			$ 4,353,049

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Indiana Code 5-13-10-3 states that the State Treasurer may not deposit aggregate funds in deposit accounts in any one designated depository in an amount aggregating at any one time more than fifty percent (50%) of the combined capital, surplus, and undivided profits of that depository as determined by its last published statement of condition filed with the State Treasurer.

Investments in any one issuer that represent 5% or more of the total investments are:

Freddie Mac:	10.8%	$506,404,660
Fannie Mae:	9.5%	$444,017,904
Federal Home Loan Bank:	29.6%	$ 1,386,342,280

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. There was no foreign currency risk.

Securities Lending Credit Risk

The Treasurer of State is authorized by Indiana Code 5-13-10.5-13 to lend securities. Securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash or (2) interest bearing obligations that are issued by, or guaranteed by the United States, an agency of the United States, an agency of the United States government, a federal instrumentality, or a federal government sponsored enterprise in excess of the total market value of the loaned securities. The Treasurer of State is authorized by statute (IC 5-13-10.5) to accept as collateral safekeeping receipts for securities from: (1) a duly designated depository, having physical custody of securities, with a combined capital and surplus of at least $10 million, according to the last statement of condition filed by the financial institution with its governmental supervisory body. The Treasurer may not deposit aggregate funds in deposit accounts in any one designated depository in an amount or (2) a financial institution located either in or out of Indiana aggregating at any one time more than 50% of the combined capital, surplus and undivided profits of that depository as determined by the last published statement.

Indiana Code 5-13-10.5-13 states that securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the United States, an agency of the United States government, a federal instrumentality, or a federal government sponsored enterprise; in excess of the total market value of the loaned securities. State statutes and policies permit the State to lend securities to broker-dealers and other entities (borrowers) for collateral with a simultaneous agreement to return the collateral for the same securities in the future.

The State's custodial banks manage the securities lending programs and receive securities or cash as collateral. The types of securities lent during the year may include U.S. Treasury and agency obligations, corporate bonds/notes, and foreign bonds. Collateral securities and cash are initially pledged at 102% of the market value of the securities lent. Generally, there are no restrictions on the amount of assets that can be lent at one time, except for the Public Employees' Retirement Fund and the State Teachers' Retirement Fund (discretely presented component units), which allow no more than 40% to be lent at one time.

The collateral securities cannot be pledged or sold by the State unless the borrower defaults, but cash collateral may be invested. Cash collateral is generally invested in securities of a longer term with the mismatch of maturities generally 0-35 days. The weighted average maturity gap at June 30, 2008 was 34.33 days. The contracts with the State's custodians requires them to indemnify the funds if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the funds for income distributions by the securities' issuers while the securities are on loan.

At year end, the State had no credit risk exposure to any borrowers because the amount the State owes the borrowers exceeds the amounts the borrowers owe the State.

Major Moves Construction Fund/Next Generation Trust Funds

Investment Policy

Indiana Code, Title 5, Article13, Chapters 9, 10, and 10.5, establishes the investment powers and guidelines regarding the State of Indiana investments. However, the Major Moves Construction Fund and the Next Generation Trust Fund have separate investment authority as established under Indiana Code 8-14-14 and Indiana Code 8-14-15, respectively. The Treasurer of State shall invest these funds in the same manner as the Public Employees' Retirement Fund under Indiana Code 5-10.3-5 with the exception that monies may not be invested in equity securities. An Investment Policy Statement has been adopted by the Treasurer of State. The Investment Policy Statement is written in conformity with the applicable investment statutes and in accordance with prudent investor standards. The IPS establishes a strategic asset allocation for Domestic Fixed Income Managers. This strategic asset allocation is set for Core managers at 35%, Core Plus managers at 50%, and Hybrid managers at 15%.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. To control the interest rate risk, the IPS establishes that the average duration of any fixed income investment manager may not vary by more than 20% from the average duration of that investment manager's benchmark index.

The following is a summary of the Interest Rate Risk Disclosure as of June 30, 2008:

Major Moves/Next Generation Funds
(Amounts in thousands)

Investment Type	Fair Value	Investment Maturities (in Years) Less than 1	1 - 5	6- 10	More than 10
U.S Treasuries	$ 435,999	$ 8,254	$ 110,915	$ 102,536	$ 214,294
U.S. Agencies	198,524	79,724	30,742	26,274	61,784
Government Asset and Mortgage Backed	607,734	981	14,607	13,021	579,125
Collateralized Mortgage Obligations					
Government CMOs	53,265	-	9,562	7,581	36,122
Corporate Bonds	987,654	18,275	433,274	313,983	222,122
Corporate Asset Backed	284,556	-	47,881	15,715	220,960
Private Placements	45,117	595	17,672	15,517	11,333
Municipal Bonds	23,464	770	6,688	5,439	10,567
Miscellaneous Other Fixed Income	4,541	-	3,619	-	922
Money Market Mutual Funds	513,522	513,522	-	-	-
	$ 3,154,376	$ 622,121	$ 674,960	$ 500,066	$ 1,357,229

Custodial Credit Risk

Deposits – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2008, the balance of the State of Indiana's deposits was covered in full by federal depository insurance or by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

Investment Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the State of Indiana. None of the State's investments are exposed to custodial credit risk because they are held in the name of the State of Indiana. Additionally, the Treasurer of State requires all custodians to indemnify the State against all out-of-pocket expenses or losses incurred as a result of (i) the custodian's operational failure, (ii) custodians failure to carry out the credit analysis, (iii) custodian's failure to maintain proper collateral for each loan, or (iv) failure of an approved counterparty to comply with it's obligations under the applicable securities lending agreement.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The investment managers must adhere to the following guidelines:

Intermediate and Core Fixed Income Managers

a. The average credit quality of each manager's portfolio shall not be lower than Aa3/AA-
b. All securities at the time of purchase shall have a Moody's, S&P's and/or Fitch's credit quality rating of no less than BBB
c. In the event a holding is downgraded to less than BBB, the manager will have the discretion over when to sell the security, generally, no later than 90 days following the downgrade.

Core Plus Fixed Income Managers

d. At least 60% of the securities held in the portfolio shall have a credit rating of no less than BBB
e. Investments in high-yield and non-US debt are permitted, but combined exposure to those sectors should not exceed 40%
f. The average credit quality of each manager's portfolio shall not be lower than single A

Hybrid Fixed Income Managers

g. High-yield and non-US debt securities are permitted
h. Non US-dollar currency exposure is permitted

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer representing 5% or more of the total investments. The only exemptions from disclosures are US Government Debt, US Government Guaranteed Investments, Mutual Funds, or External Investment Pools. For Intermediate and Core Fixed Income Managers, securities in any one issuer should be limited to not more than 5% of the investment manager's portion of the Fund portfolio measured at market value. For Core Plus Fixed Income Managers, the exposure of each manager's portfolio should be limited to not more than 10% of the manager's portion of the Fund portfolio measured at market value.

Investments in any one issuer that represent 5% or more of the total investments are:

FNMA: 17.27%, $538,973,007
FHLMC: 5.39%, $177,457,195

Securities Lending Credit Risk

The Treasurer of State is authorized by Indiana Code 5-13-10.5-13 to lend securities. Securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the United States, an agency of the United States, an agency of the United States government, a federal instrumentality, or a federal government sponsored enterprise in excess of the total market value of the loaned securities.

At year end, the State had no credit risk exposure to any borrowers because the amount the State owes the borrowers exceeds the amounts the borrowers owe the State.

The following is a summary of the Credit Risk Disclosure as of June 30, 2008:

Major Moves/Next Generation Funds
(Amounts in thousands)

	S & P		Moody's	
Investment Type	Ratings	Fair Value	Ratings	Fair Value
U.S. Treasuries	AAA	$ 435,999	Aaa	$ 435,999
U.S. Agencies	AAA	198,524	Aaa	198,524
Government Asset And Mortgage Backed	AAA	581,183	Aaa	549,961
	AA	3,462	Aa	8,904
	A	984	A	1,573
	BBB	8,415	Baa	8,855
	BB	1,321	Ba	953
	B	1,426	B	-
	NR	10,943	NR	37,488
Collateralized Mortgage Obligations				
Government CMO's	AAA	52,871	Aaa	52,790
Government CMO's	NR	-	NR	81
Government CMO's	BBB	394	Baa	394
Corporate Bonds	AAA	79,683	Aaa	90,221
	AA	87,222	Aa	102,365
	A	199,887	A	169,513
	BBB	262,364	Baa	281,527
	BB	76,278	Ba	57,693
	B	106,354	B	109,800
	CCC&Below	43,805	Caa&Below	53,829
	NR	132,061	NR	122,706
Corporate Asset Backed	AAA	243,684	Aaa	241,709
	AA	6,329	Aa	8,454
	A	6,695	A	5,079
	BBB	3,795	Baa	5,672
	BB	2,290	Ba	2,168
	NR	21,763	NR	21,474
Private Placements	AAA	4,043	Aaa	870
	AA	10,115	Aa	10,492
	A	9,318	A	12,710
	BBB	18,311	Baa	15,510
	BB	199	Ba	2,325
	B	2,577	B	1,076
	NR	554	NR	2,134
Municipal Bonds	AAA	3,337	Aaa	1,512
	AA	6,248	Aa	2,548
	A	5,225	A	10,206
	BBB	4,403	Baa	3,173
	CCC&Below	1,151	Caa & Below	-
	NR	3,100	NR	6,025
Misc Other Fixed Income	BBB	1,829	Baa	1,829
	NR	2,712	NR	2,712
Money Market Mutual Funds	NR	513,522	NR	513,522
Total		$ 3,154,376		$ 3,154,376

TrustINdiana, Local Government Investment Pool (Investment Trust Funds)

Investment Policy

Indiana Code 5-13-9-11 establishes the local government investment pool (TrustINdiana) within the office and custody of the Treasurer of State. The Treasurer of State shall invest the funds in TrustINdiana in the same manner, in the same type of instruments, and subject to the same limitations provided for the deposit and investment of state funds by the Treasurer of State under Indiana Code 5-13-10.5. Investment Criteria have been established and adopted to create the principles and procedures by which the funds of TrustINdiana shall be invested and to comply with state investment statutes relating to the investment of public funds.

Valuation of Investments

Consistent with the provisions of a 2a-7 like pool as defined by GASB Statement No. 31, TrustINdiana securities are valued at amortized cost, which approximates market value.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As established in the Investment Criteria, the maximum maturity of any bank deposit product shall be seven days and all other investments in the Pool will have no greater than a two year final stated maturity except for specific exceptions provided for by state statute.

The following is a summary of the Interest Rate Risk Disclosure as of June 30, 2008:

TrustINdiana - Local Government Investment Pool
(Amounts are in thousands)

		Investment Maturities (in Years)	
Investment Type	Amortized Cost	Less than 1	1 - 5
U.S. Agencies	$ 17,223	$ 15,070	$ 2,153
Commercial Paper	27,879	27,879	-
Money Market Mutual Funds	47,256	47,256	-
Total	$ 92,358	$ 90,205	$ 2,153

Custodial Credit Risk

Deposits – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2008, the balance of the State of Indiana's deposits was covered in full by federal depository insurance or by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

Investment Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the State of Indiana. None of the State's investments are exposed to custodial credit risk because they are held in the name of the State of Indiana. Additionally, the Treasurer of State requires all custodians to indemnify the State against all out-of-pocket expenses or losses incurred as a result of (i) the custodian's operational failure, (ii) custodians failure to carry out the credit analysis, (iii) custodian's failure to maintain proper collateral for each loan, or (iv) failure of an approved counterparty to comply with it's obligations under the applicable securities lending agreement.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Bank deposits shall be with only banks that are on the state's approved depository list and have a short-term credit rating of at least A1/P1 from at least two rating agencies. The Pool may also invest in commercial paper with the highest rating category issued by one nationally recognized statistical rating organization and Aaa or AAA rated money market mutual funds.

The following table provides information on the credit quality ratings for investments in TrustINdiana as of June 30, 2008:

TrustINdiana - Local Government Investment Pool
(Amounts are in thousands)

	S & P		Moody's	
Investment Type	Ratings	Fair Value	Ratings	Fair Value
U.S. Agencies	AAA	$ 17,223	Aaa	$ 17,223
Commercial Paper	A-1	27,879	P-1	27,879
Money Market Mutual Funds	AAA	47,256	Aaa	47,256
Total		$ 92,358		$ 92,358

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer representing 5% or more of the total investments. Pursuant to I.C. 5-13-9-11(g)(7), TrustINdiana is required to be comprised of no less than 50% of deposits in banks from an approved list maintained by the State of Indiana. In addition, TrustINdiana limits its investments in any one issuer to 40% of net assets if the issuer is rated A1+/P1 and 25% of net assets if the issuer is rated A1/P1. The only exemptions from disclosures are US Government Debt, US Government Guaranteed Investments, Mutual Funds, or External Investment Pools.

There were no investments in any one issuer that represent 5% or more of the total Pool investments.

Securities Lending Credit Risk

The Treasurer of State is authorized by Indiana Code 5-13-10.5-13 to lend securities. Securities may be lent under an agreement which requires the loaned securities to be collateralized in the form of (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the United States, an agency of the United States, an agency of the United States government, a federal instrumentality, or a federal government sponsored enterprise in an amount at least equal to 102% of the current market value of the loaned securities. The net income earned through securities lending is recorded as additional income to the Pool.

At year end, the State had no credit risk exposure to any borrowers because the amount the State owes the borrowers exceeds the amounts the borrowers owe the State.

2. Pension Trust Funds – Primary Government

State Police Pension Fund

Investment Policy – The Indiana State Police Pension Trust was established in 1937 to provide pension, death, survivor, and other benefits to present and former employees of the department and their beneficiaries who meet the statutory requirements for such benefits.

Indiana Code 10-12-2-2(c), established the prudent investor standard as the primary statutory provision governing the investment of the Trust's assets. IC 10-12-2-2(c) reads as follows:

The trust fund may not be commingled with any other funds and shall be invested only in accordance with Indiana laws for the investment of trust funds, together with other investments as are specifically designated in the pension trust. Subject to the terms of the pension trust, the Trustee, with the approval of the Department and the Pension Advisory Board, may establish investment guidelines and limits on all types of investments (including, but not limited to, stocks and bonds) and take other action necessary to fulfill its duty as a fiduciary for the trust fund. However, the Trustee shall invest the trust fund assets with the same care, skill, prudence, and diligence, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The Trustee shall also diversify such investments in accordance with prudent investment standards.

The Treasurer of State, as Trustee, the Indiana State Police Department, and the Pension Advisory Board has adopted an Investment Policy Statement. The Investment Policy Statement is written to establish expectations, objectives and guidelines for the investment of the Fund's assets and to comply with investment statutes. One of the primary objectives of the Fund is to maximize total investment return within reasonable, unambiguous, and prudent levels of risk through sufficient levels of investment diversification.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The domestic fixed income managers' portfolios shall have an average credit quality of not lower than single A. All fixed income securities at the time of purchase shall have credit quality rating of no less than BBB. The guidelines applicable to the Domestic Core Fixed Income investment managers shall also apply to Domestic Core Plus Fixed Income managers except that at least 70% of the fixed income securities shall have a credit quality rating of no less than BBB and investments in high-yield and non-U.S. debt securities are permitted. Exposure should be limited to 20% high-yield and 20% non-U.S. debt with a combined exposure to those sectors not to exceed 30%.

The following table provides information on the credit quality ratings for investments in debt securities as well as investments in external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed-income securities (in thousands) as of June 30, 2008:

State Police Pension
(Amounts in thousands)

Investment Type	S & P Ratings	S & P Fair Value	Moody's Ratings	Moody's Fair Value
U.S. Treasuries	AAA	$ 3,737	Aaa	$ 3,737
U.S. Agencies	AAA	14,809	Aaa	14,809
Government Assets and Mortgage Backed Securities	AAA	30,813	Aaa	30,813
Collateralized Mortgage Obligations				
Corporate CMO's	AAA	67	Aaa	67
Government CMOs	AAA	12,172	Aaa	12,172
Corporate Bonds	AAA	2,269	Aaa	2,269
	AA	1,803	Aa	2,717
	A	6,381	A	3,728
	BBB	4,361	Baa	6,382
	BB	615	Ba	333
	B	1,476	B	1,162
	CCC & Below	414	CCC & Below	728
Corporate Asset Backed	AAA	21,797	Aaa	23,634
	AA	4,135	Aa	3,538
	A	1,777	A	3,876
	BBB	2,214	Baa	3,148
	BB	1,034	Ba	357
	NR	4,651	NR	1,055
Private Placements	AAA	373	Aaa	38
	AA	1,044	Aa	717
	A	146	A	847
	BBB	1,169	Baa	1,042
	BB	-	Ba	321
	B	399	B	166
Money Market Mutual Funds	AAA	19,899	Aaa	19,899
	NR	156,196	NR	156,196
Total		$ 293,751		$ 293,751

Custodial Credit Risk – The custodial credit risk for deposits is the risk that, in the event of a failure of a financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2008, the balance of the State Police Pension Trust deposits was covered in full by federal depository insurance or by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

Investment Custodial Credit Risk
The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the customer. None of the Indiana State Police Pension Trust's investments are exposed to custodial credit risk because they are held in the name of the Indiana State Police Pension Trust. Additionally, the Treasurer of State requires all custodians to indemnify the State against all out-of-pocket expenses or losses incurred as a result of (i) the custodian's operational failure, (ii) custodian's failure to carry out the credit analysis, (iii) custodian's failure to maintain proper collateral for each loan, or (iv) failure of an approved counterparty to comply with it's obligations under the applicable securities lending agreement.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Indiana State Police Trust has ten different investment managers. The purchase of securities in any one nongovernmental corporation shall be limited to an initial cost of 5% of the market value of an investment manager's portfolio. Additionally, the following limits are set to further limit credit exposure:

Large/Mid/Small Capitalization Equity Manager: equity holdings in any one company should not exceed 7.5% of the market value of the investment manager's portion of the Fund's portfolio. Equity holdings in any one industry should not exceed 25% of the market value of the investment manager's portion and equity holdings in any one sector should not exceed 35% of the investment manager's portfolio market value.

Non-US Equity Investment Manager: equity holdings in any one international company shall not exceed 7.5% of the total value of all investments in international equity securities and equity holdings in any one country shall not exceed 35% of all investments in international equity securities.

Domestic Core Fixed/ Domestic Core Plus/Hybrid Managers: securities of any one issuer are limited to not more that 5% of the investment manager's portion of the portfolio measured at market value. Securities backed by the full faith and credit of the United States Government or any of its instrumentalities shall not be subject to exposure limitations.

Investments in any one issuer that represent 5% or more of the total investments are:

FNMA: 5.30%, $18,915,744

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments. The Fund's policy for controlling its exposure to interest rate fluctuations should be viewed with the appropriate perspective. A long-term strategy was employed to achieve the Fund's objectives, but there was consideration given to the short-term liquidity needs to meet disbursements required by the Fund. The asset allocation and investment manager structure was designed to tolerate some interim fluctuations in market value while maintaining a long-term return objective to exceed the actuarial assumed interest rate of 7%. The duration of a fixed income manager's portfolio may not vary by more than 20% from the average duration of that manager's benchmark index.

The following table provides interest rate risk disclosure for the Indiana State Police Pension Fund (in thousands) as of June 30, 2008:

State Police Pension
(Amounts in thousands)

Investment Type	Fair Value	Investment Maturities (in Years) Less than 1	1 - 5	6- 10	More than 10
U.S. Treasuries	$ 3,737	$ 100	$ 931	$ 328	$ 2,378
U.S. Agencies	57,794	5,660	850	3,561	47,723
Collateralized Mortgage Obligations					
Corporate CMO's	67	-	-	-	67
Corporate Bonds	17,319	689	6,153	5,321	5,156
Corporate Asset Backed	35,608	28	2,386	1,421	31,773
Private Placements	3,131	18	1,241	1,292	580
Money Market Mutual Funds	176,095	176,095	-	-	-
Total Fixed Income Securities	$ 293,751	$ 182,590	$ 11,561	$ 11,923	$ 87,677

3. *Pension Trust Funds – Discrete Component Units*

Public Employees' Retirement System

Investment Policy – The Indiana General Assembly enacted the prudent investor standard to apply to the PERF's Board of Trustees and govern all its investments. The primary governing statutory provision is that the PERF Board of Trustees must "invest its assets with the care, skill, prudence and diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims." The PERF Board of Trustees is also required to diversify such investments in accordance with prudent investment standard.

Within these governing statutes, the PERF Board of Trustees has broad authority to invest the assets of the plans. The PERF Board of Trustees utilizes external investment managers, each with specific mandates to implement the investment program. Depending on the mandate and the contractual agreement with the investment manager, investments may be managed in separate accounts, commingled accounts, mutual funds or other structures acceptable to the PERF Board of Trustees.

The PERF Board of Trustees has established the following asset allocation strategy for the investments held in the Consolidated Retirement Investment Fund (CRIF):

Asset Classes	Target Norm	Allowable Ranges
Equities – Domestic	40%	35% - 50%
Equities – International	15%	10% - 20%
Equities – Global	10%	5% - 15%
Fixed Income – Core	15%	10% - 20%
Fixed Income – TIPS	5%	0% - 10%
Alternatives – Private Equity	8%	0% - 10%
Alternatives – Real Estate	3%	0% - 5%
Alternatives – Commodities	2%	0% - 5%
Alternatives – Absolute Return	2%	0% - 5%

Investments in the PERF annuity savings accounts and Legislators' Defined Contribution plan are directed by the members in each respective plan and as such the asset allocation will differ from that of the CRIF. The Pension Relief Fund is invested to a target of seventy percent Fixed Income – Core and thirty percent Equities – Domestic. The Special Death Benefit Funds are one hundred percent fixed income.

The following investment types, unless otherwise approved by the PERF Board of Trustees, are prohibited by the PERF investment policy statement IPS (IPS):

- Short sales of any kind.
- Repurchase agreements that may create any kind of leverage in the portfolio.
- Purchases of letter or restricted stock.
- Buying or selling on the margin.
- Purchases of futures and options.
- Purchases of derivative securities which have any of the following characteristics: leverage, indexed principal payment, or links to indices representing investments.
- Purchases of interest only or principal only collateralized mortgage obligations.
- Any transaction that would be a "prohibited transaction" under the Internal Revenue Code Section 503.
- Purchases of inverse floaters.

Deposit Risks – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized or collateralized with securities held by the pledging financial institution. Deposits held in the two demand deposit accounts are carried at cost and are insured up to $100,000 each. Deposits in the demand accounts held in excess of $100,000 are not collateralized. Deposits with the Indiana Treasurer of State are entirely insured. Deposits held with the investment custodian are collateralized with securities on loan that are held by the pledging financial institution.

Cash Deposits (in thousands)	Total	JP Morgan Chase	National City Bank
Demand deposit account – carrying value	$5,499.90	$1,482.20	$4,017.70
Demand deposit account – bank balance	27,989.80	23,459.50	4,530.30
Held with Treasurer of State	11,054.20	--	--
Held with Custodian:			
Cash	322.60	--	--

Credit Risk – PERF's IPS sets credit quality rating guidelines and benchmark indices for each of its sub-asset classes and as outlined in each portfolio manager contract. The guidelines and benchmarks are as follows: the fixed income portfolio (excluding TIPS) must maintain an average credit quality rating of at least A1 (Moody's) or the equivalent; securities must be rated at least Baa3 (Moody's) or the equivalent at the time of purchase unless specifically approved by the PERF Board of Trustees; the benchmark for the fixed income portfolio is the Lehman Brothers Aggregate Bond Index; and the Treasury Inflation Protection Securities (TIPS) portfolio must substantially match the quality of its benchmark, the Lehman Brothers TIPS US Index. The quality rating of investments in debt securities as described by the Nationally Recognized Statistical Rating Organization (NRSRO) Standard and Poor's at June 30, 2008, is as follows ($ in millions):

Quality Rating	Fair Value	% of Portfolio
AAA	$2,647.70	60.7%
AA	128.50	3.0%
A	231.00	5.3%
A-1	161.50	3.7%
BBB	277.10	6.4%
BB	69.80	1.6%
B	45.40	1.0%
CCC	11.30	0.3%
Not rated	782.10	18.0%
Grand Total	**$4,354.40**	**100%**

The credit risk schedule includes debt securities, short-term money market funds, bond mutual funds and bond commingled funds. Of the total fair value reported, approximately $2.1 billion (47.9 percent) is AAA rated US Treasury, US Agency or US Agency Mortgage Backed Securities. The remaining balance of approximately $2.3 billion (52.1 percent) consists of corporate debt, short-term custodial money market funds, commingled or mutual funds, and asset-backed and mortgage-backed securities of various credit quality ratings.

Of the $782.1 million not rated by Standard & Poor's, approximately $81.3 million (10.4 percent of Not Rated), are rated by Moody's (another NRSRO) as follows: approximately $76.4 million are rated A3 or better, approximately $4.2 million are rated B3 through Baa2 and the balance of approximately $0.7 million are rated Ca through Caa1. Included in the Not Rated category are approximately $632.5 million (80.9 percent of Not Rated) in money market funds, mutual funds or commingled funds. The remaining balance of approximately $68.3 million (8.7 percent) is not rated by either Moody's or Standard and Poor's.

Custodial Credit Risk – Custodial credit risk is the risk that the PERF will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party if the counter party fails. Investment securities are exposed to risk if the securities are uninsured, are not registered in the name of PERF and are held by either the counterparty or the counterparty trust department's agent, but not in PERF's name.

There was no custodial credit risk for investments including investments related to securities-lending collateral as of June 30, 2008. Per IC 5-10.3-5-4(a) and IC 5-10.3-5-5, all fund investments are held by banks under custodial agreements in the fund's name, and all custodians are domiciled in the United States and approved by the Indiana Department of Financial Institutions to act in a fiduciary capacity and manage custodial accounts in Indiana.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss that may arise in the event of default by a single issuer. PERF's IPS limits the purchase of securities of any one issuer, with the exception of the US Government and its agencies, to an initial cost of 5 percent of the market value of an investment manager's portfolio. Through capital appreciation, no such holding should exceed 7.5 percent of the market value of the total holdings of such investment manager's portfolio.

For investment managers contracted to manage concentrated portfolios, exposure to the securities issued by a single issuer, with the exception of the U.S. Government and its agencies, is limited to 7.5 percent of the investment manager's portfolio based upon initial cost and no more than 15 percent of the market value of the portfolio as a result of capital appreciation.

At June 30, 2008, there was no concentration of credit risk for the CRIF or separately managed fund portfolios.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments. Duration is a measure of interest rate risk. The greater the duration of a bond or a portfolio of bonds, the greater its price volatility will be in response to a change in interest rates and vice-versa. Duration is an indicator of a bond price's sensitivity to a 100 basis point change in interest rates.

PERF's IPS sets duration guidelines for the fixed income investment portfolio that are linked directly, or indirectly, to the benchmark indices for each of its sub-asset classes and as outlined in each investment manager portfolio contract. Several sub-asset classes require that duration of the portfolio may not vary more than 20 percent above or below the duration of the applicable benchmark index.

Duration information is provided below (in millions):

Investment Type	Net Asset Fair Value	% of Net Asset Fair Value	Duration
Short Term Investment Fund	$492.10	10.9%	0.00
Government and Agency Obligations	1,173.80	25.9	7.00
Residential and Commercial Mortgage-Backed Securities	1,408.40	31.1	3.95
Corporate Bonds	789.60	17.5	5.57
Asset Backed	171.70	3.8	1.14
Municipal Securities	1.00	0.0	0.29
Other[1]	490.80	10.8	2.86
Total	**$4,527.40**	**100%**	**4.37**

[1] Includes mutual funds, collective trusts, and derivatives

PERF investments are directly, or indirectly, sensitive to changes in the interest rate environment. Some derivative products, identified in the derivatives financial instruments section, are also sensitive to interest rate risk. Debt securities, debt securities mutual funds and commingled funds, and short-term cash and cash-equivalents represent the portions of the portfolio most sensitive to interest rate risk and are included in the duration information.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. PERF's foreign currency exposure is focused primarily in international and global equity holdings. Futures currency contracts are reported in the following schedule at gross exposure value. Forward currency contracts values included both receivables and payables.

PERF's IPS refers to foreign currency guidelines that are linked directly, or indirectly, to the benchmark indices for each sub-asset class or as outlined in each portfolio manager contract. Certain fixed securities portfolio sub-asset classes allow for up to 20 percent investment in non-US dollar government and corporate securities. The equity portfolio sub-asset classes have specific guidelines for international equities and global equity investments. Certain sub-asset classes do not allow emerging markets investments while some allow up to 20 percent of market value to be held in emerging markets.

PERF has exposure to foreign currency fluctuation as follows (in millions):

Currency	Fair Value	% of Foreign Currency
Euro	$849.40	25.4%
Japanese Yen	542.00	16.2
Pound Sterling	490.80	14.6
Australian Dollar	176.60	5.3
Swiss Franc	134.90	4.0
Hong Kong Dollar	134.10	4.0
Other	1,021.10	30.5
Total	**$3,348.90**	**100%**

Securities Lending – Indiana Code 5-10.2-2-13(d) provides that the PERF Board of Trustees may authorize a custodian bank to enter into a securities lending program agreement under which securities held by the custodian on behalf of PERF may be loaned. The purpose of such a program is to provide additional revenue for PERF.

Statute requires that collateral initially in excess of the total market value of the loaned securities must be pledged by the borrower, and must be maintained at no less than the total market value of the loaned securities. The PERF Board of Trustees requires that collateral securities and cash be initially pledged at 102 percent of the market value of the securities lent. No more than 40 percent of the CRIF's total assets may be lent at one time. The custodian bank and/or its securities lending subagents provide 100 percent indemnification to the PERF Board of Trustees and the CRIF against borrower default, overnight market risk, and failure to return loaned securities. Securities received as collateral cannot be pledged or sold by the PERF Board of Trustees unless the borrower defaults. PERF retains the market value risk with respect to the investment of the cash collateral.

Cash collateral investments are subject to the investment guidelines specified by PERF's IPS. It states that the maximum weighted average days to maturity may not exceed 60. The average term to maturity of the cash collateral portfolio was approximately 11 days at June 30, 2008. The securities lending agent match the maturities of the cash collateral investments with stated securities loans' termination dates. Cash collateral received for open-ended loans that can be terminated on demand are invested with varying maturities.

The fair value of securities lent for cash collateral at June 30, 2008, was (in millions):

Investment Type	Loan Value
Government Obligation	$656.10
Corporate Bonds	48.30
Equities	1,332.40
Total Fair Value	**$2,036.80**

The credit quality of the cash collateral investments as described by Standard and Poor's at June 30, 2008, was (in millions):

Investments Quality Rating	Fair Value	Percent of Portfolio
A-1 and A-1+	$1,887.10	92.5
A3	31.00	1.5
Not rated	122.60	6.0
Total	**$2,040.70**	**100%**

The majority of A-1 and A-1+ collateral investments were medium-term corporate bonds. The majority of the Not Rated collateral investments are guaranteed investment contracts.

At June 30, 2008, PERF had loaned approximately $319 million US Treasury and government agency obligations for securities collateral. The securities collateral value was approximately $325.4 million which represented 102 percent coverage.

At fiscal year end, PERF has no credit risk exposure to borrowers because the amount it owes to the borrowers exceeds the amount owed by the borrowers.

Derivative Financial Instruments – PERF's IPS authorized investments in the absolute return allocation which may include derivatives. A derivative security is an investment whose payoff depends upon the value of other assets such as commodity prices, bond and stock prices, or market index. The fair value of investments in absolute return investments was approximately $362 million at June 30, 2008. PERF's directly held investments in derivatives are not leveraged. In the case of an obligation to purchase (long a financial future or a call option), the full value of the obligation is held in cash or cash equivalents. For obligations to sell (short a financial future or buy a put option), the reference security is held in the portfolio. Derivative transactions involve, to varying degrees, credit risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to terms. Market risk is the possibility that a change in interest or currency rates will cause the value of a financial instrument to decrease or become more costly to settle. The market risk associated with derivatives, the prices of which are constantly fluctuating, is regulated by imposing strict limits as to the types, amounts and degree of risk that investment managers may undertake. These limits are approved by the PERF Board of Trustees, and the risk positions of the investment managers are reviewed on a periodic basis to monitor compliance with the limits. During the year, PERF's derivative investments included foreign currency forward contracts, collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), treasury inflation protected securities (TIPS) and futures.

Foreign currency forward contracts are used to hedge against the currency risk in PERF's foreign stock and debt security portfolios. A foreign currency forward contract is an agreement to buy or sell a specific amount of a foreign currency at a specified delivery or maturity date for an agreed-upon price. Fluctuations in the market value of foreign currency forward contracts are marked to market on a daily basis.

At June 30, 2008, PERF's investments included the following currency forwards balances (in millions):

Forward Currency Contract Receivables	$275.60
Forward Currency Contract Payables	$276.50

PERF's debt securities managers invest in CMOs/REMICs to improve the yield or adjust the duration of the debt securities portfolio. As of June 30, 2008, the carrying value of the PERF's CMO/REMIC holdings was approximately $211.7 million.

TIPS are used by PERF's debt securities managers to provide a real return against inflation as measured by the Consumer Price Index. As of June 30, 2008, the carrying value of PERF's TIPS holdings was approximately $1.0 billion.

PERF's investment managers use financial futures to replicate an underlying security or index they wish to hold or sell in the portfolio. In certain instances, it may be beneficial to own a futures contract rather than the underlying security. Additionally, PERF's investment managers use futures contracts to adjust the portfolios risk exposure. A financial futures contract is an agreement to buy or sell a specific amount at a specified delivery or maturity date for an agreed-upon price. Financial future positions are recorded with a corresponding offset, which results in a carrying value equal to zero. As the market value of the futures contract varies from the original contract price, a gain or loss is recognized and paid to or received from the clearinghouse. The cash or securities to fulfill these obligations are held in the investment portfolio. Futures contracts may be used for the purpose of investing cash flows or modifying duration but in no event may leverage be created by any individual security or combination of securities. At June 30, 2008, PERF's notional value in these futures totaled approximately $674 million.

State Teachers' Retirement Fund (TRF)

Investment Policy - The Fund was established to provide retirement, disability, death, and termination benefits to present and former members of the Fund and their beneficiaries who meet the statutory requirements for such benefits. The Fund must be operated for the exclusive benefit of members and their beneficiaries, pursuant to Indiana law and the Internal Revenue Code. The Fund is required by Indiana law to meet all rules applicable to a qualified plan under Section 401 of the Internal Revenue Code, in order to provide the ensuing tax advantages to its members. In addition, the Fund is a trust, exempt from taxation under Section 501 of the Internal Revenue Code. The Fund is also governed by Indiana statutes and administrative rules. See IC 5-10.2 and IC 21-6.1

Whereas, the general assembly also believes that a prudent diversification of investments by public retirement funds is an essential element of a stringent investment standard for such funds and is critical for the future; and Whereas, the general assembly finds that numerous actuarial studies of retirement funds in Indiana and other states have demonstrated that, due to the long term nature of the investment made by public retirement funds, diversification of such investments in a responsible manner reduces risk, increases income, and improves security for such funds, while a lack of diversification results in reduced income and increased risk to the retirement funds, while creating a substantial additional burden for the taxpayers who ultimately bear the burden of providing the assets for such funds in the absence of sufficient investment income; and Whereas, the general assembly desires to pass a diversification rule patterned after the stringent federal law applicable to private plans, which will provide that the trustees of each fund must diversify the investments of their fund so as to minimize the risk of large losses. Thus, the primary governing statutory provision is that the Board must invest its assets with the care, skill, prudence, and diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The Board is also required to diversify such investments in accordance with prudent investment standards (IC 21-6.1-3-9).

It is the responsibility of the Board of Trustees to determine the allocation of assets among distinct capital markets in accordance with allowable legal limits.

The current strategic asset allocation is as follows:

Domestic Equities	35%
International Equities	20%
Private Equity	10%
Real Estate	8%
Absolute Return	7%
Fixed Income	20%
	100%

Credit Risk - The credit risk of investments is the risk that the issuer will default and not meet their obligation. This credit risk is measured by the credit quality ratings issued by national rating agencies such as Moody's and Standard and Poor's.

The following table (in thousands of dollars) provides information on the credit ratings associated with the Fund's investments in debt securities. Ratings were obtained from Moody's and when not rated by Moody's, Standard and Poor's was used.

Rating	Fair Value	Percentage of Portfolio
Aaa	$1,563,977	43.74%
Aa	179,745	5.03%
A	352,036	9.85%
Baa	557,636	15.60%
Ba	63,754	1.78%
B	48,681	1.36%
Caa	17,982	0.50%
Ca	5,453	0.15%
Unrated	786,125	21.99%
Total	$3,575,389	100.00%

Custodial Credit Risk – Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the Fund will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the Fund.

There was no custodial credit risk for investments including investments related to securities-lending collateral. Per IC 5-10.3-5-4(a) and IC 5-10.3-5-5, all fund investments are held by banks under custodial agreements, all custodians are domiciled in the United States and approved by the Indiana Department of Financial Institutions to act in a fiduciary capacity and manage custodial accounts in Indiana.

Deposit Risks – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized or collateralized with securities held by the pledging financial institution. Deposits held in the demand deposit account are carried at cost and are insured up to $100,000 each. Deposits in the demand accounts held in excess of $100,000 are not collateralized. Deposits with the Treasurer of State are entirely insured. Cash Deposits held with the custodian are carried at cost and are not insured or collateralized.

Cash Deposits (in thousands)	**Total Fair Value**
Demand deposit account – bank balance	$86,113
Demand deposit account – book balance	4,099
Held with Treasurer of State	4,155
Cash held with Custodian	142,427

Concentration of Credit Risk – At June 30, 2008, TRF did not have investments in any one issuer, other than securities issued or guaranteed by the U.S. government that represented more than 5% of net investments.

Interest Rate Risk – The Fund uses the Lehman Brothers Aggregate Index (LBA) as the benchmark for performance measurement of their fixed income managers. TRF's investment policy states that each fixed income manager must manage their portfolio so that the duration is no less than 80% and no more than 120% of the duration of the index.

Foreign Currency Risk – As of June 30, 2008, 14.59% of the Fund's investments were in foreign currencies. The table below breaks down the Fund's exposure to each foreign currency (in thousands of dollars):

Currency	**Total Fair Value**	**Percentage of Total Fund Fair Value**
Euro Currency Unit	$501,210	5.93%
British Pound Sterling	140,707	1.66%
Japanese Yen	193,626	2.29%
Swiss Franc	59,733	0.71%
Canadian Dollar	107,484	1.27%
Hong Kong Dollar	36,699	0.43%
Australian Dollar	7,882	0.09%
Norwegian Krone	62,041	0.73%
South Korean Won	17,250	0.20%
Swedish Krona	61,613	0.73%
Other	46,773	0.55%
Totals	$1,235,018	14.59%

The following is a summary of the Interest Rate Risk Disclosure for Teachers' Retirement Fund as of June 30, 2008 (amounts are in thousands):

As of June 30, 2008, TRF had the following debt investments and maturities (Amounts are in thousands).

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**More than 10**
Short term investment funds	$ 519,487	$ 519,487	$ -	$ -	$ -
Short term bills and notes	170,801	170,801	-	-	-
Commercial paper	33,657	33,657	-	-	-
Asset backed securities	85,138	56,268	19,702	9,168	-
Commercial Mortgage-Backed Securities	514,465	12,882	259,095	242,488	-
Corporate bonds	1,396,568	404,590	556,125	355,219	80,634
U.S. Agencies	192,658	9,325	47,418	88,505	47,410
U.S. Treasuries	91,308	-	51,313	16,034	23,961
Government Mortgage Backed Securities	1,341,376	16,724	548,687	770,068	5,897
Municipal/provincial bonds	2,332	1,306	-	308	718
Collateralized Mortgage Obligations	76,999	14,308	52,790	9,295	606
Total	**$ 4,424,789**	**$ 1,239,348**	**$ 1,535,130**	**$ 1,491,085**	**$ 159,226**

Securities Lending – State statutes and the Board of Trustees permit the Fund to lend securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The Fund's custodial bank manages the securities lending program and receives securities or cash as collateral. The Fund's custodial bank maintains a list of broker-dealers that have passed their credit analysis and are eligible to borrow securities. In addition the Fund can have any borrower removed from this list by requesting the custodian not lend to this borrower. The collateral securities cannot be pledged or sold by the Fund unless the borrower defaults, but cash collateral may be invested by the Fund. Collateral securities and cash are initially pledged at 102% of the market value of domestic securities lent and 105% on international securities lent. Collateral is adjusted to the market on a daily basis. No more than 40% of TRF's total assets may be lent at any one time. At year-end, TRF has no credit risk exposure to borrowers because the amount TRF owes the borrowers exceed the amounts the borrowers owe TRF.

Approximately 25% of the securities loans can be terminated on demand either by the Fund or by the borrower, although generally the average term of these loans is one day. Total cash collateral of $1,217 million is invested in a pooled fund.

As of June 30, 2008, the Fund had the following securities on loan (in thousands):

Security Type	Market Value of Loaned Securities Collateralized by Cash	Market Value of Loaned Securities Collateralized by Noncash	Total Securities Loaned
Global Equities	$ 192,405	$ 15,155	$ 207,560
Global Fixed	8,125	--	8,125
U.S. Agencies	157,940	--	157,940
U.S. Corporate Fixed	187,170	--	187,170
U.S. Equities	499,544	8,198	507,742
U.S. Gov't Fixed	135,769	7,708	143,477
Total	$1,180,953	$31,061	$1,212,014

Outstanding Short Sales - Short sales occur when investments have been sold which are not yet owned by the fund. Prior to settlement of the sale, the investments will be procured. For the investments directly held by the fund within the custody accounts, the outstanding short sales are included as accounts receivable from sales of investments and as negative investments. A schedule of the negative investments at June 30 is listed below. The repurchase agreements reduced the cash equivalent investments and the remaining listed investments reduced the debt securities investments shown on the balance sheet. These transactions involve market risk as the asset to be delivered may become more costly to procure and then losses would be realized.

A schedule of the outstanding short sales at June 30, 2008 follows (dollars in thousands):

Type of Investment:	
Repurchase agreements	$ 8,474
U.S. Treasuries	860,305
Index Linked Govt Bonds	5,927
Government Mortgage Backed	404
Total	$ 875,110

Derivative Financial Instruments – TRF invested in derivative financial investments as authorized by Board policy. A derivative security is an investment whose payoff depends upon the value of other assets such as commodity prices, bond and stock prices, or market index. TRF's investments in derivatives are not leveraged. In the case of an obligation to purchase (long a financial future or a call option), the full value of the obligation is held in cash or cash equivalents. For obligations to sell (short a financial future or a put option), the reference security is held in the portfolio. Derivative transactions involve, to varying degrees, credit risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to terms. Market risk is the possibility that a change in interest or currency rates will cause the value of a financial instrument to decrease or become more costly to settle. The market risk associated with derivatives, the prices of which are constantly fluctuating, is regulated by imposing strict limits as to the types, amounts, and degree of risk that investment managers may undertake. These limits are approved by the Board of Trustees and senior management, and the risk positions of the investment managers are reviewed on a periodic basis to monitor compliance with the limits. During the year, TRF's derivative investments included cash and cash equivalent futures, equity derivatives-options, fixed income derivatives – options, rights/warrants, swaps, foreign currency forward contracts, collateralized mortgage obligations (CMOs), treasury inflation protected securities (TIPS), and futures.

TRF's investment managers use financial futures to replicate an underlying security or index they wish to hold (sell) in the portfolio. In certain instances, it may be beneficial to own a futures contract rather than the underlying security (arbitrage). Additionally, TRF's investment managers use futures contracts to adjust the portfolios risk exposure. A financial futures contract is an agreement to buy or sell a specific amount at a specified delivery or maturity date for an agreed-upon price. Financial future positions are recorded with a corresponding offset, which results in a carrying value equal to zero. At June 30, 2008 the total offset was $704.2 million. As the market value of the futures contract varies from the original contract price, a gain or loss is recognized and paid to or received from the clearinghouse. The cash or securities to fulfill these obligations are held in the investment portfolio.

Cash and cash equivalent futures are used to manage exposure at the front end of the yield curve. These include swaps with duration of one (1) year or less, and Eurodollar, Euribor and other futures based on short-term interest rates. At June 30, 2008, TRF's notional value in these instruments totaled $81.4 million and an offset of equal value of $81.4 million.

Equity derivatives – options are used to gain exposure to an index or market sector. These may offer an opportunity to outperform due to active management of the liquid portfolio backing the exposure. Exposure is backed by underlying fixed-income portfolio. At June 30, 2008, TRF's equity derivatives position had a notional value of $334.5 million and an offset of an equal value of $334.5 million.

Fixed income derivatives – futures are used to manage interest rate fluctuations. At June 30, 2008, TRF's fixed income futures had a notional value of $288.4 million and an offset of equal value of $288.4 million.

Stock Rights/Warrants give the holder the right to buy a stock at a certain price until a certain date. At June 30, 2008, the carrying value of TRF's stock rights and warrants totaled $4.6 million.

Swaps are used to adjust interest rate and yield curve exposures and substitute for physical securities. Long swap positions ("received fixed") increase exposure to long-term interest rates; short positions ("pay fixed") decrease exposure. At June 30, 2008, the market value of TRF's swaps was $14.1 million and swap liabilities totaled $23.5 million.

Foreign currency contracts are used to hedge against currency risk and to purchase investments in non-dollar currencies. A foreign currency contract is an agreement to buy and sell a specific amount of foreign currency at a specified delivery or maturity date for an agreed-upon price. Fluctuations in the market value of foreign currency contracts are marked to market on a daily basis. At June 30, 2008, TRF had Pending Foreign Exchange purchases of $500.0 million and Pending Foreign Exchange sales of $499.8 million.

TRF's fixed income managers invest in CMOs to improve the yield or adjust the duration of the fixed income portfolio. As of June 30, 2008, the carrying value of the TRF's CMO holdings totaled $77.0 million.

Treasury inflation protected securities (TIPS) are used by TRF's fixed income managers to provide a real return against inflation (as measured by the Consumer Price Index). As of June 30, 2008, TRF had $1.4 million in TIPS holdings.

TRF has two investment accounts that use absolute return strategies. One account uses a Pure Alpha strategy, where value is added through a broadly diversified active portfolio of global fixed income, currency, equity, inflation-indexed bond, EMD, EMFX, and Option markets. As of June 30, 2008, TRF had $127.1 million invested in this strategy. The other account is based on the concept of mean reversion. This strategy uses both top-down and bottom-up valuation methodologies to value asset classes, countries and individual securities in order to allocate assets to undervalued countries, currencies and securities. As of June 30, 2008, TRF had $121.3 million invested in this strategy.

Partnership Investments – The Board of Trustees had approved commitments and TRF had entered into agreements to fund limited liability partnerships of $798.7 million as of June 30, 2008. The Fund had a net asset value of $297.3 million as of June 30, 2008 invested in these partnerships. The funding period for the amounts that TRF has already committed is from April 2002 to approximately June 2018. The outstanding commitments at June 30, 2008, totaled $318.5 million.

Subsequent Events – The financial markets experienced significant volatility subsequent to the June 30, 2008 fiscal year end, due to the credit market crisis and concerns about global recession and other market factors. Despite government support designed to keep the global financial system from collapsing, steep declines and periodic boosts in value were experienced indicating a continued uncertainty of global market conditions.

As a basis of reference, based on unaudited reports from Northern Trust, the value of the TRF portfolio has declined approximately 22 percent as of November 30, 2008 as compared to the June 30, 2008 fiscal year end value. In light of this significant market decline, any judgment of the system's financial position should be based on current information rather than fiscal year end.

The TRF investment philosophy continues to focus on broadening the diversification of the portfolio. Over a long-term horizon, the investment fund is expected to have more protection from fluctuating market conditions as a result of the multi-year diversification plan adopted by the board in fiscal year 2007.

B. Interfund Transactions

Interfund Loans

Interfund loans of $63.3 million represents amounts owed by the Bureau of Motor Vehicles Commission Fund to the Motor Vehicle Highway Fund.

As explained in Note III(B) above, temporary cash overdrafts in various funds are reported as interfund loans from the General Fund. As of June 30, 2008, the following funds had temporary cash overdrafts covered by loans from the General Fund: the Motor Vehicle Highway Fund, $12.4 million, Welfare Medicaid Administration Fund, $23.3 million, the Property Tax Reduction Fund, $100.7 million, the County Welfare Administration, $1.8 million, the Federal Food Stamp Program Fund, $9.8 million, and the Major Construction Army National Guard Fund, a non-major capital projects fund, $3.0 million.

The following is a summary of the Interfund Loans as of June 30, 2008:

Interfund Loans - Current	Loans To Governmental Funds	Loans From Governmental Funds
Governmental Funds		
General Fund	$ 150,989	$ -
Motor Vehicle Highway Fund	63,277	12,405
Medicaid Assistance Fund	-	-
State Highway Department	-	-
Nonmajor Governmental Funds	-	201,861
Total Governmental Funds	214,266	214,266
Total Interfund Loans	$ 214,266	$ 214,266

Interfund Services Provided/Used

Interfund Services Provided of $11.3 million represents amounts owed by various governmental funds to the Institutional Industries Fund and the Administrative Services Revolving Funds, both internal service funds, for goods and services rendered.

The following is a schedule of Interfund Services Provided/Used as of June 30, 2008:

Interfund Services Provided/Used	Interfund Services Provided To Governmental Funds	Interfund Services Used By Governmental Funds
Governmental Funds		
General Fund	$ -	$ 3,102
Motor Vehicle Highway Fund	-	2,656
State Highway Department	-	782
Tobacco Settlement Fund	-	4
Nonmajor Governmental Funds	-	4,758
Total Governmental Funds	-	11,302
Proprietary Funds		
Internal Service Funds	11,302	-
Total Proprietary Funds	11,302	-
Total Interfund Services Provided/Used	$ 11,302	$ 11,302

Due From/Due Tos

Current – Interfund balances of $31.0 million represent the total of payment delays from the General Fund to the seven discretely presented colleges and universities throughout the State of Indiana. The Interfund balance of $35.8 million represents the accrued distribution amount from the State Lottery Commission to the Build Indiana Fund. In addition, interfund balances of $3.5 million represent the amount owed by the Integrated Public Safety Commission to the Indiana Finance Authority. The Indiana Finance Authority owed $339 thousand to governmental funds with $313 thousand due the General Fund and the balance of $26 thousand due non-major governmental funds.

Non-current – The interfund balance of $50.0 million represents funds the General Fund borrowed in June 2004, interest free, from the Indiana Board for Depositories, a discretely presented component unit. This money is due to be repaid, either from the General Fund prior to January 1, 2013, or by a budget request submitted to the 2013 session of the general assembly. This non-current interfund balance appears on the government-wide statements, but not the General Fund statements.

The following are current and non-current schedules of Due From/Due Tos of Component Units, as of June 30, 2008:

Component Units - Current

	Due From Primary Government	Due To Component Units	Due From Component Units	Due To Primary Government
Governmental Funds				
General Fund	$ -	$ 31,028	$ 313	$ -
Nonmajor Governmental Funds	-	3,533	35,775	-
Total Governmental Funds	-	34,561	36,088	-
Component Units				
Indiana University	12,172	-	-	-
Purdue University	8,595	-	-	-
Nonmajor Universities	10,261	-	-	-
Indiana Finance Authority	3,533	-	-	339
State Lottery Commission	-	-	-	35,749
Total Component Units	34,561	-	-	36,088
Total Due From/To	**$ 34,561**	**$ 34,561**	**$ 36,088**	**$ 36,088**

Component Units - Non-current

	Due From Primary Government	Due To Component Units	Due From Component Units	Due To Primary Government
Governmental Funds				
General Fund	$ -	$ 50,000	$ -	$ -
Total Governmental Funds	-	50,000	-	-
Component Units				
Board for Depositories	50,000	-	-	-
Total Component Units	50,000	-	-	-
Total Due From/To	**$ 50,000**	**$ 50,000**	**$ -**	**$ -**

Transfers of a member's reserves are made between the State Teachers' Retirement Fund (TRF) and the Public Employees' Retirement Fund (PERF) when a member has service at the time of retirement that is covered by both funds. Service covered by PERF and the related Annuity Savings Account balance will be used by TRF at the time of retirement in calculating the member's retirement benefit from TRF if the member was last employed in a TRF covered position. If the member was last employed in a PERF covered position, PERF will use the member's TRF service and Annuity Savings Account balance. At the time the retirement benefit is calculated TRF sets up a receivable from PERF (Due from component unit) for both the Annuity Savings Account balance and the calculated reserve for the service credit brought in from PERF. This receivable is included as a line item in the "Receivables" section of TRF's Statement of Fiduciary Net Assets. On the reverse side, TRF recognizes a payable (Due to component unit) in the Liabilities section of the Statement of Fiduciary Net Assets for TRF amounts used in calculating a PERF retiree's benefit. The reverse of the above holds true for PERF.

The following is a schedule of Due From/ Due Tos within Component Units, as of June 30, 2008:

Within Component Units	Due From Component Units	Due To Component Units
Discretely Presented Component Units Pension Trust:		
Pension Trust		
Public Employees' Retirement Fund	$ 588	$ 2,910
State Teachers' Retirement Fund	2,910	588
Total Discretely Presented Component Units Pension Trust	3,498	3,498
Total Due From /To	$ 3,498	$ 3,498

Interfund Transfers

Major Governmental Funds

Transfers constitute the movement of money from the fund that receives the resources to the fund that utilizes them. These numerous transfers generally result from legislation passed by the Indiana General Assembly that directs how the transfers are made. In the case of the General Fund, many appropriations are made in the General Fund and then transferred during the year to the funds where these appropriations are used. Also in the case of the General Fund, various taxes and other revenues are collected in other funds and transferred to the General Fund. Following are the principal purposes of the State's interfund transfers:

General Fund – The General Fund had the following transfers in: $1.7 billion was transferred in to reimburse the General Fund for the Property Tax Replacement Fund's (PTRF) share of tuition support per legislation. Another $112.9 million was transferred in from the PTRF to close out its balance at fiscal year end. $21.3 million came from the PTRF instead of being distributed to Marion County. This money was applied to Marion County's juvenile detention charges delinquent balance. $209.8 million in tax collections was transferred in from the Collections Fund for personal and corporate income taxes and sales taxes. The General Fund's Motor Vehicle Excise Tax Replacement Account received $236.2 million in transfers in from the Build Indiana Fund per legislation. The General Fund also received $103.7 million in transfers in from the Mental Institutions Fund. This was reimbursement for the Medicaid expenses that the General Fund incurred throughout the year. $74.7 million was received from the Public Welfare-Medicaid Assistance Fund for the quality assessment (QA) fees collected throughout the fiscal year and for the disproportionate share hospital (DSH) program. Of the total received from the Public Welfare-Medicaid Assistance Fund, $38.8 million was for the DSH program, $19.7 million was for the QA fees which can only be used for the state's share of Medicaid services under Title XIX of the Social Security Act, and $16.2 million was a reduction to Medicaid's state appropriation. $46.4 million was transferred in from the state payroll income tax and $16.2 was transferred in from the county option income tax. $42.5 million was transferred in from the

Tobacco Settlement Fund for health and welfare purposes. $37.5 million was transferred in from the U.S. Public Health Service Fund primarily as a result of returning unused state funds by the Indiana Department of Environmental Management. Nearly $27.0 million was received from the Abandoned Property Fund primarily to transfer the balance in excess of $500,000 to the General Fund pursuant to state law.

The following were transfers out from the General Fund: $1.7 billion was transferred to the Medicaid Assistance Fund for Medicaid and disability and the disproportionate share hospital (DSH) program. $736.3 million was transferred from the General Fund to the PTRF. The General Fund also transferred $7.8 million to the PTRF in riverboat tax credits per IC 6-3.1-20-7. $181.8 million represents state appropriation transfers out to the State Student Assistance Commission of Indiana to make awards to Hoosier students under the Frank O'Bannon Grant Program (includes the former Higher Education Award and Freedom of Choice Award). $85.9 million, $98.9 million, and $103.6 million of grant appropriations were transferred from the General Fund to the Welfare-State and Federal Assistance Fund, the Mental Health Center Fund, and the DCS Local Office Administration Fund, respectively. In addition, $99.2 million in grant appropriations were transferred to the County Welfare Administration Fund.

$25.3 million went to the Common School Principal Fund to post repayment of construction loans for schools rather than distributing their appropriations to them. $53.6 million was transferred from the General Fund to the Motor Vehicle Highway Fund for State Police expenditures, pensions, and overtime. $38.2 million represents appropriation transfers out to the Welfare-Medicaid Administration Fund. Another $20.9 million of grants were transferred to the Title XX Fund for aging, community service, and welfare $33.1 million for administration and awards went to the 21st Century Scholars Fund. $34.9 million was transferred for the 21st Century Research and Tech fund. $23.1 million of grants were transferred to the Vocational Rehabilitation Fund for vocational rehabilitation and case management. Grant and appropriations of $55.8 million were transferred to the Welfare-Work Incentive Fund for the Family and Social Services Administration (FSSA) and Temporary Assistance for Needy Families (TANF). $20.8 million represents grant appropriation and interest transfers for the Central Reimbursement Office (CRO) Program Administration, the Electronic Benefits Transfer Project, Support of Enforcement Tracking, and Revenue Recovery in the Title 4D Social Security Fund. $16.3 million was transferred to the riverboat admissions tax fund.

Motor Vehicle Highway Fund – The Motor Vehicle Highway Fund received a transfer in of $75.0 million from the Major Moves Construction Fund for road construction and maintenance distributions to be made to counties, cities, and towns. $30.0 million was transferred in from the Bureau of Motor Vehicles Holding Account, representing vehicle licenses and fees. $53.6 million was transferred in from the General Fund to reimburse the Motor Vehicle Fund for expenses it incurred for the State Police. $67.0 million was transferred in from the International Registration Plan fund and represents Indiana's share of revenues collected under this plan. $30.9 million was transferred in from the Gasoline and Special Fuel Tax fund for distribution to counties, cities, and towns per IC 6-6-1.1-801.5(c). $5.9 million was transferred in from the Motor Carrier Regulation Fund.

Transfers out included $300.8 million to the State Highway Department Fund. By legislation the remainder of the amount in the Motor Vehicle Highway Fund, after distributions to cities, towns, and counties, and after other legislative required transfers, goes to the State Highway Department Fund. $27.5 million was transferred out to the Underground Petroleum Storage Tank (UPST) Excess Liability Fund. This represents fees, fines and penalties assessed to owners of underground storage tanks. $14.0 million was motor carrier surtaxes transferred out to the Road and Street Primary Highway Fund.

Medicaid Assistance Fund – The Medicaid Assistance Fund had a transfer in of $1.7 billion from the General Fund to support the state Medicaid program administered through the Office of Medicaid Policy and Planning. $100.6 million was transferred in from the Mental Health Center Fund for funds collected from providers of services to the seriously mentally ill for the local/State set-aside match. $99.6 million was transferred in from the Medicaid Indigent Care Trust for reimbursement of hospital care for the indigent supplement payments made from the Medicaid Assistance Fund. There was also a transfer in of $30.0 million from the Tobacco Settlement Fund for the Children's Health Insurance Program (CHIP Assistance).

Transfers out included $65.2 million to the Mental Institutions Fund for Medicaid DSH providers and $74.7 million to the General Fund. Of the total transferred to the General Fund, $38.8 million was paid to the state psychiatric hospitals for disproportionate share hospital payments, $19.7 million went to the State Budget Agency for qualifying assessment fees that can only be used for the state's share of Medicaid services under Title XIX of the Social Security Act, and $16.2 million was a reduction of the state Medicaid program's state appropriation.

$10.2 million was transferred to the Medicaid Administration Fund to support administration of the program.

Major Moves Construction Funds – The Major Moves Construction Fund had a transfer out of $100.0 million to the State Highway Department for construction and maintenance of the State's highways, roads, and bridges. In addition, $75.0 million was transferred out to the Motor Vehicle Highway Fund for distributions to be made to counties, cities, and towns for road construction and maintenance.

State Highway Department Fund – The State Highway Department had the following major transfers in: $300.8 million was transferred in from the Motor Vehicle Highway Fund for use by the Indiana Department of Transportation for maintenance services, access road construction, and the research and highway extension program. This is a legislative transfer as described above under the Motor Vehicle Highway Fund. $158.2 million was transferred in from the Road and Street Primary Highway Fund's collection of motor fuel taxes, motor carrier surtaxes, and vehicle licenses. $100.0 million was transferred in from the Major Moves Construction Fund as described above for the Major Moves Construction Fund.
The State Highway Department had the following major transfers out: $24.8 million was transferred to the Indiana Department of Transportation of which $19.8 million was for its intermodal operations and $5.0 million was for use in the leasing of the state's highway infrastructure assets. $2.2 million was transferred to the Indiana Department of Environmental Management's Underground Petroleum Storage Tank Excess Liability Trust Fund.

Property Tax Replacement Fund – The Property Tax Replacement Fund (PTRF) received the following transfers in: $713.6 million in income and sales taxes and tax credits withheld from riverboat admissions tax distributions; $522.2 million in reimbursement from the General Fund for tuition support; and $582.9 million in gaming taxes from the State Gaming Fund. Another $32.5 million in sales taxes were collected in the Tax Collection Fund and transferred to the PTRF.

The PTRF had the following transfers out: $1.7 billion was transferred to reimburse the General Fund for the PTRF's share of tuition support per legislation. $112.9 million was a fiscal year end closing entry to transfer the remaining balance in the Property Tax Replacement Fund to the General Fund. $80.4 million of wagering tax was transferred out to the Build Indiana Fund per legislation. $13.6 million was transferred to the Indiana Horse Racing Commission, State Fair Commission, and Division of Mental Health from the supplemental riverboat admission tax.

Tobacco Settlement Fund – The Tobacco Settlement Fund received transfers totaling $1.8 million from the State's General Fund. $1.3 million of this total represented appropriation transfers from community mental health and the balance of $0.5 million was the return of unspent FY08 appropriations for the cancer registry, AIDS education, and other health maintenance purposes.

The Tobacco Settlement Fund had the following major transfers out: $42.5 million was for health and welfare purposes in the General Fund. $30.0 million was for the Children's Health Insurance Program (CHIP Assistance). Another 7.0 million was transferred out to support grants to the mental health community for support of seriously mentally ill adults.

Proprietary Funds

Non-Major Enterprise Funds

The Inns and Concessions Fund – This fund had transfers in of $3.7 million, representing cash contributions from the Department of Natural Resources (DNR) in the General Fund for capital projects at the DNR Inns.

Internal Service Funds

$2.8 million was transferred from the General Fund to the Institutional Industries Fund, an internal Service Fund. This transfer represent a return of funds which were previously transferred to the General Fund per legislation at the end of the prior fiscal year

$14.0 million was transferred at year end to the General Fund from the Institutional Industries Fund. This was transferred at the end of the current fiscal year per legislation.

Administrative Services, an internal service fund, received a capital contribution of $2.3 million resulting from the transfer of two airplanes from two other state agencies. One airplane was received from the Indiana State Police with a net book value of $2.2

million and the other airplane was received from the Indiana Department of Transportation with a NBV of $0.1 million.

A summary of interfund transfers for the year ended June 30, 2008 is as follows:

	Operating transfers in	Operating transfers (out)	**Net transfers**
Governmental Funds			
General Fund	$ 2,710,985	$ (4,169,456)	**$ (1,458,471)**
Motor Vehicle Highway Fund	272,320	(353,980)	**(81,660)**
Medicaid Assistance	1,925,968	(151,851)	**1,774,117**
Major Moves Construction Fund	1,304	(175,000)	**(173,696)**
State Highway Department	591,143	(29,532)	**561,611**
Property Tax Replacement Fund	1,854,445	(1,945,486)	**(91,041)**
Tobacco Settlement Fund	1,771	(87,205)	**(85,434)**
Nonmajor Governmental Fund	2,088,703	(2,526,578)	**(437,875)**
Proprietary Funds			
Inns and Concessions	3,699	-	**3,699**
Internal Service Funds	2,880	(14,130)	**(11,250)**
Total	$ 9,453,218	$ (9,453,218)	**$ -**

C. Taxes Receivable/Tax Refunds Payable

Taxes Receivable/Tax Refunds Payable as of year end, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities			
	General Fund	**Special Revenue Funds**	**Capital Projects Funds**	**Total Primary Government**
Income taxes	$ 1,114,091	$ 9,618	$ -	**$ 1,123,709**
Sales taxes	921,045	15,066	-	**936,111**
Fuel taxes	-	119,379	-	**119,379**
Gaming taxes	50	14,116	-	**14,166**
Inheritance taxes	40,305	-	-	**40,305**
Alcohol and tobacco taxes	33,617	18,698	2,154	**54,469**
Insurance taxes	8,236	14	-	**8,250**
Financial institutions taxes	-	13,848	-	**13,848**
Other taxes	8,838	43,233	-	**52,071**
Total taxes receivable	2,126,182	233,972	2,154	**2,362,308**
Less allowance for uncollectible accounts	(295,937)	(27,508)	(58)	**(323,503)**
Net taxes receivable	**$ 1,830,245**	**$ 206,464**	**$ 2,096**	**$ 2,038,805**
Tax refunds payable	**$ 39,764**	**$ 5,733**	**$ -**	**$ 45,497**

D. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2008, was as follows:

Primary Government – Governmental Activities

Governmental Activities:	Balance, July 1, As restated	Increases	Decreases	Balance, June 30
Capital assets, not being depreciated:				
Land	$ 1,254,154	$ 65,231	$ (2,930)	$ 1,316,455
Infrastructure	7,590,780	183,281	(25,370)	7,748,691
Construction in progress	316,652	653,469	(246,086)	724,035
Total capital assets, not being depreciated	9,161,586	901,981	(274,386)	9,789,181
Capital assets, being depreciated:				
Buildings and improvements	1,435,753	34,654	(22,742)	1,447,665
Furniture, machinery, and equipment	385,041	43,835	(33,581)	395,295
Infrastructure	14,235	-	-	14,235
Total capital assets, being depreciated	1,835,029	78,489	(56,323)	1,857,195
Less accumulated depreciation for:				
Buildings and improvements	(707,279)	(34,008)	8,390	(732,897)
Furniture, machinery, and equipment	(236,732)	(32,157)	29,814	(239,075)
Infrastructure	(12,920)	(201)	-	(13,121)
Total accumulated depreciation	(956,931)	(66,366)	38,204	(985,093)
Total capital assets being depreciated, net	878,098	12,123	(18,119)	872,102
Governmental activities capital assets, net	$ 10,039,684	$ 914,104	$ (292,505)	$ 10,661,283

Primary Government – Business-Type Activities

Business-Type Activities:	Balance July 1	Increases	Decreases	Balance June 30
Capital assets, not being depreciated:				
Construction in progress	-	3,056	-	3,056
Total capital assets, not being depreciated	-	3,056	-	3,056
Capital assets, being depreciated:				
Buildings and improvements	$ 21,897	$ 94	$ -	$ 21,991
Furniture, machinery, and equipment	811	-	-	811
Total capital assets, being depreciated	22,708	94	-	22,802
Less accumulated depreciation for:				
Buildings and improvements	(10,874)	(555)	-	(11,429)
Furniture, machinery, and equipment	(728)	(28)	-	(756)
Total accumulated depreciation	(11,602)	(583)	-	(12,185)
Total capital assets being depreciated, net	11,106	(489)	-	10,617
Business-type activities capital assets, net	$ 11,106	$ 2,567	$ -	$ 13,673

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:		
General government	$	3,870
Public safety		26,199
Health		2,676
Welfare		5,946
Conservation, culture and development		8,564
Education		1,244
Transportation		17,867
Total depreciation expense - governmental activities	$	66,366
Business-type activities:		
Inns and Concessions	$	583
Total depreciation expense - business-type activities	$	583

E. Leases

The future minimum lease obligations, the net present value of these minimum lease payments as of June 30, 2008 and the assets acquired through capital leases are as follows:

Future minimum lease payments

Year ending June 30,	Operating leases	Capital leases Governmental Activities
2009	$ 23,322	$ 105,282
2010	15,522	104,980
2011	11,726	104,770
2012	8,071	103,111
2013	5,841	101,023
2014-2018	5,669	506,511
2019-2023	750	511,599
2024-2028	75	500,498
2029-2033	-	103,292
2034-2038	-	342
Total minimum lease payments (excluding executory costs)	**$ 70,976**	**2,141,408**
Less:		
Remaining premium(discount)		(29,073)
Amount representing interest		(790,742)
Present value of future minimum lease payments		**$ 1,321,593**

Assets acquired through capital lease

Land	$ -
Infrastructure	1,304,660
Building	39,476
Machinery and equipment	2,008
less accumulated depreciation	(22,357)
	$ 1,323,787

Operating Leases
The State leases building and office facilities and other equipment under non-cancelable operating leases. Total payments for such leases with aggregate payments of $20,000 or more were $30.4 million for the year ended June 30, 2008. A table of future minimum lease payments (excluding executory costs) is presented on the previous page.

Capital Leases Liabilities
The State has entered into various lease agreements with aggregate payments of $20,000 or more to finance the acquisition of buildings, land and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date in the government-wide statements.

F. Long-Term Obligations

Changes in long-term obligations for the primary government for the year ended June 30, 2008 were as follows:

Changes in Long-Term Obligations	Balance, July 1, as Restated	Increases	Decreases	Balance, June 30	Amounts Due Within One Year	Amounts Due Thereafter
Governmental activities:						
Compensated absences	$ 135,686	$ 14,554	$ (1,855)	$ 148,385	$ 80,522	$ 67,863
Due to component unit	119,601	-	(35,040)	84,561	34,561	50,000
Net pension obligation	10,326	836	(329)	10,833	-	10,833
Other postemployment benefits	-	35,745	-	35,745	-	35,745
Intergovernmental payable	267,656	30,301	(85,000)	212,957	152,957	60,000
Claims liability	-	-	-	-	-	-
Capital leases	1,333,098	26,720	(38,225)	1,321,593	41,153	1,280,440
	$ 1,866,367	$ 108,156	$ (160,449)	$ 1,814,074	$ 309,193	$ 1,504,881
Business-type activities:						
Compensated absences	$ 406	$ 196	$ (179)	$ 423	$ 186	$ 237
Claims liability	52,430	465	(3,184)	49,711	2,737	46,974
	$ 52,836	$ 661	$ (3,363)	$ 50,134	$ 2,923	$ 47,211

Long term obligations of governmental activities include capital lease obligations of governmental funds as presented in Note IV(E), net pension obligations for the State Police Retirement Fund and the Prosecuting Attorney's Retirement Fund as presented in Note V(E), amounts due to component units, amounts due the federal government and compensated absence obligations. The General Fund typically has been used to liquidate other long-term liabilities.

Long-term obligations of the business-type activities consist of claims liability of the Indiana Residual Malpractice Insurance Authority and compensated absences of the Inns and Concessions Fund.

Revenue bonds are issued by entities established by statute as corporate and politic units with the separate legal authority to finance certain essential governmental functions. Income from the acquired or constructed assets is used to pay debt service.

G. Prior Period Adjustments and Reclassifications

For the fiscal year ended June 30, 2008, certain changes have been made to the financial statements to more appropriately reflect financial activity of the State of Indiana. These prior period adjustments and restatements are reflected in the beginning net assets in the government-wide statement of activities.

Prior Period Adjustments

In the fund statements for the General fund and the government-wide statements, there is an increase of $120.6 million in fund balance/net assets for the overstatement of a transfer of cash to the Local Distributions agency fund.

In the fund statements for the Special Revenue funds and the government-wide statements, there is a decrease of $90.7 million in fund balance/net assets of the Medicaid Assistance fund. This is due to an understatement of the Medicaid payable in 2007.

In the fund statements for the Special Revenue funds and the government-wide statements, there is a decrease of $8.8 million in fund balance/net assets for a non-significant discretely presented component unit that was erroneously included as a Special Revenue fund.

For the government-wide statements, there is a decrease of $28.5 million in net assets for Department of Administration (DoA) work in process. This was the result of projects that had been completed prior to June 30, 2007, but were not indicated as finished projects in DoA's work in process system.

For the government-wide statements, there was an increase of $41.5 million in net assets for capital assets. This was the result of several State agencies not capitalizing capital assets acquired prior to June 30, 2007, by that date.

For the government-wide statements, there is a decrease of $3.5 million in net assets for land that was overstated.

For the Internal Service funds and the government-wide statements, there is an increase of $3.7 million in net assets for the Administrative Services fund as a result of a miscalculation of asset values.

For the fiduciary funds, beginning net assets for the Teachers' Retirement Fund were reduced $6.9 million for a correction of an error. The bank issued revised statements which were not initially known to correct investment values.

For the discrete component units, there is a decrease of $15.5 million for Ball State University due to a reclassification of assets between the University and its foundation.

The following schedule reconciles June 30, 2007 net assets as previously reported, to beginning net assets, as restated:

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Discretely Presented Component Units (Non Fiduciary)
June 30, 2007, fund balance/retained earnings/net assets as reported	$ 18,092,018	$ 353,481	$ 25,596,185	$ 7,921,964
Correction of errors	35,345	-	(6,950)	-
Reclassifications of funds	-	-	-	(15,504)
Balance July 1, 2007 as restated	$ 18,127,363	$ 353,481	$ 25,589,235	$ 7,906,460

V. OTHER INFORMATION

A. Risk Management

The State of Indiana is exposed to various risks of loss. This includes damage to property owned by the agencies, personal injury or property damage liabilities incurred by a State officer, agent or employee, errors, omissions and theft by employees, certain employee health benefits, employee death benefits, and unemployment and worker's compensation costs for State employees.

The State records an expenditure for any loss as the liability is incurred or replacement items are purchased. The State purchases commercial insurance related to certain employee health benefits and also some insurance coverage exists for DNR Inns properties. The State also purchases immaterial amounts of commercial insurance related to errors, omissions, and theft by employees. Settlements related to commercial insurance have not exceeded coverage in the past three fiscal years.

The State does have risk financing activity for the State employees' disability, certain State employees' health benefits, and certain health, disability and death benefits for State Police officers. These are reported in three individual Internal Service Funds.

The State employees' disability program is financed partially by State employees through payroll withholdings and by the funds from which employees are paid. The employees' health benefits and the State Police traditional health plan are funded by the employees who have selected certain health care benefit packages and the funds from which those employees are paid. (An insurance carrier does provide claims administration services for the health insurance programs.)

Located below is the table of claim liabilities. The liabilities are not maintained in the accounting records of the State. The claim liabilities for the health insurance programs and the State Disability fund were estimated based on the historical experience rate of claims paid that were for service dates incurred during a prior fiscal year. The surplus retained earnings in these funds are reserved for future catastrophic losses.

	State Police Health Insurance Fund	State Employees' Health Insurance Fund	State Employee Disability Fund	Total
2008				
Unpaid Claims, July 1	$ 2,050	$ 18,209	$ 3,631	**$ 23,890**
Incurred Claims and Changes in Estimate	25,044	223,677	23,816	**272,537**
Claims Paid	(24,211)	(211,748)	(23,166)	**(259,125)**
Unpaid Claims, June 30	**$ 2,883**	**$ 30,138**	**$ 4,281**	**$ 37,302**
2007				
Unpaid Claims, July 1	$ 1,517	$ 15,767	$ 4,155	**$ 21,439**
Incurred Claims and Changes in Estimate	21,807	199,268	23,845	**244,920**
Claims Paid	(21,274)	(196,826)	(24,369)	**(242,469)**
Unpaid Claims, June 30	**$ 2,050**	**$ 18,209**	**$ 3,631**	**$ 23,890**

B. Contingencies and Commitments

Litigation

The State does not establish reserves for judgments or other legal or equitable claims against the State. Judgments and other such claims must be paid from the State's unappropriated balances and reserves, if any.

With respect to tort claims only, the State's liability is limited to: (A) three hundred thousand dollars ($300,000) for a cause of action that accrues before January 1, 2006; (B) five hundred thousand dollars ($500,000) for a cause of action that accrues on or after January 1, 2006, and before January 1, 2008; or (C) seven hundred thousand dollars ($700,000) for a cause of action that accrues on or after January 1, 2008, for injury or death of one person in any one occurrence and $5 million for injury or death of all persons in that occurrence.

The Indiana Attorney General's office estimates a total payment for liabilities and litigation expenses of $8.8 million to be made from the Tort Claim Fund during the next fiscal year. During the fiscal year ending June 30, 2008, the State paid $6.6 million for settlements, judgments, claims and litigation expenses from the Tort Claim Fund.

The following is a summary of certain significant litigation and claims currently pending against the State involving amounts exceeding $5 million individually or in the aggregate. This summary is not exhaustive, either as to the description of the specific litigation or claims described or as to all of the litigation or claims currently pending or threatened against the State.

The Indiana Attorney General's office is currently handling the following cases that could result in significant liabilities to the State:

In 1968, in United States of America, et al v. Board of School Commissioners, et al, a lawsuit seeking to desegregate the Indianapolis Public Schools was filed in the United States District Court for the Southern District of Indiana. Since 1978 the State has paid several million dollars per year for inter-district busing that is expected to continue through 2016. The federal court entered its final judgment in 1981 holding the State responsible for most of the costs of its desegregation plan, and those costs have been part of the State's budget since then. In June 1998 the parties negotiated an 18-year phase out of the desegregation plan that was approved by the Court. State expenditures will be gradually reduced as the plan is phased out.

In July 1993 Plaintiffs filed a breach of employment contract lawsuit in a state trial court alleging that the State has failed to pay certain similarly classified State employees at an equal rate of pay from 1973 to 1993. The court certified Plaintiffs' class, and class notification is complete. Plaintiffs seek to recover damages as well as attorneys' fees and costs. Mediation was unsuccessful. A claims-made basis class action settlement was preliminarily approved in August 2008 with an $8.5 million settlement cap (inclusive of fees and costs). Since the State's total liability for claims, attorneys' fees and expenses exceeded $8.5 million, the State exercised its option to terminate the Settlement Agreement and the case proceeds to trial. If Plaintiffs prevail the exposure to the State could be $25 million to $200 million. The court ordered mediation date has been set for February 5, 2009 and the bench trial date was reset for March 9 through 12, 2009.

In May 2000 Plaintiffs along the Fawn River in Northeastern Indiana brought action against the State alleging violations of the Clean Water Act, unconstitutional takings of property and federal civil rights violations. Plaintiffs are seeking in excess of $38 million in damages, costs and attorney fees. The federal trial court granted summary judgment in favor of the State, but Plaintiffs appealed. A federal appeals court remanded the case to the trial court on one issue under the federal Clean Water Act. The parties have completed discovery on that issue and prepared briefs in support of new motions for summary judgment for consideration by the trial court. An order denying the State's motion for summary judgment and entering summary judgment in favor of Plaintiffs (on liability) was issued. The parties have to file a joint status report, following a teleconference with the court, as to how this case will proceed. An independent surveyor is assessing the Fawn River which may take a year to conduct. This matter has been reassigned to outside counsel. The District Court ruled in favor of Plaintiffs request for attorney's fees and awarded nearly $1million interim fees and costs. Defendants filed a motion to alter or amend the Order, which motion the Court denied. Plaintiffs also filed a motion for order to pay judgment, which the Court granted. Defendants shall pay the interim award directly to Plaintiffs' counsel of record and the other parties, according to their relative interest in the proceeds, by April 2009.

In December 2000 Plaintiffs filed an action against the Indiana Department of Environmental Management (IDEM), including the Office of Environmental Adjudication (OEA), claiming that denial of a permit for certain land use was an unconstitutional taking of property and a denial of due process under the United States Constitution, as well as a violation of the Indiana Constitution. Plaintiffs are seeking in excess of $30 million in damages plus costs and attorney fees. Federal claims against OEA were dismissed by the federal court. Remaining federal claims are expected to be taken up after the state court acts. Plaintiffs are attempting to negotiate a settlement that would grant them a landfill permit. The State is monitoring the permit process as a component of the settlement. The enactment of SB 43 now requires Plaintiffs to submit a new application with the approval of the county executive. In June 2008 IDEM sent a letter to Plaintiffs asking for the re-submission of the permit with evidence of approval by the county executive. In August 2008 Plaintiffs filed a Motion For Judgment Finding Total Breach of the Settlement Agreement, alleging IDEM and the Indiana legislature are liable for damages. Hearing held in October 2008 under advisement.

Other Contingencies

The Office of Inspector General (OIG) has issued three audit reports that are dated April 2007 through October 2008 on Indiana's Medicaid Assistance Program. Findings in these reports identify several issues including rehabilitation services not in compliance, state psychiatric hospitals that were ineligible to receive Medicaid DSH payments, and unreported Medicaid overpayments. The possible loss contingency for these findings totals $124 million which is the amount the OIG recommends be repaid. FSSA management is working to arrange a settlement of these findings. It is unknown how much of this loss contingency, if any, will have to be repaid to the federal government.

C. Other Revenue

Other revenue represents revenue received which cannot accurately be included with any of the other revenue sources. In most cases, the amount of "other revenue" received by a fund is insignificant in comparison with total revenues received.

D. Economic Stabilization Fund

In 1982 the Indiana General Assembly adopted Indiana Code 4-10-18, which established the Counter-Cyclical Revenue and Economic Stabilization Fund ("Rainy Day Fund").

This fund was established to assist in stabilizing revenue during periods of economic recession and is accounted for within the State general fund.

Each year the State Budget Director determines calendar year Adjusted Personal Income (API) for the State and its growth rate over the previous year, using a formula determined by the legislature.

In general, monies are deposited automatically into the Rainy Day Fund if the growth rate in API exceeds 2%; monies are removed automatically from the Rainy Day Fund if API declines by more than 2%. All earnings from the investments of the Rainy Day Fund remain in the Rainy Day Fund. If the balance in the fund at the end of the fiscal year exceeds 7% of total general fund revenues for the same period, the excess is transferred from the Rainy Day Fund into the Property Tax Replacement Fund.

Loans can be made from the Rainy Day Fund to local units of government for specific purposes. The Rainy Day Fund cash and investment balance at the end of fiscal year 2008 was $363.0 million. Total outstanding loans were $15.9 million, resulting in total assets of $378.9 million.

E. Employee Retirement Systems and Plans

The State of Indiana sponsors eight public employee retirement systems (PERS) that are included in the State's financial statements. They are reported and administered as described in Note I(A).

<u>Summary of Significant Accounting Policies (Primary government and discretely presented component units)</u>

The accrual basis is used for financial statement reporting purposes. Receivables are not maintained on the accounting records, but are calculated or estimated for financial statement reporting purposes. Throughout the year, the investments are maintained on the accounting records at the net asset value per the custodian banks. The custodian banks maintain records of the detailed holdings and accounts that comprise the net asset value. At fiscal year end, the accounting records and financial statements recognize investment receivables and payables using investment unit trust accounting. Investments of defined benefit plans are reported at fair value. Short-term investments are reported at market value when available, or at cost, which approximates fair value.

Securities traded on a national or international exchange are valued at the official closing price at current exchange rates. Collective trust funds' fair values are determined by the fair value per share of the pool's underlying portfolio as provided by the trustee. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Values for limited partnership interests are those estimates most recently provided by the general manager, plus or minus cash flows transacted since the valuation date. Investments that do not have an established market are reported at estimated fair value.

The State sponsors the following defined benefit single-employer plans:

State Police Retirement Fund (Presented as a pension fund)

Plan Description The State Police Retirement Fund (SPRF) is a defined benefit, single-employer PERS, and is administered by the Treasurer of the State of Indiana as Trustee under a Pension Trust Agreement with the Indiana Department of State Police. Indiana Code 10-12-2-2 grants authority to the Department to establish and operate an actuarially sound pension plan governed by a pension trust. It also authorizes the Department to make annual contributions as necessary to prevent any deterioration in the actuarial status of the trust.

Funding Policy The pre-1987 plan required employee contributions of five percent of the salary of a sixth-year trooper. The 1987 plan applies to all officers hired after June 30, 1987. In addition, State police officers hired prior to July 1, 1987 could elect to be covered under this plan if the employee filed an election with the trustee before July 1, 1989. Participants under the 1987 plan contribute six percent of their monthly salary.

Periodic employer contributions to the pension plan are determined on an actuarial basis using the entry age normal cost actuarial method. Normal cost is funded on a current basis. Under the terms of the Trust Agreement, in the event the Department fails to make the minimum contribution for five successive years, the Trust shall terminate and the fund shall be liquidated. The unfunded actuarial accrued liability is funded over a forty-year period. Periodic contributions for both normal cost and the amortization of the unfunded actuarial accrued liability are based on the level percentage of payroll method. The funding policy for normal cost and unfunded actuarial accrued liability should provide sufficient resources to pay employee pension benefits on a timely basis.

Funded Status and Funding Progress As of June 30, 2008, the most recent actuarial valuation date, the plan was 88 percent funded. The actuarial accrued liability for benefits was $438.5 million, and the actuarial value of assets was $386.9 million, resulting in an unfunded actuarial accrued liability (UAAL) of $51.6 million. The covered payroll (annual payroll of active employees covered by the plan) was $65.4 million, and the ratio of the UAAL to the covered payroll was -79 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statement, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan (Presented as part of PERF – a discretely presented component unit)

Plan Description The State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan (ECRP) is a defined benefit single-employer plan administered by the Board of Trustees of the Public Employees' Retirement Fund. The retirement fund is for certain employees of the Indiana Department of Natural Resources, Indiana Alcohol and Tobacco Commission, and any Indiana state excise police officer, Indiana state conservation enforcement officer, gaming agent or any gaming control officer who is engaged exclusively in the performance of law enforcement duties.

The Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Plan provides retirement, disability, and survivor benefits. Indiana Code 5-10-5.5 governs the requirements of the Fund. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public Employees Retirement Fund, 143 West Market Street, 5th Floor, Indianapolis, IN 46204, by calling 317-233-4162, or by visiting PERF's website, www.in.gov/perf.

Funding Policy Members are required by statute to contribute 4 percent of the member's annual salary to the Plan. The State of Indiana, as employer, is required by statute to contribute the remaining amount necessary to actuarially fund the benefits. The funding policy for employer contributions of the State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Plan provides for biennial appropriations authorized by the Indiana General Assembly, which when combined with anticipated member contributions are sufficient to actuarially fund benefits (normal cost), amortize the unfunded accrued liability for thirty years, and prevent the State's unfunded accrued liability from increasing.

Funded Status and Funding Progress As of June 30, 2007, the most recent actuarial valuation date, the plan was 77 percent funded. The actuarial accrued liability for benefits was $74.4 million, and the actuarial value of assets was $57.4 million, resulting in an unfunded actuarial accrued liability (UAAL) of $17.0 million. The covered payroll (annual payroll of active employees covered by the plan) was $17.7 million, and the ratio of the UAAL to the covered payroll was -96 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statement, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Prosecuting Attorneys' Retirement Fund (Presented as part of PERF – a discretely presented component unit)

Plan Description The Prosecuting Attorneys' Retirement Fund (PARF) is a defined benefit single-employer plan administered by the Board of Trustees of the Public Employees' Retirement Fund. The Prosecuting Attorneys' Retirement Fund provides retirement, disability, and survivor benefits for individuals who serve as a prosecuting attorney, chief deputy prosecuting attorney, or certain other deputy prosecuting attorneys paid by the state of Indiana on or after January 1, 1990.

These individuals' salaries are paid from the General Fund of the State of Indiana. Indiana Code 33-39-7 governs the requirements of the Fund. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public Employees Retirement Fund, 143 West Market Street, 5th Floor, Indianapolis, IN 46204, by calling 317-233-4162, or by visiting PERF's website, www.in.gov/perf.

Funding Policy Contributions made by or on the behalf of members are not actuarially determined but are set by statute at six percent (6%) of wages. The amount required to actuarially fund participants' retirement benefits, as determined by the Board of Trustees on the recommendations of an actuary, is to be appropriated from the State's General Fund.

Funded Status and Funding Progress As of June 30, 2007, the most recent actuarial valuation date, the plan was 74 percent funded. The actuarial accrued liability for benefits was $32.1 million, and the actuarial value of assets was $23.8 million, resulting in an unfunded actuarial accrued liability (UAAL) of $8.3 million. The covered payroll (annual payroll of active employees covered by the plan) was $18.1 million, and the ratio of the UAAL to the covered payroll was -46 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statement, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Legislators' Retirement System – Legislators' Defined Benefit Plan (Presented as part of PERF – a discretely presented component unit)

Plan Description The Legislators' Defined Benefit Plan (IC 2-3.5-4), a single-employer defined benefit plan, applies to each member of the Indiana General Assembly who was serving on April 30, 1989 and filed an election under IC 2-3.5-3-1(b). The Legislators' Defined Benefit Plan provides retirement, disability and survivor benefits. The plan is administered by the Board of Trustees of the Public Employees' Retirement Fund. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public Employees Retirement Fund, 143 West Market Street, 5th Floor, Indianapolis, IN 46204, by calling 317-233-4162, or by visiting PERF's website, www.in.gov/perf.

Funding Policy The amount required by the funding policy to actuarially fund participants' retirement benefits, as determined by the Board of Trustees on the recommendation of the actuary, is to be appropriated from the State's General Fund.

Funded Status and Funding Progress As of June 30, 2007, the most recent actuarial valuation date, the plan was 97 percent funded. The actuarial accrued liability for benefits was $5.2 million, and the actuarial value of assets was $5.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of $0.1 million. The benefit formula is determined based on service rather than compensation. The unfunded liability per active participant was $3,117 per active participant as of the most recent actuarial valuation.

The schedule of funding progress, presented as RSI following the notes to the financial statement, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Judges' Retirement System (Presented as part of PERF – a discretely presented component unit)

Plan Description The Judges' Retirement System (JRS) is a defined benefit single-employer public employee retirement system administered by the Board of Trustees of the Public Employees'

Retirement Fund, and is governed by IC 33-38-6, 33-38-7, and IC 33-38-8. The Judges' Retirement System provides retirement, disability, and survivor benefits. Coverage is for any person who has served, is serving or shall serve as a regular judge of any of the following courts: Supreme Court of the State of Indiana; Circuit Court of any Judicial Circuit; Indiana Tax Court; or county courts including Circuit, Superior, Criminal, Probate, Juvenile, and Municipal Courts. The system consists of two plans: the 1977 system and the 1985 system. IC 33-38-7 applies to judges who began service before September 1, 1985. IC 33-38-8 applies to judges beginning service after August 31, 1985. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public Employees Retirement Fund, 143 West Market Street, 5th Floor, Indianapolis, IN 46204, by calling 317-233-4162, or by visiting PERF's website, www.in.gov/perf.

Funding Policy Member contributions are established by statute at six percent of total statutory compensation paid by the state of Indiana, deducted from the member's salary and remitted by the Auditor of State. However, no contribution is required and no such amounts shall be paid by the member for more than 22 years of service.

Employer contributions are determined by the Indiana General Assembly as biennial appropriations from the State's General Fund. Indiana Code 33-38-6-17 provides that this appropriation only include sufficient funds to cover the aggregate liability of the fund for benefits to the end of the biennium, on an actuarially funded basis. The statutes also provide for remittance of docket fees and court fees. These are considered employer contributions.

Funded Status and Funding Progress As of June 30, 2007, the most recent actuarial valuation date, the plan was 75 percent funded. The actuarial accrued liability for benefits was $284.0 million, and the actuarial value of assets was $211.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of $72.3 million. The covered payroll (annual payroll of active employees covered by the plan) was $29.7 million, and the ratio of the UAAL to the covered payroll was -243 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statement, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The State sponsors the following defined benefit agent multiple-employer plan:

Public Employees' Retirement Fund (Presented as part of PERF – a discretely presented component unit)

Plan Description The Public Employees' Retirement Fund (PERF) is a defined benefit agent multiple-employer plan administered by the Public Employees' Retirement Fund Board of Trustees. PERF provides retirement, disability, and survivor benefits. Indiana Code 5-10.2 and 5-10.3 governs the requirements of the Fund. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public Employees Retirement Fund, 143 West Market Street, 5th Floor, Indianapolis, IN 46204, by calling 317-233-4162, or by visiting PERF's website, www.in.gov/perf. At June 30, 2008, the number of participating political subdivisions was 1,204.

Funding Policy The State of Indiana and any political subdivision that elects to participate in the PERF fund is obligated by statute to make contributions to the plan. The required contributions are determined by the PERF Board of Trustees based on actuarial investigation and valuation. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension portion of the retirement benefit (normal cost) and the amortization of unfunded liabilities. In addition, employers must remit quarterly payment of the amortization of the initial prior service cost. The amortization period is forty years for those employers whose effective date of participation was before 1997. The amortization period for employers joining thereafter will be reduced 1 year per year until 2007 when it will be leveled at 30 years. Effective July 1, 2002, the amortization period for all employers is thirty years.

Contributions made by or on the behalf of members are not actuarially determined but are set by statute at three percent (3%) of compensation. These contributions are credited to the member's annuity savings account that is a separate benefit from the defined pension benefit. The State is required to contribute for State employees at an actuarially determined rate; the current rate is 6.3% of covered payroll.

Funded Status and Funding Progress Funded status and funding progress information is being disclosed for both State of Indiana and municipal employee portions of the plan. The funded status and funding progress information presented is for non-retired assets.

State of Indiana Employees: As of June 30, 2007, the most recent actuarial valuation date, the state employees portion of the plan was 101 percent funded. The actuarial accrued liability for benefits was $2.3 billion, and the actuarial value of assets was $2.4 billion, resulting in an excess actuarial accrued liability (UAAL) of $15.6 million. The covered payroll (annual payroll of active employees covered by the plan) was $1.6 billion, and the ratio of the excess AAL to the covered payroll was 1 percent.

For Municipal Employees: As of June 30, 2007, the most recent actuarial valuation date, the municipal employees' portion of the plan was 93 percent funded. The actuarial accrued liability for benefits was $3.4 billion, and the actuarial value of assets was $3.2 billion, resulting in an unfunded actuarial accrued liability (UAAL) of $234.4 million. The covered payroll (annual payroll of active employees covered by the plan) was $2.8 billion, and the ratio of the unfunded AAL to the covered payroll was 8 percent.

Overall Plan: As of June 30, 2007, the most recent actuarial valuation date, the PERF plan including both State of Indiana and municipal employee portions and retired and non-retired assets was 98 percent funded. The actuarial accrued liability for benefits was $12.4 billion, and the actuarial value of assets was $12.2 billion, resulting in an unfunded actuarial accrued liability (UAAL) of $218.9 million. The covered payroll (annual payroll of active employees covered by the plan) was $4.4 billion, and the ratio of the unfunded AAL to the covered payroll was 5 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Annual Pension Cost and Net Pension Obligation The annual pension cost and net pension obligations, the significant actuarial assumptions, and three-year historical trend information of the single and agent multiple employer defined benefit plans are as follows:

(amounts expressed in thousands)	Primary Government	----------------------------------Discretely Presented Component Unit					----------------------------------
	SPRF	PERF -State	PERF-Municipal	ECRF	JRS	PARF	LRS
Annual Pension Cost and Net Pension Obligation (Asset)							
Annual required contribution	$ 9,173.9	$ 96,430.2	$ 182,183.0	$ 3,127.5	$ 12,249.5	$ 1,043.5	$ 120.0
Interest on net pension obligation	602.5	(4,393.0)	(9,516.5)	(24.0)	(965.9)	124.7	(12.9)
Adjustment to annual required contribution	(693.6)	5,006.0	10,844.8	27.4	1,100.7	(142.1)	18.5
Annual pension cost	9,082.8	97,043.2	183,511.3	3,130.9	12,384.3	1,026.1	125.6
Contributions made	(9,412.2)	(89,800.5)	(163,951.2)	(3,358.7)	(14,661.6)	(190.0)	(100.0)
Increase (decrease) in net pension obligation	(329.4)	7,242.7	19,560.1	(227.8)	(2,277.3)	836.1	25.6
Net pension obligation, beginning of year	8,607.0	(60,591.0)	(131,262.6)	(331.3)	(13,322.4)	1,719.5	(177.9)
Net pension obligation, end of year	$ 8,277.6	$ (53,348.3)	$ (111,702.5)	$ (559.1)	$ (15,599.7)	$ 2,555.6	$ (152.3)
Significant Actuarial Assumptions							
Investment rate of return	7.00%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%
Projected future salary increases:							
Total	7.20%	4.00%	Based on PERF experience 1995-2000	4.50%	4.00%	4.00%	3.00%
Attributed to inflation	*	*	*	*	*	*	*
Cost of living adjustments	N/A	1.50%	1.50%	1.50%	N/A	N/A	1.50%
Contribution rates:							
State/Political Subdivisions	15.80%	6.30%	7.10%	20.75%	33.80%	5.75%	20.00%
Plan members	6.00%	3.00%	3.00%	4.00%	6.00%	6.00%	5.00%
Actuarial valuation date	7/1/2008	7/1/2007	7/1/2007	7/1/2007	7/1/2007	7/1/2007	7/1/2007
Actuarial cost method	entry age normal cost	entry age normal cost	entry age normal cost	entry age normal cost	entry age normal cost	entry age normal cost	accrued benefit (unit credit)
Amortization method	level percent	level dollar	level dollar	level dollar	level dollar	level dollar	level dollar
Amortization period	40 years	30 years	30 years	30 years	30 years	30 years	30 years
Amortization period (from date)	7/1/1997	7/1/2002	7/1/2002	7/1/2002	7/1/2006	N/A	7/1/1992
Amortization period (open or closed)	closed	closed	open	closed	closed	closed	closed
Asset valuation method	smoothed basis	75% of expected actuarial value plus 25% of market value	75% of expected actuarial value plus 25% of market value	smoothed market value	smoothed market value	smoothed market value	smoothed market value
Historical Trend Information							
Year ended June 30, 2008							
Annual pension cost (APC)	9,082.8	*	*	*	*	*	*
Percentage of APC contributed	103.6%	*	*	*	*	*	*
Net pension obligation (asset)	8,277.6	*	*	*	*	*	*
Year ended June 30, 2007							
Annual pension cost (APC)	$ 9,361.2	$ 97,043.2	$ 183,511.3	$ 3,130.9	$ 12,384.3	$ 1,026.1	$ 125.6
Percentage of APC contributed	129.4%	92.5%	89.3%	107.3%	118.4%	18.5%	79.6%
Net pension obligation (asset)	$ 8,607.0	$ (53,348.3)	$ (111,702.5)	$ (559.1)	$ (15,599.7)	$ 2,555.6	$ (152.3)
Year ended June 30, 2006							
Annual pension cost (APC)	$ 12,611.3	$ 88,720.0	$ 163,545.3 **	$ 2,715.0	$ 15,058.1	$ 942.2	$ 96.3
Percentage of APC contributed	59.8%	82.2%	92.2%	92.0%	89.9%	18.0%	103.8%
Net pension obligation (asset)	$ 11,361.6	$ (60,591.0)	$ (131,262.6) **	$ (331.3)	$ (10,985.7)	$ 1,719.5	$ (177.9)
Year ended June 30, 2005							
Annual pension cost (APC)	$ 12,055.2	$ 70,498.0	$ 134,838.2	$ 1,868.1	$ 10,180.9	$ 884.0	$ 90.2
Percentage of APC contributed	69.6%	89.0%	109.3%	115.9%	133.0%	108.7%	227.8%
Net pension obligation (asset)	$ 6,286.0	$ (76,421.0)	$ (144,081.2)	$ (548.2)	$ (14,867.2)	$ 947.4	$ (174.2)

SPRF - State Police Retirement Fund
PERF - Public Employees' Retirement Fund
ECRF - Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Fund (Administered by the PERF board of trustees)
JRS - Judges' Retirement System (Administered by the PERF board of trustees)
PARF - Prosecuting Attorneys' Retirement Fund (Administered by the PERF board of trustees)
LRS - Legislators' Retirement System (Administered by the PERF board of trustees)
N/A - not applicable
* - information not available
** - net pension obligation and annual pension cost for PERF-Municipal for the year ended June 30, 2006 were restated.

The State sponsors the following cost-sharing multiple-employer plans:

State Teachers' Retirement Fund (Presented as a discretely presented component unit)

Plan Description The State Teachers' Retirement Fund (STRF), is a defined benefit, multiple-employer cost-sharing PERS, administered by the Indiana State Teachers' Retirement Fund Board of Trustees. Indiana Code 5-10.4-2 governs the requirements of the Fund. The Indiana State Teachers' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Indiana State Teachers' Retirement Fund, 150 West Market Street, Suite 300, Indianapolis, IN 46204, by calling 317-232-3860, or at STRF's website, www.in.gov/trf.

At June 30, 2008, the number of participating employers was 390.

Funding Policy Each member is required to contribute 3% of his/her compensation to the plan. Each school corporation contributes the employer's share to the Fund for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995 (post July 1, 1995 plan). The employer's share of contributions for certified personnel who are not employed under a federally funded program or were hired before July 1, 1995 is considered to be an obligation of, and is paid by, the State of Indiana (pre July 1, 1995 plan). The State Teachers' Retirement Fund has a total unfunded actuarial liability as of June 30, 2007, of $10.3 billion. Indiana law provides that the STRF is on a "pay-as-you-go" basis. The Indiana General Assembly appropriated sufficient funds to provide for the State's estimated liability for the current year. These appropriations include revenues from the State Lottery Commission.

1977 Police Officers' and Firefighters' Pension and Disability Fund (Presented as part of PERF – a discretely presented component unit)

Plan Description The 1977 Police Officers' and Firefighters' Pension and Disability Fund (PFPF) is a defined benefit, multiple employer cost sharing public employees retirement system administered by the Public Employees' Retirement Fund Board of Trustees. PERF provides retirement, disability, and survivor benefits. Indiana Code 36-8-8 governs the requirements of the Fund. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public Employees Retirement Fund, 143 West Market Street, 5th Floor, Indianapolis, IN 46204, by calling 317-233-4162, or by visiting PERF's website, www.in.gov/perf.

At June 30, 2008, the number of participating employer units totaled 161 (which include 256 police and fire departments).

Funding Policy A participant is required by statute to contribute six percent of a first class officer's or firefighter's salary for the term of their employment up to 32 years. Employer contributions are determined actuarially and the current rate is twenty-one percent of the salary of a first-class officer or firefighter. The funding policy mandated by statute requires quarterly remittances of member and employer contributions based on percentages of locally established estimated salary rates, rather than actual payroll.

The annual required contributions, percentage contributed, and three-year historical trend information, for the cost sharing, multiple-employer plans are as follows:

	Discretely Presented Component Units	
	STRF	PFPF*
Historical Trend Information		
Year ended June 30, 2008		
Annual required contribution	$ 800,059.3	$ 108,740.7
Percentage contributed	101%	113%
Year ended June 30, 2007		
Annual required contribution	$ 742,882.0	$ 102,964.0
Percentage contributed**	101%	139%
Year ended June 30, 2006		
Annual required contribution	$ 672,555.5	$ 97,286.4
Percentage contributed**	104%	112%

STRF - State Teachers' Retirement Fund
PFPF - 1977 Police Officers and Firefighters' Retirement Fund (Administered by PERF)

* - year ended December 31
** - Restated percentage contributed for STRF and PFPF for June 30, 2007 and PFPF for June 30, 2006.

The State sponsors the following defined contribution plan:

Legislators' Retirement System – Legislators' Defined Contribution Plan (Presented as part of PERF – a discretely presented component unit)

Plan Description The Legislators' Defined Contribution Plan (IC 2-3.5-5), a single employer defined contribution plan applies to each member of the General Assembly who was serving April 30, 1989 and files an election under IC 2-3.5-3-1(b), and each member of the General Assembly who is elected or appointed after April 30, 1989. The plan is administered by the Board of Trustees' of the Public Employees' Retirement Fund. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public Employees Retirement Fund, 143 West Market Street, 5th Floor, Indianapolis, IN 46204, by calling 317-233-4162, or by visiting PERF's website, www.in.gov/perf.

Funding Policy For the Legislators' Defined Contribution Plan, each participant is required to contribute five percent of his annual salary. In addition, the State of Indiana is required to contribute 20% of the member's annual salary on behalf of the participant.

F. Other Postemployment Benefits

Defined Benefit Plans

Plan Descriptions The State of Indiana sponsors and contributes to four single-employer defined benefit healthcare plans: State Personnel Plan (SPP); Legislature Plan (LP); Indiana State Police Plan (ISPP); and the Conservation and Excise Police Plan (CEPP). The SPP and LP are administered by the State Personnel Department. The Indiana State Police administer the ISPP. The CEPP is administered by the Indiana State Excise Police and Indiana Conservation Officers Health Insurance Committee. All four plans provide medical plan health care benefits to eligible State employee retirees and beneficiaries. The medical benefits provided to retirees are the same benefit options afforded active employees. Benefit provisions for each plan are established and may be amended by Indiana Code 5-10-8 *et seq*. Separate financial reports are not issued for these plans.

Funding Policy and Annual OPEB Cost The contribution funding policy for each of the four plans is on a pay-as-you-go cash basis. The State of Indiana's annual other postemployment benefit (OPEB) cost (expense) for each plan is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The State of Indiana's annual OPEB cost for the current year and the related information for each plan are as follows (dollar amounts in thousands):

	State Personnel Healthcare Plan	Legislature's Healthcare Plan	Indiana State Police Healthcare Plan	Conservation and Excise Police Health Care Plan
Contribution rates:				
State of Indiana	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go
Plan members (monthly premium)	See next chart	See next chart	See next chart	See next chart
Annual required contribution	$ 7,231	$ 492	$ 34,275	$ 3,965
Interest on net OPEB obligation	-	-	-	-
Amortization adjustment to ARC	-	-	-	-
Annual OPEB Cost	7,231	492	34,275	3,965
Contributions made	(1,636)	(276)	(7,408)	(898)
Change in net OPEB obligation	5,595	216	26,867	3,067
Net OPEB obligation - beginning of year	-	-	-	-
Net OPEB obligation - end of year	$ 5,595	$ 216	$ 26,867	$ 3,067

The plan administrators (see plan descriptions above) establish the contribution requirements of plan members. Plan members (retirees and eligible dependents) who participate in these healthcare plans must pay the full 2008 monthly premiums (except for grandfathered LP current retirees) as shown in the following chart.

	State Personnel Healthcare Plan (SP)		Legislature's Healthcare Plan (LP)		Indiana State Police Healthcare Plan (ISPP)		Conservation and Excise Police Health Care Plan (CEPP)	
Contribution rates:								
Plan members (monthly premium)	Single	Family	Single	Family	Retiree Only	Retiree plus One Dependent	Retiree Only	Retiree and Spouse
High Deductible Health Plan #1	$ 256.78	$ 792.07	$ 256.78	$ 792.07	N/A	N/A	N/A	N/A
High Deductible Health Plan #2	328.06	959.83	328.06	959.83	N/A	N/A	N/A	N/A
Anthem Traditional II	492.97	1,355.70	492.97	1,355.70	N/A	N/A	N/A	N/A
Wellborn HMO	406.11	1,118.01	406.11	1,118.01	N/A	N/A	N/A	N/A
Medical (Pre-Medicare)	N/A	N/A	N/A	N/A	$ 197.13	$ 241.21	$ 64.88	$ 87.92
Medical (Post-Medicare)	N/A	N/A	N/A	N/A	89.02	87.24	-	-

The State of Indiana's annual OPEB cost, the percentage of annual OPEB cost contributed , and the net OPEB obligation for June 30, 2008 (the first year of OPEB reporting) and the two preceding years for each of the plans were as follows (dollar amounts in thousands):

	Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
State Personnel Healthcare Plan	6/30/2008	$ 7,231	22.6%	$ 5,595
Legislature's Healthcare Plan	6/30/2008	492	56.1%	216
Indiana State Police Healthcare Plan	6/30/2008	34,275	21.6%	26,867
Conservation and Excise Police Health Care Plan	6/30/2008	3,965	22.7%	3,067

Funded Status and Funding Progress The funded status of the plans as of June 30, 2008, was as follows (dollar amounts in thousands):

	State Personnel Healthcare Plan	Legislature's Healthcare Plan	Indiana State Police Healthcare Plan	Conservation and Excise Police Health Care Plan
Actuarial accrued liability (a)	$ 62,190	$ 7,950	$ 329,292	$ 42,836
Actuarial value of plan assets (b)	-	-	-	-
Unfunded actuarial accrued liability (funding excess) (a) - (b)	$ 62,190	$ 7,950	$ 329,292	$ 42,836
Funded ratio (b)/(a)	0.0%	0.0%	0.0%	0.0%
Covered payroll (c)	$ 1,130,900	N/A	N/A	$ 12,900
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ([(a)-(b)]/(c))	5.5%	N/A	N/A	332.1%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Significant methods and assumptions were as follows:

	State Personnel Healthcare Plan	Legislature's Healthcare Plan	Indiana State Police Healthcare Plan	Conservation and Excise Police Health Care Plan
Actuarial valuation date	6/30/2007	6/30/2007	6/30/2007	6/30/2007
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Level dollar amount, open	Level dollar amount, open	Level dollar amount, open	Level dollar amount, open
Remaining amortization period	30 years	30 years	30 years	30 years
Asset valuation method	N/A	N/A	N/A	N/A
Actuarial assumptions:				
Investment rate of return	4.5%	4.5%	4.5%	4.5%
Projected salary increases	4.0%	4.0%	4.0%	4.0%
Healthcare inflation rate	9.2%	9.2% pre-65 & 10.0% post-65	9.2% pre-65 & 10.0% post-65	9.2% pre-65 & 10.0% post-65

Defined Contribution Plan

Plan Description The State of Indiana sponsors one single employer defined contribution OPEB plan titled the State of Indiana Retirement Medical Benefits Account Plan (Plan). The State established this Plan as a benefit to employees who retire and are eligible for and have received a normal, unreduced or disability retirement benefit (as determined by statutes and codes governing a State public employee retirement fund). Qualified retirees of the State are eligible to receive retirement medical benefits from this Plan. Retirees' and/or covered dependents' qualifying health insurance and medical costs are eligible for reimbursement from their reimbursement account, subject to Plan conditions and limitations.

Plan Provisions Benefit provisions for this plan are established or may be amended by the State legislature. The State Budget Agency of the State of Indiana is the administrator of the Plan pursuant to Senate Bill 501 (Indiana Code 5-10-8.5). The Plan establishes a retirement medical benefits account for elected officers, appointed officers, and employees of the executive, legislative, and judicial branches of state government to pay for participants' medical insurance after retirement. Benefits are entitled to be received from this account for a participant who: a) is eligible for and has applied to receive a normal, unreduced or disability retirement benefit under the Public Employees' Retirement Fund; or b) has completed at least 10 years of service as an elected or appointed officer; or c) has completed at least 15 years of service with the state for an employee. A surviving spouse or IRS dependent of a retired participant is allowed to receive the benefit from this account. Amounts credited to a retired participant are forfeited if the participant dies without a surviving spouse or IRS dependent.

Contributions The State is required to make annual contributions to the account based on the following schedule:

Employee's Age	Annual State Contributions
Less than 30	$500
At least 30, but less than 40	$800
At lest 40, but less than 50	$1,100
At least 50	$1,400

An additional bonus contribution is to be made upon a participant's retirement with normal unreduced benefits if the retirement occurs between July 1, 2007 and July 1, 2017, and the retiree on the last day of service has completed at least 15 years of service or 10 years of service as an elected or appointed officer. The additional bonus contribution amount is one thousand dollars ($1,000) multiplied by the participant's years of service (rounded down to the nearest whole year).

This plan is being considered as a defined contribution individual account for GASB 45 purposes. The employer subsidy is defined in terms of an annual contribution to an individual account. Plan assets are maintained in the State Retiree Health Plan Fund. Currently this fund does not meet the technical definition of a qualified OPEB trust and it may be accessed for non-retiree health purposes. The State Budget Agency is currently reviewing the federal and state requirements to set up qualified OPEB trusts with the ultimate goal of creating such a trust for this plan.

For the fiscal year ending June 30, 2008, the State contributed $38.0 million to the State Retiree Health Fund on behalf of eligible active employees. Another $18.1 million was contributed on behalf of eligible retired employees. The total contribution for the fiscal year was $56.1 million. The retiree contribution includes the bonus contributions of $1,000 per year of service to employees retiring after July 1, 2007 who also met certain minimum age and service requirements. The annual required contribution for the year is $56.1 million.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress
Employee Retirement Systems and Plans

(amounts expressed in thousands)	Primary Government	Discretely Presented Component Unit					
	SPRF	PERF -State	PERF-Municipal	ECRF	JRS	PARF	LRS
Valuation Date: July 1, 2008							
Actuarial value of assets	$ 386,873	*	*	*	*	*	*
Actuarial accrued liability (AAL)	438,460	*	*	*	*	*	*
Excess of assets over (unfunded) AAL	(51,587)	*	*	*	*	*	*
Funded ratio	88%	*	*	*	*	*	*
Covered payroll	65,421	*	*	*	*	*	*
Excess (unfunded) AAL as a percentage of covered payroll	-79%	*	*	*	*	*	*
Valuation Date: July 1, 2007							
Actuarial value of assets	$ 371,918	2,350,652	3,155,717	57,414	211,747	23,815	5,035
Actuarial accrued liability (AAL)	413,969	2,335,082	3,390,151	74,451	283,995	32,052	5,169
Excess of assets over (unfunded) AAL	(42,051)	15,570	(234,434)	(17,037)	(72,248)	(8,237)	(134)
Funded ratio	90%	101%	93%	77%	75%	74%	97%
Covered payroll	59,863	1,573,566	2,812,110	17,715	29,712	18,092	**
Excess (unfunded) AAL as a percentage of covered payroll	-70%	1%	-8%	-96%	-243%	-46%	**
Valuation Date: July 1, 2006							
Actuarial value of assets	$ 339,122	2,169,619	2,838,329	48,496	178,276	20,053	4,721
Actuarial accrued liability (AAL)	392,810	2,210,377	3,072,141	64,765	272,997	29,184	5,232
Excess of assets over (unfunded) AAL	(53,687)	(40,757)	(233,812)	(16,269)	(94,721)	(9,130)	(511)
Funded ratio	86%	98%	92%	75%	65%	69%	90%
Covered payroll	54,156	1,592,207	2,729,929	14,892	34,065	19,225	**
Excess (unfunded) AAL as a percentage of covered payroll	-99%	-3%	-9%	-109%	-278%	-47%	**
Valuation Date: July 1, 2005							
Actuarial value of assets	$ 317,837	$ 2,145,805	$ 2,641,536	$ 41,663	$ 151,003	$ 16,875	$ 4,338
Actuarial accrued liability (AAL)	390,480	2,189,337	2,984,254	59,964	272,855	25,744	4,999
Excess of assets over (unfunded) AAL	(72,643)	(43,532)	(342,718)	(18,301)	(121,852)	(8,869)	(661)
Funded ratio	81%	98%	89%	69%	55%	66%	87%
Covered payroll	53,897	1,645,248	2,672,619	13,223	32,231	16,659	**
Excess (unfunded) AAL as a percentage of covered payroll	-135%	-3%	-13%	-138%	-378%	-53%	**

SPRF - State Police Retirement Fund
PERF - Public Employees' Retirement Fund
ECRF - Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Fund (Administered by the PERF board of trustees)
JRS - Judges' Retirement System (Administered by the PERF board of trustees)
PARF - Prosecuting Attorneys' Retirement Fund (Administered by the PERF board of trustees)
LRS - Legislators' Retirement System (Administered by the PERF board of trustees)

* Information not available
** The benefit formula is determined based on service rather than compensation. July 1, 2007: The unfunded liability is expressed per active participant and there were 43 active participants. The unfunded liability per active participant was $3,117; July 1, 2006: The unfunded liability is expressed per active participant and there were 46 active participants. The unfunded liability per active participant was $11,106; July 1, 2005: The unfunded liability is expressed per active participant and there were 48 active participants. The unfunded liability per active participant was $13,764.

Schedule of Funding Progress
Other Postemployment Benefits

(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
State Personnel Healthcare Plan						
6/30/2007 *	$ -	$ 62,190	$ 62,190	0.0%	$ 1,130,900	5.5%
Legislature's Healthcare Plan						
6/30/2007 *	$ -	$ 7,950	$ 7,950	0.0%	N/A	N/A
Indiana State Police Healthcare Plan						
6/30/2007 *	$ -	$ 329,292	$ 329,292	0.0%	N/A	N/A
Conservation and Excise Police Healthcare Plan						
6/30/2007 *	$ -	$ 42,836	$ 42,836	0.0%	$ 12,900	332.1%

* The standard requires three years of information for this schedule. An additional year of information will be added each of the next two years and then it will be the current and two preceding years going forward.

Budgetary Information

The Governor submits a budget biennially to be adopted by the General Assembly for the ensuing two-year period. The budget covers the general fund and most special revenue funds, but excludes the Armory Board and the Recreation funds at State institutions. The General Assembly enacts the budget through passage of specific appropriations, the sum of which may not exceed estimated revenues. Appropriations for programs funded from special revenue funds may allow expenditures in excess of original appropriations to the extent that revenues collected exceed estimated revenues.

The original budget is composed of the budget bill and continuing appropriations. The budget bill is enacted as the Appropriations Act that the Governor may veto, subject to legislative override. Continuing appropriations report budgeted expenditures as equal to the amount of revenues received during the year plus any balances carried forward from the previous year as determined by statute. Except as specifically provided by statute, appropriations or any part thereof remaining unexpended and unencumbered at the close of any fiscal year will lapse and be returned to the fund from which it was appropriated.

The final budget is composed of budgeted amounts as adopted and as amended by supplemental appropriations or appropriation transfers that were necessary during the current year. The State Board of Finance, which consists of the Governor, Auditor of State and Treasurer of State, is empowered to transfer appropriations from one fund of the State to another, with the exception of trust funds. The State Budget Agency may transfer, assign, and reassign almost any appropriation, except those restricted by law; but only when the uses and purposes of the funds concur. Excess general fund revenue is used to cover non-budgeted recurring expenditures and overdrafts of budgeted amounts at the end of the current year. Capital appropriations are initially posted to general government. As projects are approved by the State Budget Committee the appropriations are transferred to the function of government from which they are disbursed. In addition, expenditures under many federal grants are required to be spent before they are reimbursed by the federal government. These actions are considered supplemental appropriations; therefore, expenditures do not exceed appropriations for individual funds.

The legal level of budgetary control (the level on which expenditures may not legally exceed appropriations) is maintained at the fund level by the State Budget Agency. When budgets are submitted for each fund center, certain recurring expenditures are not budgeted (medical service payments, unemployment benefits, tort claims) according to instructions from the State Budget Agency to the various agencies. The Budget Agency monitors all fund centers regularly in addition to monitoring excess general fund revenue that will be available at the end of the fiscal year to cover the non-budgeted, recurring expenditures.

State of Indiana
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Major Funds (Budgetary Basis)
For the Year Ended June 30, 2008
(amounts expressed in thousands)

	General Fund			
	Budget		Actual	Variance to Final Budget
	Original	Final		
Revenues:				
Taxes:				
Income	$ 4,950,329	$ 4,950,329	$ 5,719,020	$ 768,691
Sales	2,766,017	2,766,017	3,317,044	551,027
Fuels	-	-	1	1
Gaming	5	5	83,908	83,903
Inheritance	147,500	147,500	165,621	18,121
Alcohol and tobacco	319,331	319,331	351,775	32,444
Insurance	177,200	177,200	196,801	19,601
Financial institutions	-	-	-	-
Other	15	15	214,822	214,807
Total taxes	8,360,397	8,360,397	10,048,992	1,688,595
Current service charges	172,566	172,566	193,524	20,958
Investment income	130,600	130,600	166,603	36,003
Sales/rents	3,350	3,350	3,710	360
Grants	-	-	11,391	11,391
Other	36,523	36,523	72,489	35,966
Total revenues	8,703,436	8,703,436	10,496,709	1,793,273
Expenditures:				
Current:				
General government	881,600	1,454,781	1,281,390	173,391
Public safety	683,341	686,272	681,104	5,168
Health	87,373	94,429	93,589	840
Welfare	2,511,541	298,797	283,847	14,950
Conservation, culture and development	112,272	129,972	84,586	45,386
Education	6,533,492	6,294,737	6,316,517	(21,780)
Transportation	500	3,016	1,501	1,515
Total expenditures	10,810,119	8,962,004	8,742,534	219,470
Excess of revenues over (under) expenditures	(2,106,683)	(258,568)	1,754,175	(2,012,743)
Other financing sources (uses):				
Total other financing sources (uses)	(1,458,471)	(1,458,471)	(1,458,471)	-
Net change in fund balances	$ (3,565,154)	$ (1,717,039)	$ 295,704	$ 2,012,743
Fund balances July 1, as restated			1,784,232	
Fund balances June 30			**$ 2,079,936**	

Motor Vehicle Highway Fund				Medicaid Assistance			
Budget		Actual	Variance to Final Budget	Budget		Actual	Variance to Final Budget
Original	Final			Original	Final		
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
324,689	324,689	313,313	(11,376)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
172,828	172,828	173,846	1,018	-	-	-	-
497,517	497,517	487,159	(10,358)	-	-	-	-
136,883	136,883	135,092	(1,791)	-	-	-	-
-	-	-	-	-	-	86	86
7	7	5	(2)	-	-	-	-
11,185	11,185	12,883	1,698	3,764,496	3,764,496	4,099,270	334,774
37,613	37,613	35,152	(2,461)	10,859	10,859	554,292	543,433
683,205	683,205	670,291	(12,914)	3,775,355	3,775,355	4,653,648	878,293
87,847	376,418	376,418	-	-	23	-	23
216,218	225,779	225,779	-	-	-	-	-
-	168	168	-	-	-	-	-
-	-	-	-	-	6,481,100	6,404,227	76,873
-	-	-	-	-	-	-	-
273	261	261	-	-	-	-	-
-	837	837	-	-	-	-	-
304,338	603,463	603,463	-	-	6,481,123	6,404,227	76,896
378,867	79,742	66,828	12,914	3,775,355	(2,705,768)	(1,750,579)	(955,189)
(81,660)	(81,660)	(81,660)	-	1,774,117	1,774,117	1,774,117	-
$ 297,207	$ (1,918)	$ (14,832)	$ (12,914)	$ 5,549,472	$ (931,651)	$ 23,538	$ 955,189
		65,703				47,345	
		$ 50,871				**$ 70,883**	

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State of Indiana
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Major Funds (Budgetary Basis)
For the Year Ended June 30, 2008
(amounts expressed in thousands)

	Major Moves Construction Fund			
	Budget		Actual	Variance to Final Budget
	Original	Final		
Revenues:				
Taxes:				
Income	$ -	$ -	$ -	$ -
Sales	-	-	-	-
Fuels	-	-	-	-
Gaming	-	-	-	-
Inheritance	-	-	-	-
Alcohol and tobacco	-	-	-	-
Insurance	-	-	-	-
Financial institutions	-	-	-	-
Other	-	-	-	-
Total taxes	-	-	-	-
Current service charges	-	-	-	-
Investment income	128,131	128,131	150,784	22,653
Sales/rents	-	-	-	-
Grants	-	-	-	-
Other	3,117,520	3,117,520	-	(3,117,520)
Total revenues	3,245,651	3,245,651	150,784	(3,094,867)
Expenditures:				
Current:				
General government	496,000	70,612	-	70,612
Public safety	-	-	-	-
Health	-	-	-	-
Welfare	-	-	-	-
Conservation, culture and development	-	-	-	-
Education	-	-	-	-
Transportation	-	-	70,612	(70,612)
Total expenditures	496,000	70,612	70,612	-
Excess of revenues over (under) expenditures	2,749,651	3,175,039	80,172	3,094,867
Other financing sources (uses):				
Total other financing sources (uses)	(173,696)	(173,696)	(173,696)	-
Net change in fund balances	$ 2,575,955	$ 3,001,343	$ (93,524)	$ (3,094,867)
Fund balances July 1, as restated			2,702,683	
Fund balances June 30			**$ 2,609,159**	

State Highway Department				Property Tax Replacement Fund			
Budget		Actual	Variance to Final Budget	Budget		Actual	Variance to Final Budget
Original	Final			Original	Final		
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	2,662,398	2,662,398	2,298,424	(363,974)
1	1	1	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1	1	1	-	2,662,398	2,662,398	2,298,424	(363,974)
12,216	12,216	5,710	(6,506)	-	-	-	-
300	300	379	79	-	-	-	-
1,382	1,382	1,532	150	-	-	-	-
829,993	829,993	683,227	(146,766)	-	-	-	-
85,855	85,855	85,766	(89)	-	-	-	-
929,747	929,747	776,615	(153,132)	2,662,398	2,662,398	2,298,424	(363,974)
-	-	-	-	-	2,210,902	2,210,902	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,826,811	1,696,656	1,654,531	42,125	-	-	-	-
1,826,811	1,696,656	1,654,531	42,125	-	2,210,902	2,210,902	-
(897,064)	(766,909)	(877,916)	111,007	2,662,398	451,496	87,522	363,974
561,611	561,611	561,611	-	(91,041)	(91,041)	(91,041)	-
$ (335,453)	$ (205,298)	$ (316,305)	$ (111,007)	$ 2,571,357	$ 360,455	$ (3,519)	$ (363,974)
		486,546				3,519	
		$ 170,241				**$ -**	

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State of Indiana
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Major Funds (Budgetary Basis)
For the Year Ended June 30, 2008
(amounts expressed in thousands)

	Tobacco Settlement Fund			
	Budget		Actual	Variance to Final Budget
	Original	Final		
Revenues:				
Taxes:				
Income	$ -	$ -	$ -	$ -
Sales	-	-	-	-
Fuels	-	-	-	-
Gaming	-	-	-	-
Inheritance	-	-	-	-
Alcohol and tobacco	-	-	-	-
Insurance	-	-	-	-
Financial institutions	-	-	-	-
Other	-	-	-	-
Total taxes	-	-	-	-
Current service charges	124,914	124,914	147,475	22,561
Investment income	4,932	4,932	3,980	(952)
Sales/rents	-	-	-	-
Grants	196	196	-	(196)
Other	90	90	225	135
Total revenues	130,132	130,132	151,680	21,548
Expenditures:				
Current:				
General government	-	17,692	17,172	520
Public safety	-	-	-	-
Health	-	34,193	34,193	-
Welfare	-	1,084	1,084	-
Conservation, culture and development	-	111	111	-
Education	-	-	-	-
Transportation	-	-	-	-
Total expenditures	-	53,080	52,560	520
Excess of revenues over (under) expenditures	130,132	77,052	99,120	(22,068)
Other financing sources (uses):				
Total other financing sources (uses)	(85,434)	(85,434)	(85,434)	-
Net change in fund balances	$ 44,698	$ (8,382)	$ 13,686	$ 22,068
Fund balances July 1, as restated			135,287	
Fund balances June 30			**$ 148,973**	

Budget/GAAP Reconciliation
Major Funds

The cash basis of accounting (budgetary basis) is applied to each budget. The budgetary basis differs from GAAP. The major differences between budgetary (non-GAAP) basis and GAAP basis are:

(amounts expressed in thousands)	GENERAL FUND	MOTOR VEHICLE HIGHWAY FUND	MEDICAID ASSISTANCE	MAJOR MOVES CONSTRUCTION FUND	STATE HIGHWAY DEPARTMENT	PROPERTY TAX RELIEF FUND	TOBACCO SETTLEMENT FUND	Total
Net change in fund balances (budgetary basis)	$ 295,704	$ (14,832)	$ 23,538	$ (93,524)	$ (316,305)	$ (3,519)	$ 13,686	**$ (95,252)**
Adjustments necessary to convert the results of operations on a budgetary basis to a GAAP basis are:								
Revenues are recorded when earned (GAAP) as opposed to when cash is received (budgetary)	416,161	(1,832)	113,513	(17,490)	(15,409)	(237,549)	2,505	**259,899**
Expenditures are recorded when the liability is incurred (GAAP) as opposed to when payment is made (budgetary)	(220,851)	2,293	(99,407)	(17,679)	(12,818)	121,904	(2,988)	**(229,546)**
Net change in fund balances (GAAP basis)	**$ 491,014**	**$ (14,371)**	**$ 37,644**	**$ (128,693)**	**$ (344,532)**	**$ (119,164)**	**$ 13,203**	**$ (64,899)**

Infrastructure - Modified Reporting
Condition Rating of the State's Highways and Bridges

Roads	**Average Pavement Quality Index (PQI)**		
	2008	**2007**	**2006**
Interstate Roads (including Rest Areas and Weigh Stations)	84%	83%	84%
NHS Roads - Non-Interstate (including Rest Areas and Weigh Stations)	83%	82%	81%
Non-NHS Roads	79%	79%	76%

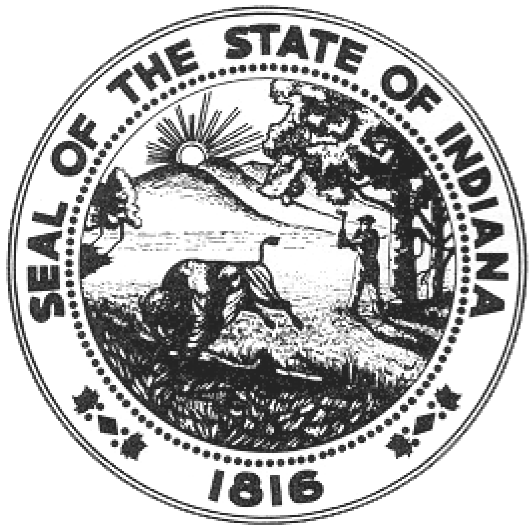
The condition of road pavement is measured using a pavement quality index (PQI), which is based on a weighted average of three distress factors found in pavement surfaces. The PQI uses a measurement scale that is based on a condition index ranging from zero for a failed pavement to 100 for a pavement in perfect condition. The condition index is used to classify roads in excellent condition (90-100), good condition (80-89), fair condition (70-79), and poor condition (less than 70).
It is the State's policy to maintain Interstate and NHS Non-Interstate roads at an average PQI of 75 and Non-NHS roads at an average PQI of 65. Condition assessments are determined on an annual basis for Interstates and on a biennial basis for other roads. The ratings provided are based on data gathered during the summer (July and August) of the corresponding fiscal year. The data are evaluated and compared to standard criteria by the end of the fiscal year.

Bridges	**Average Sufficiency Rating**		
	2008	**2007**	**2006**
Interstate Bridges	88.9%	90.4%	90.6%
NHS Bridges - Non-Interstate	89.6%	90.4%	90.3%
Non-NHS Bridges	87.4%	88.3%	87.8%

The condition of the State's bridges is measured based on a sufficiency rating, which is based on a weighted average of four factors indicative of a bridge's sufficiency to remain in service. The sufficiency rating uses a measurement scale that ranges from zero for an entirely insufficient or deficient bridge to 100 for an entirely sufficient bridge. The sufficiency rating is used to classify bridges in excellent condition (90-100), good condition (80-89), fair condition (70-79), marginal condition (60-69), and poor condition (below 60). It is the State's policy to maintain Interstate bridges at a minimum sufficiency rating of 87%, NHS Non-Interstate bridges at 85%, and Non-NHS bridges at 83%. Sufficiency ratings are determined at least on a biennial basis for all bridges. Sufficiency ratings are determined more frequently for certain bridges depending on their design.

Infrastructure - Modified Reporting
Comparison of Needed-to-Actual Maintenance/Preservation
(dollars in thousands)

	2008	2007	2006	2005	2004
Roads					
Interstate Roads (including Rest Areas and Weigh Stations):					
Needed	$ 120,147	$ 212,485	$ 105,267	$ 151,999	$ 194,098
Actual	256,482	248,803	126,361	140,667	253,555
NHS and Non-NHS Roads - Non-Interstate (including Rest Areas and Weigh Stations)					
Needed	419,001	145,720	234,789	230,453	256,681
Actual	374,770	297,223	413,557	376,969	415,019
Roads at State Institutions and Properties					
Needed	1,225	2,529	1,173	2,903	2,689
Actual	3,146	3,069	4,496	5,595	4,381
Total					
Needed	540,373	360,734	341,229	385,355	453,468
Actual	634,398	549,095	544,414	523,231	672,955
Bridges					
Interstate Bridges					
Needed	$ 34,723	$ 37,157	$ 5,749	$ 39,166	$ 19,946
Actual	43,904	37,070	29,520	23,863	28,723
NHS Bridges - Non-Interstate					
Needed	4,695	10,220	31,943	2,021	26,411
Actual	13,568	14,154	11,459	1,282	7,766
Non-NHS Bridges					
Needed	26,694	31,549	44,859	32,597	34,929
Actual	34,138	35,118	31,145	61,271	73,356
Bridges at State Institutions and Properties					
Needed	-	-	-	164	926
Actual	3	-	-	796	702
Total					
Needed	66,112	78,926	82,551	73,948	82,212
Actual	91,613	86,342	72,124	87,212	110,547


SEAL OF THE STATE OF INDIANA
1816

SUPPLEMENTAL AUDIT OF

FEDERAL AWARDS

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE STATE OF INDIANA

Compliance

We have audited the compliance of the State of Indiana with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The State of Indiana'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 its major federal programs is the responsibility of the State of Indiana's management. Our responsibility is to express an opinion on the State of Indiana's compliance based on our audit.

The State of Indiana's basic financial statements include the operations of Purdue University, Indiana University, Indiana State University, Ball State University, Vincennes University, University of Southern Indiana, Ivy Tech State College, Indiana Finance Authority, and Indiana Housing and Community Development Authority which expended a total of $1,067,770,351 in federal awards that are not included in the schedule for the year ended June 30, 2008. Our audit, described below, did not include the operations of these units because they have separate audits performed in accordance with OMB Circular A-133. See Note 3 of the Notes to the Schedule of Expenditures of Federal Awards for federal funds expended by each unit.

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 State of Indiana'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 of the State of Indiana's compliance with those requirements.

As described in Findings 2008-FSSA-3, 2008-ISDOH-1, and 2007-IDHS-1, in the accompanying Schedule of Findings and Questioned Costs and Summary Schedule of Prior Audit Findings, the State of Indiana did not comply with requirements regarding Allowable Costs, Cost Principles, and Reporting that are applicable to the State Children's Health Insurance Program, the Special Supplemental Nutrition Program for Women, Infants, and Children Program, and the Homeland Security Cluster. Compliance with such requirements is necessary, in our opinion, for the State of Indiana to comply with requirements applicable to that program.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

In our opinion, except for the noncompliance described in the preceding paragraph, the State of Indiana complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the year ended June 30, 2008. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 96-FSSA(DCS)-33, 2000-FSSA(DCS)-1, 2000-FSSA(DCS)-3, 2000-FSSA(DCS)-5, 2003-FSSA-16, 2005-FSSA-18, 2005-FSSA-30, 2008-FSSA-1, 2008-FSSA-2, and 2008-FSSA-5.

Internal Control Over Compliance

The management of the State of Indiana 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 State of Indiana's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 State of Indiana's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in the State of Indiana's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in 2008-FSSA-1, 2008-FSSA-2, 2008-FSSA-3, 2008-FSSA-4, 2008-FSSA-5, 2008-FSSA-6, 2008-FSSA-7, 2008-FSSA-8, 2008-FSSA-9, 2008-FSSA-10, and 2008-ISDOH-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies. Significant deficiencies per the prior audit that are still considered significant deficiencies are Findings 99-FSSA(DCS)-7, 2000-FSSA(DCS)-1, 2000-FSSA(DCS)-2, 2000-FSSA(DCS)-3, 2000-FSSA(DCS)-5, 2003-FSSA(DCS)-1, 2003-FSSA-6, 2003-FSSA-16, 2004-FSSA-4, 2004-FSSA-5, 2004-FSSA-6, 2004-FSSA-8, 2005-FSSA-1, 2005-FSSA-2, 2005-FSSA(DCS)-4, 2005-FSSA(DCS)-5, 2005-FSSA-10, 2005-FSSA-13, 2005-FSSA-15, 2005-FSSA-16, 2005-FSSA-17, 2005-FSSA-18, 2005-FSSA-19, 2005-FSSA-20, 2005-FSSA-21, 2005-FSSA-23, 2005-FSSA-27, 2005-FSSA-30, 2006-FSSA-1, 2006-FSSA-2, 2006-FSSA-3, 2006-FSSA-5, 2006-FSSA-6, 2006-FSSA-7, 2006-FSSA-8, 2006-FSSA-9, 2006-FSSA-11, 2006-FSSA-12, 2006-FSSA-13, 2006-FSSA-14, 2007-FSSA-1, 2007-FSSA-2, 2007-FSSA-3, 2007-FSSA-4, 2007-FSSA-5, 2007-FSSA-6, 2007-IDHS-1, and 2007-IDHS-2.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider Findings 99-FSSA(DCS)-7, 2000-FSSA(DCS)-3, 2000-FSSA(DCS)-5, 2005-FSSA(DCS)-5, 2005-FSSA-30, 2006-FSSA-7, 2007-FSSA-1, 2007-IDHS-1, 2008-ISDOH-1, 2008-FSSA-2, 2008-FSSA-3, and 2008-FSSA-5 to be material weaknesses.

The State of Indiana's response to the findings identified in our audit is described in the accompanying Official Response section of the report. We did not audit the State of Indiana's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the State of Indiana's management, 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. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 10, 2009

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2007 to June 30, 2008

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF AGRICULTURE					
Food Stamp Cluster					
Food Stamp Program	10.551	FSSA	N/A	$ 735,719,435	$ -
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561				
Food Stamp		FSSA	1999 IS 2514 42	(16,383)	-
Food Stamp		FSSA	2000 IS 2514 42	(222,770)	-
Food Stamp		FSSA	2003 IS 2514 42	(18,833)	-
Food Stamp		FSSA	2004 IS 2514 42	(24,001)	-
Food Stamp		FSSA	2005 IS 2514 42	(67,983)	-
Food Stamp		FSSA	2006 IS 2514 42	(59,015)	-
Food Stamp		FSSA	2007 IS 2514 42	18,620,793	-
Food Stamp		FSSA	2008 IS 2514 42	24,893,799	-
FS IMPACT		FSSA	2007 IE 2518 42	793,401	-
FS IMPACT		FSSA	2008 IE 2518 42	697,381	-
FS IMPACT		FSSA	1999 IS 2519 42	(864)	-
FS IMPACT		FSSA	2000 IS 2519 42	(16,453)	-
FS IMPACT		FSSA	2001 IS 2519 42	(7,266)	-
FS IMPACT		FSSA	2002 IS 2519 42	(2,181)	-
FS IMPACT		FSSA	2003 IS 2519 42	(3,979)	-
FS IMPACT		FSSA	2004 IS 2519 42	(2,789)	-
FS IMPACT		FSSA	2005 IS 2519 42	294,586	-
FS IMPACT		FSSA	2006 IS 2519 42	1,108,373	-
FS IMPACT		FSSA	2007 IS 2519 42	893,205	-
FS IMPACT		FSSA	2008 IS 2519 42	875,280	-
FS IMPACT		FSSA	2002 IS 2520 42	(1,949)	-
FS IMPACT		FSSA	2003 IS 2520 42	(42,257)	-
FS IMPACT		FSSA	2004 IS 2520 42	39,608	-
FS IMPACT		FSSA	2005 IS 2520 42	(484)	-
FS IMPACT		FSSA	2006 IS 2520 42	464	-
FS IMPACT		FSSA	2007 IS 2520 42	44,592	-
FS IMPACT		FSSA	2008 IS 2520 42	58,890	-
FS IMPACT		FSSA	2XE 251842	541	-
FS IMPACT		FSSA	2008 6E 251842	158,114	-
FS IMPACT		FSSA	2008 CE 2518 42	111,369	-
Program Integrity		FSSA	2007 IS 8026 42	1,097	-
Program Integrity		FSSA	2008 IS 8026 42	1,721	-
Program Integrity		FSSA	2007 IS 8036 42	12,614	-
Program Integrity		FSSA	2008 IS 8036 42	1,435	-
Total for Program				48,120,055	-
Total for Cluster				783,839,489	-
Child Nutrition Cluster					
School Breakfast Program	10.553				
School Breakfast Program		IDOE	2007IN109942	8,941,806	8,841,940
School Breakfast Program		IDOE	2008IN109942	33,073,229	33,078,158
Total for Program				42,015,035	41,920,098
National School Lunch Program	10.555				
National School Lunch Program		IDOE	2007IN109942	35,692,243	35,692,243
National School Lunch Program		IDOE	2008IN109942	130,261,961	130,261,961
National School Lunch Program		IDOE	2006IB200330	11,191	11,191
Food Commodities		IDOE	n/a	27,762,639	-
Total for Program				193,728,034	165,965,395
Special Milk Program for Children	10.556				
Special Milk Program		IDOE	2007IN109942	97,956	97,956
Special Milk Program		IDOE	2008IN109942	167,499	167,499
Total for Program				265,455	265,455
Summer Food Service Program for Children	10.559				
		IDOE	2006IN109942	4,672,802	4,672,802
		IDOE	2007IN109942	4,093	-
		IDOE	2008IN109942	492,037	459,330
Total for Program				5,168,932	5,132,132
Total Cluster				241,177,456	213,283,080

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

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2007 to June 30, 2008
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF AGRICULTURE (continued)					
Emergency Food Assistance Cluster					
Emergency Food Assistance Program (Administrative Costs)	10.568	FSSA	2008IY810542	32	-
Emergency Food Assistance Program (Food Commodities)	10.569	COM	2008IY810542	976,322	-
Cluster Total				976,354	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025				
Emerald Ash Borer Education, Outreach, and Surveys		DNR	300EP1EABAP6001	(14,163)	179,578
Emerald Ash Borer Education, Outreach, and Surveys		DNR	300EP1EABAP7001	308,626	223,489
Gypsy Moth Eradication		DNR	300EP1GYME07001	6,135	-
Indiana Cooperative Agricultural Pest Survey Program		DNR	300EP1CAPS07001	128,353	128,353
Noxious Weed Surveys		DNR	300NP1NW0700001	3,936	-
Monitor and Census Populations		DNR	300NP9RBC040001	5,256	-
Chronic Wasting Disease Surveillance and Management		DNR	300FW1W3CWD6	39,926	-
Chronic Wasting Disease Surveillance and Management		DNR	300FW1W3CWD7	42,009	-
Total for Program				520,078	531,420
Wildlife Services	10.028				
Avian Influenza Monitoring in Waterfowl		DNR	300FW1A01F01	12,658	-
Conservation Reserve Program	10.069				
NRCS - Environmental Quality Incentives		DNR	300FR107EQIP000	3,415	-
CRP Sign up 28		DNR	300FR106CRP6	8,496	-
CRP Sign up 29-30		DNR	300FR106CRP7	80,190	-
Total for Program				92,101	-
Federal-State Cooperation in Warehouse Examination Agreement	10.071	COM	N/A	264	-
Wetlands Reserve Program	10.072				
Restoration Activities Limberlost Swamp and Loblolly Marsh		DNR	300NP1W50024001	11,130	-
USDA NRCS Tern Bar Slough			300FW1NRCS08	135,935	135,935
Total for Program				147,065	135,935
State Medication Grants	10.435	COM	150010355000159	6	-
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475				
2005 * Corrected beginning cash		BOAH	318-B-1-983	13,764	-
2007		BOAH	318-B-1-983	464,367	-
2008		BOAH	318-B-1-983	1,343,958	-
Total for Program				1,822,089	-
Food Safety Cooperative Agreements	10.479				
Food Emergency Response Network - 2007		ISDOH	FSIS-C-45-2005/02	43,265	-
Food Emergency Response Network - 2008		ISDOH	FSIS-C-45-2005/03	72,358	-
Total for Program				115,623	-
Food Distribution	10.550	FSSA	06-02-82-9550	24,385	-
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557				
USDA WIC Program - 2006		ISDOH	MWSSHP2-3:WFM2	2,095,309	-
USDA WIC Program - 2007		ISDOH	MWSSHP2-3:WFM2	37,885,673	38,382,543
USDA WIC Program - 2008		ISDOH	MWSSHP2-3:WFM2	92,915,141	90,788,978
WIC Peer Counselor Grant FY07		ISDOH	MWSSNP 2-3: WFM6	127,528	127,528
WIC Peer Counselor Grant FY08		ISDOH	MWSSNP 2-3: WFM6	102,240	102,240
USDA WIC Farmers' Market Program - 2007		ISDOH	MWSSNP 2-1:WC 15-3	242,588	50,239
USDA WIC Farmers' Market Program - 2008		ISDOH	MWSSNP 2-1:WC 15-3	19,202	-
USDA WIC Senior Farmers' Market Program - 2007		ISDOH	MWSSNP 2-1:SFMNP 4	78,865	-
USDA WIC Senior Farmers' Market Program - 2008		ISDOH	MWSSNP 2-1:SFMNP 4	1,085	-
Total for Program				133,467,632	129,451,528
Child and Adult Care Food Program	10.558				
		IDOE	2007IN109942	8,293,754	8,213,064
		IDOE	2008IN109942	29,036,681	28,826,011
Total for Program				37,330,435	37,039,075

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF AGRICULTURE (continued)					
State Administrative Expenses for Child Nutrition	10.560				
		IDOE	2007IN253342	851,267	-
		IDOE	2008IN253342	1,625,229	-
Total for Program				2,476,496	-
Commodity Supplemental Food Program	10.565	COM	2008IY800542	269,906	-
Team Nutrition Grants	10.574	IDOE	2007IN350330	7,808	7,808
Fresh Fruit and Vegetable Program	10.582				
Fresh Fruit and Vegetable Program		IDOE	2007IL160330	204,251	204,251
Fresh Fruit and Vegetable Program		IDOE	2008IL160330	751,743	751,743
Computer Data and Storage 2006		BOAH	06-9518-0004-CA	11,724	-
Johne's 2007		BOAH	07-9618-0159-CA	12,909	-
National Animal ID 2006		BOAH	06-9118-0723-CA	206	-
National Animal ID 2007		BOAH	07-9118-0723-CA	60,164	-
Total for Program				1,040,997	955,994
Cooperative Forestry Assistance	10.664				
Forest Land Enhancement Program - 2003		DNR	300FR103FLEP	23,737	23,737
St. Paul Research - 2003		DNR	300FR103RES3	(2,326)	-
Consolidated Payment Grant - 2003		DNR	300FR103SFA3	(763)	-
Consolidated Grant - 2004		DNR	300FR104BUG4	18,842	-
Consolidated Grant - 2004 Spatial Analysis		DNR	300FR104SAG4	786	-
Consolidated Grant - 2004 Conservation Ed		DNR	300FR104CUF4	23,840	-
Consolidated Grant - 2004 State Fire Assistance		DNR	300FR104SFA4	3,650	-
Invasive Species - 2004		DNR	300FR104INV4	11,673	-
Forest Legacy Administration - 2004		DNR	300FR104LEGA	1,436	-
Emerald Ash Borer Restoration - 2004		DNR	300FR104PAM4	1,092	-
Persistent Forestry Issues - 2004		DNR	300FR104PFI4	260	-
Volunteer Fire Assistance - 2004		DNR	300FR104VFA4	9,582	5,000
Watershed - 2004		DNR	300FR104WAT4	8,484	-
Consolidated Grant - 2005 EAB		DNR	300FR105BUG5	18,530	-
Consolidated Grant - 2005 Conservation Ed		DNR	300FR105CUF5	63,432	52,590
St. Paul Research - 2005		DNR	300FR105RES5	(374)	-
Consolidated Grant - 2005 Fire Assistance		DNR	300FR105SFA5	7,969	7,969
Slow the Spread - 2005		DNR	300FR105STS5	13,560	-
Volunteer Fire Assistance - 2005		DNR	300FR105VFA5	58,335	20,233
2006 Consolidated Grant - Conservation Ed		DNR	300FR106CED6	10,572	-
CPR Sign up		DNR	300FR106CRP6	8,496	-
CPR Sign up 29-30		DNR	300FR106CRP7	80,190	-
2006 Consolidated Grant - CUF		DNR	300FR106CUF6	99,865	97,779
Consolidated Payment - 2006 #2		DNR	300FR106EAB6	17,592	-
St. Paul Research - 2006		DNR	300FR106FIA6	7,402	-
WUI Hazard Mitigation and Community Ed		DNR	300FR106HMFR	38,539	-
2006 GM Survey on Hoosier For		DNR	300FR106HOO6	262	-
2006 Consolidated Grant		DNR	300FR106MAN6	14,054	-
2006 Consolidated Grant		DNR	300FR106MON6	3,085	-
St. Paul Research - 2006		DNR	300FR106RES6	4,303	-
2006 Consolidated Grant		DNR	300FR106SFA6	34,420	-
Consolidated Payment - 2006 #2		DNR	300FR106SIR6	1,661	-
Volunteer Fire Asst - 2006		DNR	300FR106VFA6	25,212	17,544
2007 Conservation Education		DNR	300FR107CED7000	15,000	-
2007 Urban and Community Forest		DNR	300FR107CUF7000	40,017	-
2007 EAB Detection Survey		DNR	300FR107EAB7000	30,000	-
Forest Inventory and Analysis 2007		DNR	300FR107FIA7	107,936	-
2007 Forest Health Management		DNR	300FR107MAN7000	12,262	-
2007 Forest Health Monitoring		DNR	300FR107MON7000	18,529	-
2007 Nurseries		DNR	300FR107NUR7000	8,611	-
2007 Sirex Survey		DNR	300FR107SIR7000	2,624	-
2007 State Fire Assistance		DNR	300FR107SFA7000	60,366	-
2007 Forest Stewardship		DNR	300FR107STE7000	241,000	-
2007 Slow the Spread		DNR	300FR107STS7000	156,895	-
VOLUNTEER FIRE ASSISTANCE 2007		DNR	300FR107VFA7	143,817	143,817
Forest Inventory and Analysis 2008		DNR	300FR108FIA8000	56,788	-
Lick Creek		DNR	300MU105LCSF	5,772	-
Total for Program				1,507,014	368,668
Rural Development, Forestry, and Commodities	10.672	DNR	300FR103RDE3	305	-

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF AGRICULTURE (continued)					
Forest Legacy Program	10.676				
Forest Legacy Administration - 2005		DNR	300FR105LEGA	20,692	-
Forest Legacy - 2006		DNR	300FR106LEGA	6,600	-
2007 Legacy Administration		DNR	300FR107LEGA000	6,050	-
Total for Program				33,341	-
Forest Land Enhancement Program	10.677				
Forest Land Enhancement Program		DNR	300FR104FLEP	41,274	37,305
Forest Land Enhancement Program		DNR	300FR105FLEP	12,766	5,985
Forest Land Enhancement 2006		DNR	300FR106FLEP	16,445	-
Total for Program				70,485	43,290
Environmental Quality Incentives Program	10.912	DNR	300FW1NRCS07	29,286	-
Wildlife Habitat Incentive Program	10.914				
Wildlife Habitat Incentives Program - Pokagon SP		DNR	300NP1W3APOK001	346	-
Wildlife Habitat Incentives Program - Pokagon SP		DNR	300NP1W3APOK002	195	-
Wildlife Habitat Incentives Program - Pokagon SP		DNR	300NP1W3APOK004	20	-
Wildlife Habitat Incentives Program - Portland Arch		DNR	300NP1W4A003001	3,411	-
Wildlife Habitat Incentives Program - Portland Arch		DNR	300NP1W4A003002	(18)	-
Wildlife Habitat Incentives Program - Posey Co Flatwoods		DNR	300NP1W4A101002	735	-
Wildlife Habitat Incentives Program - Prairie Cr Barrens		DNR	300NP1W4A149001	201	-
Wildlife Habitat Incentives Program - Prairie Cr Barrens		DNR	300NP1W4A149002	(293)	-
(WHIP) project at Prophetstown State Park		DNR	300SP1W6B721	5,612	-
Total for Program				10,210	-
Other Assistance					
Plant Surveys Hoosier National Forest	10	DNR	300NP1PSHN05001	5,892	-
Meat Source Safety	10	BOAH	FSIS-C-27-2002A	2,107	-
Mammography Inspection Program	10	ISDOH	223-03-4413	6,389	-
Total for Other Assistance				14,388	-
Total U.S. Department of Agriculture				1,204,985,870	381,816,799
U.S. DEPARTMENT OF COMMERCE					
Coastal Zone Management Administration Awards	11.419				
Indiana Lake Michigan Coastal Program		DNR	300NP1CZM039001	(81,194)	-
Indiana Lake Michigan Coastal Program		DNR	300NP1CZM061001	249,487	161,387
Indiana Lake Michigan Coastal Program		DNR	300NP1CZM661306	299,525	213,277
Indiana Lake Michigan Coastal Program		DNR	300NP1CZM661310	29,303	28,288
Indiana Lake Michigan Coastal Program		DNR	300NP1CZM767306	267,085	90,116
Total for Program				764,206	493,069
Total U.S. Department of Commerce				764,206	493,069
U.S. DEPARTMENT OF DEFENSE					
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113				
FUDS		IDEM	IN 06-1	13,316	-
FUDS MMRP		IDEM	IN 06-1	6,814	-
BRAC 95 Navy		IDEM	IN 06-1	487	-
Air Force IR		IDEM	IN 06-1	11,991	-
BRAC 91 Air Force		IDEM	IN 06-1	8,124	-
BRAC 88 Army		IDEM	IN 06-1	10,090	-
DNSC-IR		IDEM	IN 06-1	8,399	-
DERA		IDEM	IN 06-1	54,118	-
Newport Army Chemical Demilitarization		IDEM	IN 06-1	(10,821)	-
Newport Army Chemical Demilitarization		IDEM	N/A	123,483	-
Newport Army Non-Stockpile		IDEM	N/A	6,931	-
Newport Stockpile Environmental Per		IDEM	N/A	17,200	-
Total for Program				250,132	-

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF DEFENSE (continued)					
Military Construction, National Guard	12.400				
ADRS Projects		ADJ	W912L9-05-2-2002	933,756	-
Fire Fighting Facility - ARFTA		ADJ	W912L9-04-2-2001	48,146	-
Limited Army Aviation Support Facility - Gary		ADJ	W912L9-05-2-2001	11,220,544	-
MOUT Shoot House and Breach Facility - ARFTA		ADJ	W912L9-05-2-2003	1,525,073	-
MOUT Urban Assault Training Course		ADJ	W912L9-06-2-2001	1,210,245	-
Readiness Center Gary Regional Airport		ADJ	W912L9-06-2-2002	4,302,611	-
Total for Program				19,240,375	-
National Guard Military Operations and Maintenance Projects	12.401				
Real Property Operations and Maintenance		ADJ	W912L9-08-2-1001	14,167,875	-
ARNG Environmental		ADJ	W912L9-08-2-1002	813,559	-
ARNG Security Personnel		ADJ	W912L9-08-2-1003	2,940,188	-
ARNG Electronic Security		ADJ	W912L9-08-2-1004	139,009	-
ARNG Telecommunications		ADJ	W912L9-08-2-1005	1,974,126	-
Ranges and Training Land Program		ADJ	W912L9-08-2-1007	2,036,524	-
ARNG Anti-Terrorism Program		ADJ	W912L9-08-2-1010	157,564	-
ANG Real Property Operations and Maintenance (Baer Field)		ADJ	W912L9-08-2-1021F	567,434	-
ANG Real Property Operations and Maintenance (Hulman Field)		ADJ	W912L9-08-2-1021T	595,298	-
ANG Security Guard Activities (Baer Field)		ADJ	W912L9-08-2-1023F	540,238	-
ANG Security Guard Activities (Hulman Field)		ADJ	W912L9-08-2-1023T	581,046	-
ANG Fire Protection Activities (Baer Field)		ADJ	W912L9-08-2-1024F	575,294	-
ANG Fire Protection Activities (Hulman Field)		ADJ	W912L9-08-2-1024T	1,007,420	-
Total for Program				26,095,575	-
National Civilian Youth Opportunities	12.404				
Hoosier Youth Challenge Academy		ADJ	W912L9-07-2-4000	1,457,270	-
Hoosier Youth Challenge Academy Travel		ADJ	W912L9-07-2-4003	58,030	-
Total for Program				1,515,300	-
Total U.S. Department of Defense				47,101,382	-
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Manufactured Home Construction Safety Standards	14.171				
MHCSS 2005		IDFBS	N/A	19,831	-
Community Development Block Grant/State's Program	14.228				
		COM	B-99-DC-180001	16,378	-
		COM	B-01-DC-180001	129,802	-
		COM	B-02-DC-180001	43,362	-
		COM	B-03-DC-180001	103,936	-
		COM	B-04-DC-180001	1,242,578	-
		COM	B-05-DC-180001	3,775,415	-
		COM	B-06-DC-180001	22,928,124	-
		COM	B-07-DC-180001	4,155,328	-
Total for Program				32,394,923	-
Shelter Plus Care	14.238	FSSA	IN 36 C90 3002	7,118	-
Fair Housing Assistance Program - State and Local	14.401				
Fair Housing Assistance Program		ICRC	FF205K055008	24,500	-
Fair Housing Assistance Program		ICRC	FF205K045008	42,260	-
Fair Housing Assistance Program		ICRC	FF205K065008	60,122	-
Total for Program				126,882	-
Other Assistance					
EEOC Medication	14	ICRC	5FPIND0016	891	-
Total Other Assistance				891	-
Total U.S. Department of Housing and Urban Development				32,549,645	-

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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF INTERIORS					
Fish and Wildlife Cluster					
Sport Fish Restoration Program	15.605				
Statewide Public Access (Fishing and Boating)		DNR	300FW1A21D41	321,149	-
Statewide Public Access (Fishing and Boating)		DNR	300FW1A21D42000	279,102	-
Statewide Fisheries Management		DNR	300FW1F10D40	802,104	-
Statewide Fisheries Management		DNR	300FW1F10D41	311,249	-
Statewide Fisheries Research		DNR	300FW1F18R17	76,882	76,882
Statewide Hatchery Operations		DNR	300FW1F21D17	664,631	-
Statewide Hatchery Operations		DNR	300FW1F21D17	33,387	33,387
Statewide Hatchery Operations		DNR	300FW1F21D18000	670,041	4,904
Indiana Aquatic Resources Education Program		DNR	300FW1F24E12	65,329	-
Indiana Aquatic Resources Education Program		DNR	300FW1F24E13000	122,050	-
Lake Michigan Yellow Perch Dynamics		DNR	300FW1F27R01	211,507	211,507
Total for Program				3,557,431	326,679
Wildlife Restoration	15.611				
Atteberry FWA Shooting Range Renovation		DNR	300FW1A28D07	989,014	-
Total for Cluster				4,546,445	326,679
Anadromous and Great Lakes Fisheries Conservation	15.001				
Architectural Historian Position		DNR	300HP2IHFA05001	53,695	-
State Historic Architecture and Archeology Resource Database		DNR	300HP2SHAARD001	90,000	-
Total for Program				143,695	-
Regulation of Surface Coal Mining and Surface of Underground Coal Mining	15.250				
Indiana Administration and Enforcement (A&E) Grant		DNR	300RC1187000001	531,259	-
Indiana Administration and Enforcement (A&E) Grant		DNR	300RC1188000001	1,153,235	-
Total for Program				1,684,494	-
Abandoned Mine Land Reclamation Program	15.252				
Indiana Abandoned Mine Land (AML) Grant		DNR	300RC1185030001	932,758	-
Indiana Abandoned Mine Land (AML) Grant		DNR	300RC1186030001	457,989	-
Indiana Abandoned Mine Land (AML) Grant		DNR	300RC1186130001	180,551	-
Indiana Abandoned Mine Land (AML) Grant		DNR	300RC1187010001	805,728	-
Indiana Abandoned Mine Land (AML) Grant		DNR	300RC1187020001	18,761	-
Indiana Abandoned Mine Land (AML) Grant		DNR	300RC1187030001	480,427	-
Indiana Abandoned Mine Land (AML) Grant		DNR	300RC1187050001	55,754	-
Indiana Abandoned Mine Land (AML) Grant		DNR	300RC1187130001	189,112	-
Indiana Abandoned Mine Land (AML) Grant		DNR	300RC1188070001	1,211,957	-
Total for Program				4,333,037	-
Fish and Wildlife Management Assistance	15.608	DNR	300FW1AISM05	97,119	-
Cooperative Endangered Species Conservation Fund	15.615				
Endangered Species Program		DNR	300FW1E01S15	22,310	14,265
Restoration and Management of Rare Habitats		DNR	300FW1E4HM01	9,321	-
Mitchell's Satyr Habitat Conservation Plan		DNR	300FW1E5HP01	32,319	23,310
Bat Banding Registry for Indiana		DNR	300FW1E07R01	25,360	25,360
Conservation Strategy Federally Listed Plant Species		DNR	300FW1E08R01	587	-
Total for Program				89,898	62,935
Clean Vessel Act	15.616				
Clean Vessels Act		IDEM	CV-1-7	(68,788)	-
Clean Vessels Act		IDEM	CV-1-8	15,400	-
Clean Vessels Act		IDEM	CV-1-9	46,807	-
Clean Vessels Act		IDEM	CV-1-10	49,301	-
Clean Vessels Act		IDEM	CV-1-11	24,179	-
Total for Program				66,899	-
Hunter Education and Safety Program	15.626	DNR	300FW1W32S13	71,978	-
Landowner Incentive Program	15.633				
Landowner Incentive Program for IN Species at Risk Prvt Lands		DNR	300FW1I02T01	43,353	-
Conversion of Brome and Fescue Stands to Wildlife Friendly Grasses, etc.		DNR	300FW1I04T01	1,379	1,379
Total for Program				44,732	1,379

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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF INTERIORS (continued)					
State Wildlife Grant	15.634				
Baseline Burrowing Crayfish Study		DNR	300FW1T02P03	31,984	31,984
Wildlife Diversity Survey and Monitoring		DNR	300FW1T03S04	68,324	1,373
Population Genetics Allegheny Woodrat in IN		DNR	300FW1T07R02	69,937	51,764
Assessment of Eastern Hellbender Population Status		DNR	300FW1T07R03	22,700	22,700
Assessment of the Role of Interstate Highways as Barriers to Gene Flow		DNR	300FW1T07R04	13,193	13,193
DNA Sex Determination in Lake Sturgeon Using Roche 454		DNR	300FW1T07R05	26	26
Tern Bar Slough Habitat Development and Management		DNR	300FW1T08D02	139,464	-
Habitat Development and Management		DNR	300FW1T08D04	2,397	1,564
State Wildlife Grant Project Coordination		DNR	300FW1T09C02	36,084	-
State Wildlife Grant Project Coordination		DNR	300FW1T09C03	114,343	-
Total for Program				498,453	122,603
Historic Preservation Fund Grants-In-Aid	15.904				
Historic Preservation Fund		DNR	300HP1HPF210001	453,369	338,082
Historic Preservation Fund		DNR	300HP1HPF220001	279,081	223,630
Historic Preservation Fund		DNR	300HP1HP0821719	519	-
Total for Program				732,969	561,712
Outdoor Recreation - Acquisition, Development and Planning	15.916				
State Planning		DNR	300OR1180531	73,018	-
Prophetstown State Park		DNR	300OR1180532	(112,500)	-
General Pulaski Park Trail		DNR	300OR1180534	(33,572)	(33,572)
Delaney Creek Park Improvements		DNR	300OR1180536	89,016	89,016
Blue River - 1800537		DNR	300OR1180537	178,637	178,637
Southwestway Park Phase II		DNR	300OR1180541	25,000	25,000
Blue River Expansion Phase II		DNR	300OR1180544	159,419	159,419
180545 Evergreen Park		DNR	300OR1180545	85,596	85,596
Hanson and Gifford Parks Spur Trail		DNR	300OR1180547	20,000	20,000
Blue River III		DNR	300OR1180548	180,000	180,000
MacGregor Park		DNR	300OR1180551	200,000	200,000
Beckholdt Park		DNR	300OR1180552	16,960	16,960
Jim Yelling Park		DNR	300OR1180553	36,704	-
Pine Knob Lake		DNR	300OR1180556	47,229	47,229
Administrative 2005 - 1800558		DNR	300OR1180558	23,146	-
O'Bannon Woods		DNR	300OR1180559	1,083,852	-
Argos Community Park Expansion		DNR	300OR1180056500	61,250	61,250
Total for Program				2,133,754	1,029,535
Other Assistance					
Federal Aid Coordination	15	DNR	300FW1A14C54	77,632	-
Fish and Wildlife Area Development	15				
Fish and Wildlife Area Development		DNR	300FW1A22D40	1,340,811	-
Fish and Wildlife Area Development		DNR	300FW1A22D41000	1,181,833	-
Total for Program				2,522,644	-
Technical Assistance	15				
Technical Assistance		DNR	300FW1A26T16	12	-
Technical Assistance		DNR	300FW1A26T17	232,137	-
Total for Program				232,149	-
Total Other Assistance				2,832,425	-
Total U.S. Department of Interior				17,275,899	2,104,843
U.S. DEPARTMENT OF JUSTICE					
Prisoner Reentry Initiative Demonstration	16.202	IDOC	2007-RE-CX-0018	1,520	-
Juvenile Accountability Block Grants	16.523				
		ICJI	03JBBX0044	317	317
		ICJI	04JBFX0057	24,042	24,142
		ICJI	05JBFX0039	464,596	718,641
		ICJI	06JBFX0024	224,209	217,829
		ICJI	07JBFX0025	41,610	41,610
Total for Program				754,774	1,002,538

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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF JUSTICE (continued)					
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540				
		ICJI	03JFFX0019	33,854	33,766
		ICJI	04JFFX0068	3,364	(806)
		ICJI	05JFFX0020	393,989	332,724
		ICJI	06JFFX0036	1,028,428	955,236
Total for Program				1,459,635	1,320,920
Missing Children's Assistance	16.543	IDSP	2003-MC-CX-K002	175,395	42,807
Title V - Delinquent Prevention Program	16.548				
		ICJI	04JPFX0018	147,885	147,885
		ICJI	05JPFX0033	239,951	239,951
		ICJI	06JPFX0029	66,250	66,250
		ICJI	07JPFX0047	72,579	72,579
Total for Program				526,665	526,665
State Justice Statistics Program for Statistical Analysis Centers	16.550	ICJI	2005BJCXK045	16,666	16,666
National Criminal History Improvement Program	16.554	ICJI	06SKBXK001	259,877	259,877
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560				
Solving Cold Cases with DNA		IDSP	2005-DN-BX-K028	325,105	-
DNA Capacity Enhancement FY 2005		IDSP	2005-DA-BX-K054	379,732	260,000
Forensic Casework DNA Backlog Reduction FY 2005		IDSP	2005-DN-BX-K082	97,695	47,991
Lab Computerization and Accreditation		IDSP	2006-DN-BX-0049	100,334	-
Improvement in Forensic Drug Analytical Services		IDSP	2007-CD-BX-0063	33,004	-
National Forensic Science		ICJI	06DNBX0049	199,293	199,293
Total for Program				1,135,163	507,284
Crime Victim Assistance	16.575				
		ICJI	03VAGX0029	48,159	47,818
		ICJI	04VAGX0038	176,310	82,182
		ICJI	05VAGX0038	777,950	605,694
		ICJI	06VAGX0039	2,466,505	2,466,505
		ICJI	07VAGX0056	3,931,996	3,931,927
Total for Program				7,400,920	7,134,126
Crime Victim Compensation	16.576				
		ICJI	05VCGX0020	6,265	-
		ICJI	06VCGX0044	1,635,993	-
		ICJI	07VCGX0048	501,056	-
Total for Program				2,143,314	-
Byrne Formula Grant Program	16.579				
		ICJI	02DBBX0018	1,421,039	589,956
		ICJI	03DBBX0026	360,156	231,722
		ICJI	04DBBX0018	710,365	812,855
		ICJI	05DJBX0759	1,792,456	1,202,584
		ICJI	06DJBX0051	2,547,466	2,469,056
		ICJI	07DJBX0081	1,105,840	1,105,840
Total for Program				7,937,323	6,412,013
Violence Against Women Formula Grant	16.588				
		ICJI	04WFAX0031	118,264	-
		ICJI	05WFAX0034	184,956	24,981
		ICJI	06WFAX0028	614,774	590,532
		ICJI	07WFAX0003	1,741,219	-
Total for Program				2,659,212	615,513
Residential Substance Abuse Treatment for State Prisoners	16.593				
		ICJI	03RTBX0050	54,113	166,306
		ICJI	05RTBX0048	542,721	542,721
		ICJI	06RTBX0053	143,334	143,334
Total for Program				740,168	852,361

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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF JUSTICE (continued)					
State Criminal Alien Assistance Program	16.606	IDOC	2007-AP-BX-0131	602,601	-
Bulletproof Vest Partnership Program	16.607	ICJI	N/A	1,523	-
Community Prosecution and Project Safe Neighborhood	16.609				
IBIS Training		IDSP	2003-GP-CX-4523	960	-
Firearm Identification Unit Supervisor		IDSP	2003-GP-CX-4523	896	-
		ICJI	03GPCX0528	62,816	82,452
		ICJI	06GPCX0083	8,029	729
		ICJI	07GPCX0062	14,716	-
		ICJI	03GPCX4523	443,908	172,583
		ICJI	06GPCX0082	19,758	1,138
		ICJI	07GPCX0010	8,957	4,500
Total for Program				560,040	261,402
Public Safety Partnership and Community Policing Grants	16.710				
2004 Methamphetamine Initiative		IDSP	2004-CK-WX-0028	18,038	-
2005 Methamphetamine Initiative		IDSP	2005-CK-WX-0403	100,199	-
2006 Methamphetamine Initiative		IDSP	2006-CK-WX-0498	59,344	-
2007 Methamphetamine Initiative		IDSP	2007-CK-WX-0298	29,785	-
		ICJI	07CKWXK017	48,510	12,217
Total for Program				255,876	12,217
Police Corps	16.712	ICJI	2002-PO-R-039	611	-
Enforcing Underage Drinking Laws Program	16.727				
		ICJI	01AHFX0018	-	1,017
		ICJI	04AHFX0040	31,546	-
		ICJI	05AHFX0039	251,468	-
Total for Program				283,014	1,017
Edward Byrne Memorial Justice Assistance Grant Program	16.738				
DRUG ENFORCEMENT UNIT 2006		IDSP	2005-DJ-BX-0759	1,485	-
Meth Suppression Section 2007		IDSP	2006-DJ-BX-0051	159,502	-
DRUG ENFORCEMENT UNIT 2007		IDSP	2006-DJ-BX-0051	83,498	-
Replacement of GCMS		IDSP	2006-DJ-BX-0051	94,687	-
DNA Casework Outsourcing		IDSP	2006-DJ-BX-0051	175,000	-
Forensic Overtime		IDSP	2006-DJ-BX-0051	54,033	-
JAG $10K and Under PIO computer grant		IDSP	2006-DJ-BX-0058	9,280	-
Advanced Criminal Enforcement Grant I-70		IDSP	2007-DJ-BX-0018	6,497	-
Advanced Criminal Enforcement Grant I-65 N		IDSP	2007-DJ-BX-0018	2,422	-
Meth Suppression Section 2008		IDSP	2007-DJ-BX-0018	41,325	-
DRUG ENFORCEMENT UNIT 2008		IDSP	2007-DJ-BX-0018	114,338	-
Defender Performance Improvement Project		IPDC	05-DJ-016	1,581	-
Defender Performance Improvement Project		IPDC	06-DJ-015	17,597	-
Defender Performance Improvement Project		IPDC	07-DJ-036	13,779	-
Total for Program				775,024	-
Statewide Automated Victim Information Notification Program	16.740	IDOC	2006-VN-CX-0015	536,736	-
Forensic DNA	16.741				
Forensic DNA Capacity Enhancement FY 2006		IDSP	2006-DN-BX-K189	350,527	-
Forensic DNA Backlog Reduction FY 2007		IDSP	2007-DN-BX-K160	261,017	-
Total for Program				611,544	-
Forensic Casework DNA Backlog Reduction FY 2006	16.743	IDSP	2006-DN-BX-K107	307,146	-
Anti Gang Initiative	16.744				
Anti Gang South		ICJI	06PGBX0074	229,562	218,667
Anti Gang North		ICJI	06PGBX0086	148,839	7,493
Anti Gang South		ICJI	07PGBX0068	2,000	-
Total for Program				380,401	226,159
Other Assistance					
Drug Court Practioner Scholarship Program	16	JC	2005DCBX0031	76,502	76,502

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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF JUSTICE (continued)					
Other Assistance (continued)					
Drug Enforcement Administration	16				
Marijuana Eradication		IDSP	ME-2007-69	601,496	-
Marijuana Eradication		IDSP	ME-2008-69	147,151	-
Total for Program				748,647	-
Total Other Assistance				825,149	76,502
Total U.S. Department of Justice				30,350,299	19,268,067
U.S. DEPARTMENT OF LABOR					
Employment Services Cluster					
Employment Service	17.207				
W/P 7A (205,206,207,256)		IDWD	ES-13995-04-55	(9,175)	-
W/P 7B (247,249,252,648)		IDWD	ES-13995-04-55	9,252	-
WOTC		IDWD	ES-13995-04-55	92,420	-
W/P 7A (205,206,207,256)		IDWD	ES-14863-05-55	5,968,290	-
W/P 7B (247,249,252,648)		IDWD	ES-14863-05-55	768,956	-
WOTC		IDWD	ES-14863-05-55	262,621	-
ONE STOP LMI		IDWD	ES-14863-05-55	306,913	-
ES REEMPLOYMENT		IDWD	ES-14863-05-55	(4)	-
W/P 7A (205,206,207,256)		IDWD	ES-15694-06-55	407,361	-
W/P 7B (247,249,252,648)		IDWD	ES-15694-06-55	(219,683)	-
WOTC		IDWD	ES-15694-06-55	(1,083)	-
ONE STOP LMI		IDWD	ES-15694-06-55	147,326	-
W/P 7A (205,206,207,256)		IDWD	ES-16212-07-55-A-18	6,478,133	-
W/P 7B (247,249,252,648)		IDWD	ES-16212-07-55-A-18	302,911	-
ONE STOP LMI		IDWD	ES-16212-07-55-A-18	218,911	-
Total for Program				14,733,150	-
Disabled Veterans' Outreach Program	17.801				
DVOP		IDWD	E-9-5-6-5064	(2,236)	4,418
DVOP		IDWD	E-9-5-7-5064	509,613	29,395
DVOP		IDWD	E-9-5-8-5064	973,069	39,235
Total for Program				1,480,446	73,048
Local Veterans Employment Representation Program	17.804				
LVER		IDWD	E-9-5-6-5064	3,151	1,674
LVER		IDWD	E-9-5-7-5064	503,224	21,181
LVER		IDWD	E-9-5-8-5064	1,429,573	49,627
Total for Program				1,935,948	72,482
Total for Cluster				18,149,544	145,530
WIA Cluster					
WIA Adult Program	17.258				
WIA ADM STAT AC		IDWD	AA-12924-03-50	(80)	-
WIA PROGRAM SUP		IDWD	AA-12924-03-50	159	-
WIA ADM STAT AC		IDWD	AA-13797-04-50	(1,891)	-
WIA ADMINISTRAT		IDWD	AA-13797-04-50	(988)	-
WIA PROGRAM SUP		IDWD	AA-13797-04-50	560,982	96,721
WIA ADMINISTRAT		IDWD	AA-14674-05-55	207,303	-
ADULT WIA		IDWD	AA-14674-05-55	845,528	-
WIA ADM STAT AC		IDWD	AA-14674-05-55	2,773	2,773
WIA ADMINISTRAT		IDWD	AA-14674-05-55	(16,761)	-
WIA PROGRAM SUP		IDWD	AA-14674-05-55	(104,108)	(86,129)
WIA Admin Funds (formula)		IDWD	AA-15478-06-55	470,444	470,444
ADULT WIA		IDWD	AA-15478-06-55	3,856,978	3,856,978
WIA ADM STAT AC		IDWD	AA-15478-06-55	16,377	16,377
WIA ADMINISTRAT		IDWD	AA-15478-06-55	219,007	-
WIA PROGRAM SUP		IDWD	AA-15478-06-55	695,608	630,587
WIA ADMINISTRAT		IDWD	AA-16027-07-55-A-18	537,857	537,857
ADULT WIA		IDWD	AA-16027-07-55-A-18	15,507,205	15,507,205
WIA ADM STAT AC		IDWD	AA-16027-07-55-A-18	955	955
WIA ADMINISTRAT		IDWD	AA-16027-07-55-A-18	599,867	-
WIA PROGRAM SUP		IDWD	AA-16027-07-55-A-18	161,714	146,388
Total for Program				23,558,928	21,180,156

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF LABOR (continued)					
WIA Cluster (continued)					
WIA Youth Activities	17.259				
WIA ADM STAT AC		IDWD	AA-12924-03-50	(105)	-
WIA PROGRAM SUP		IDWD	AA-12924-03-50	208	-
WIA ADM STAT AC		IDWD	AA-13797-04-50	(2,217)	-
WIA ADMINISTRAT		IDWD	AA-13797-04-50	(1,157)	-
WIA PROGRAM SUP		IDWD	AA-13797-04-50	657,703	1,063,930
WIA ADMINISTRAT		IDWD	AA-14674-05-55	55,323	239,694
WIA YOUTH		IDWD	AA-14674-05-55	2,586,884	2,586,884
WIA ADM STAT AC		IDWD	AA-14674-05-55	30,506	30,506
WIA PROGRAM SUP		IDWD	AA-14674-05-55	(1,145,193)	(947,424)
WIA Admin Funds (formula)		IDWD	AA-15478-06-55	531,146	470,444
WIA YOUTH		IDWD	AA-15478-06-55	2,889,753	2,889,753
WIA ADM STAT AC		IDWD	AA-15478-06-55	18,803	18,803
WIA ADMINISTRAT		IDWD	AA-15478-06-55	251,453	-
WIA PROGRAM SUP		IDWD	AA-15478-06-55	798,662	724,008
WIA ADMINISTRAT		IDWD	AA-16027-07-55-A-18	1,313,344	-
WIA YOUTH		IDWD	AA-16027-07-55-A-18	12,142,257	12,142,257
WIA ADM STAT AC		IDWD	AA-16027-07-55-A-18	1,097	1,097
WIA PROGRAM SUP		IDWD	AA-16027-07-55-A-18	185,671	168,075
Total for Program				20,314,137	19,388,027
WIA Dislocated Worker	17.260				
RAPID RESPONS W		IDWD	AA-12924-03-50	(3,292)	-
WIA ADM STAT AC		IDWD	AA-12924-03-50	(123)	-
WIA PROGRAM SUP		IDWD	AA-12924-03-50	245	-
RAPID RESPONS W		IDWD	AA-13797-04-50	(301,995)	-
WIA ADM STAT AC		IDWD	AA-13797-04-50	(2,414)	-
WIA ADMINISTRAT		IDWD	AA-13797-04-50	(1,259)	-
WIA RAPID RESPO		IDWD	AA-13797-04-50	(1,946,975)	-
WIA PROGRAM SUP		IDWD	AA-13797-04-50	715,734	773,767
WIA ADMINISTRAT		IDWD	AA-14674-05-55	66,736	-
ADULT DIS WRK W		IDWD	AA-14674-05-55	932,589	-
RAPID RESPONS W		IDWD	AA-14674-05-55	2,300,396	2,300,396
WIA ADM STAT AC		IDWD	AA-14674-05-55	22,186	22,186
WIA RAPID RESPO		IDWD	AA-14674-05-55	1,867,879	-
WIA PROGRAM SUP		IDWD	AA-14674-05-55	(832,868)	(689,036)
WIA Admin Funds (formula)		IDWD	AA-15478-06-55	515,970	515,970
ADULT DIS WRK W		IDWD	AA-15478-06-55	1,513,472	1,513,472
RAPID RESPONS W		IDWD	AA-15478-06-55	1,020,026	1,020,026
WIA ADM STAT AC		IDWD	AA-15478-06-55	25,475	25,475
WIA ADMINISTRAT		IDWD	AA-15478-06-55	340,678	-
WIA RAPID RESPO		IDWD	AA-15478-06-55	1,319,428	79,179
WIA PROGRAM SUP		IDWD	AA-15478-06-55	1,082,058	980,914
WIA ADMINISTRAT		IDWD	AA-16027-07-55-A-18	1,505,684	572,558
ADULT DIS WRK W		IDWD	AA-16027-07-55-A-18	7,961,634	7,961,634
RAPID RESPONS W		IDWD	AA-16027-07-55-A-18	440,558	440,558
WIA ADM STAT AC		IDWD	AA-16027-07-55-A-18	1,486	1,486
WIA RAPID RESPO		IDWD	AA-16027-07-55-A-18	466,948	-
WIA PROGRAM SUP		IDWD	AA-16027-07-55-A-18	251,555	227,714
Total for Program				19,261,811	15,746,300
Total Cluster				63,134,876	56,314,483
Labor Force Statistics	17.002				
BLS-CES		IDWD	W9J680186	759	-
BLS-LAUS		IDWD	W9J680186	(275)	-
BLS-OES		IDWD	W9J680186	(601)	-
BLS-MLS		IDWD	W9J680186	(82)	-
AAMC-LAUS		IDWD	W9J680186	3,313	-
BLS-CES		IDWD	W9J780187	84,124	-
BLS-LAUS		IDWD	W9J780187	22,003	-
BLS-OES		IDWD	W9J780187	65,072	-
BLS-QCEW		IDWD	W9J780187	114,810	-
BLS-MLS		IDWD	W9J780187	29,941	-
BLS-CES		IDWD	W9J880188	239,265	-
BLS-LAUS		IDWD	W9J880188	84,334	-
BLS-OES		IDWD	W9J880188	296,683	-
BLS-QCEW		IDWD	W9J880188	359,986	-
BLS-MLS		IDWD	W9J880188	57,481	-
Total for Program				1,356,812	-

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STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2007 to June 30, 2008
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF LABOR (continued)					
Compensation and Working Conditions	17.005				
OSHS Survey and CFOI Program		IDOL	W9J7-8118	16,108	-
OSHS Survey and CFOI Program		IDOL	W9J8-8118	90,172	-
Total for Program				106,280	-
Labor Certification for Alien Workers	17.203	IDWD	ES-15694-06-55	(20,894)	-
Unemployment Insurance	17.225				
State Unemployment Benefits		IDWD	N/A	779,675,618	-
UI Grant		IDWD	UI-14433-05-55	(4,661)	(4,661)
Internet Empl. Reg.		IDWD	UI-14433-05-55	38	-
SUTA Dumping		IDWD	UI-14433-05-55	47,920	-
Auto Coder		IDWD	UI-14433-05-55	89,057	-
Combating Identity Theft		IDWD	UI-14433-05-55	97,120	-
IT Security		IDWD	UI-14433-05-55	173,605	-
UI Grant		IDWD	UI-15120-06-55	27,401	25,392
Tax and Wage Rep.		IDWD	UI-15120-06-55	46,722	-
Interstate Benefits (IB)		IDWD	UI-15120-06-55	50,000	-
Unemployment Comp for Fed Empl		IDWD	UI-15120-06-55	50,000	-
Adjudicator Training		IDWD	UI-15120-06-55	5,852	-
UI Grant		IDWD	UI-15797-07-55	17,620,888	219,447
UI REA GRANT		IDWD	UI-15797-07-55	223,523	-
UI SBR 2008 Agy Disaster Relief		IDWD	UI-15797-07-55	2,928	-
UI Grant		IDWD	UI-16745-08-55-A-18	22,969,892	166,442
UI Disaster Relief Admin/Ben		IDWD	UI-16745-08-55-A-18	26,688	-
UI REA GRANT		IDWD	UI-16745-08-55-A-18	270,376	-
Total for Program				821,372,967	406,620
Senior Community Service Employment Program	17.235				
Title V		FSSA	AD 14080QAO	1,869	-
Title V		FSSA	AD 14084THO	313,864	312,371
Title V		FSSA	AD 14084WTO	1,970,734	1,957,638
Total for Program				2,286,467	2,270,009
Trade Adjustment Assistance	17.245				
TRADE ADJ ASST		IDWD	TA-15301-06-55	560,721	-
TRADE ADJ ASST		IDWD	TA-15897-07-55-A18	6,631,257	-
TRADE ADJ ASST		IDWD	TA-16798-08-55-A-18	1,165,182	-
Trade (TAA) Benefits (TRA)		IDWD	UI-15797-07-55	10,060,363	-
Trade (TAA) Benefits (TRA)		IDWD	UI-16745-08-55-A-18	24,796,757	-
Alt Trade Adj. Assistance		IDWD	UI-15797-07-55	341,158	-
Alt Trade Adj. Assistance		IDWD	UI-16745-08-55-A-18	908,416	-
Total for Program				44,463,854	-
WIA Pilots, Demonstrations and Research Projects	17.261	IDWD	MI-15741-06-60	676,955	676,955
Work Incentive Grants	17.266	IDWD	WI-15560-06-60	565,700	552,447
Incentive Grants - WIA Section 503	17.267				
WIA INCENTIVE G		IDWD	PI14918RD	468,975	379,609
WIA INCENTIVE G		IDWD	PI15661-06-55	387,162	354,132
Total for Program				856,138	733,741
H-1B Job Training Grants	17.268				
WIRED		IDWD	WR-15406-06-60	3,955,250	3,945,557
WIRED		IDWD	WR-15538-06-60	333,456	333,456
Total for Program				4,288,706	4,279,013
Work Opportunity Tax Credit Program	17.271	IDWD	ES-16212-07-55-A-18	818	-
Temporary Labor Certification for Foreign Workers	17.273	IDWD	ES-16212-07-55-A-18	58,392	-
Occupational Safety and Health - State Program	17.503				
23 (g)		IDOL	60F7-0051	616,195	-
23 (g)		IDOL	SP167070855F18	1,537,291	-
Total for Program				2,153,486	-

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STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2007 to June 30, 2008
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF LABOR (continued)					
Consultation Agreements	17.504				
21 (d)		IDOL	E9F7-0951	75,990	-
21 (d)		IDOL	CS166640875F18	677,622	-
Total for Program				753,612	-
OSHA Data Initiative	17.505				
ODI		IDOL	E9F7-3751	12,879	-
ODI		IDOL	DC169700875F18	29,526	-
Total for Program				42,405	-
Veterans Employment Program	17.802				
WVET		IDWD	E-9-5-6-0006	211,674	211,576
WVET		IDWD	E-9-5-6-0006	743,879	741,926
Total for Program				955,553	953,502
Total U.S. Department of Labor				961,201,670	66,332,300
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
IDOC PREP Program	18.750				
IDOC PREP Program		IDOC	90FR0101/01	65,798	-
IDOC PRFD		IDOC	90FR0019/01	136,101	-
IDOC PREP Program		IDOC	90FR0101/02	73,071	-
IDOC PRFD		IDOC	90FR0019/02	170,787	-
Total for Program and U.S. Department of Health and Human Services				445,757	-
U.S. DEPARTMENT OF TRANSPORTATION					
Highway Planning and Construction Cluster					
Highway Planning and Construction	20.205				
INDOT SUPER 70 MOU		IDSP	N/A	445,420	-
INDOT MOU 2008		IDSP	N/A	88,278	-
Highway Planning and Construction		IDOT	N/A	705,229,654	-
Total for Program				705,763,352	-
Total for Cluster				705,763,352	-
Highway Safety Cluster					
State and Community Highway Safety	20.600				
Fatal Crash Reduction 2008		IDSP	154-HE-2007-08-01-02	15,067	-
National Highway Safety Administration, Section 402		ICJI	N/A	5,416,111	5,416,111
CODES		IDFBS	DTNH22-02-H-17270	21,210	19,985
Total for Program				5,452,388	5,436,096
Motorcycle Helmets and Safety Belt Incentive Grants	20.602	ICJI		738,682	738,682
Safety incentive Grants for use of Seatbelts	20.604	ICJI		133,306	133,306
Total for Cluster				6,324,376	6,308,084
Airport Improvement Program	20.106	IDOT	3-18-000-002	33,756	33,756
National Motor Carrier Safety	20.218				
2007 MCSAP Basic		IDSP	MC-07-18-001	3,831,721	260,000
2008 MCSAP Basic		IDSP	27XX18MC081815780	1,148,166	-
2007 New Entrant Program		IDSP	MN-07-18-1	697,846	-
2008 New Entrant Program		IDSP	27XX18MN081815780	253,351	-
Total for Program				5,931,084	260,000
Recreation Trails Program	20.219				
Pumpkinvine Nature Trail		DNR	300OR1RT0203	728	-
Sugar Creek Trail Extension		DNR	300OR1RT0303	4,886	4,886
Bluhm Lincoln Memorial Trail		DNR	300OR1RT0404	62,559	62,559
Greentown Trail		DNR	300OR1RT0406	10,677	10,677

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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF TRANSPORTATION (continued)					
Recreation Trails Program (continued)					
Whitewater Canal Trail Inc		DNR	300OR1RT0502	106,474	106,474
Rivergreenway Loop Trail		DNR	300OR1RT0504	150,000	150,000
Hoosier Mountain Biking Assoc		DNR	300OR1RT0505	47,940	47,940
RTP Admin-RT0506		DNR	300OR1RT0506	4,610	4,610
Nickel Plate Trail Phase III		DNR	300OR1RT0600300	150,000	150,000
MATAG Education Program		DNR	300OR1RT0702	5,000	5,000
B & O Trail		DNR	300OR1RT9601	98,911	-
Total for Program				641,785	542,146
Federal Transit - Metropolitan Planning Grants	20.505				
Federal Transit Technical Studies Grants		IDOT	IN-80-2012	55,930	55,930
Federal Transit Technical Studies Grants		IDOT	IN-80-2013	111,004	115,050
Federal Transit Technical Studies Grants		IDOT	IN-80_2014	93,754	21,316
Total for Program				260,689	192,297
Formula Grants for Other than Urbanized Areas	20.509				
Public Transp. for Non-urbanized Areas		IDOT	IN-18-X023	173,200	173,200
Public Transp. for Non-urbanized Areas		IDOT	IN-18-X024	1,397,546	1,407,024
Public Transp. for Non-urbanized Areas		IDOT	IN-18-X025	9,939,350	9,844,649
Public Transp. for Non-urbanized Areas		IDOT	IN-18-X026	1,445,597	1,443,007
Total for Program				12,955,694	12,867,880
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513				
Federal Transit Capital Improvement Grants		IDOT	IN-16-0001	1,500,942	1,489,170
Federal Transit Capital Improvement Grants		IDOT	IN-16-0031	95,147	80,050
Federal Transit Capital Improvement Grants		IDOT	IN-03-0109	651,676	651,676
Total for Program				2,247,765	2,220,895
Safety Belt Performance grants	20.609	ICJI		429,147	429,147
State Traffic Safety Information System Improvement Grants	20.610	ICJI		548,283	548,283
Incentive Grant Program to Increase Motorcycle Safety	20.612	ICJI		122,665	122,665
National Highway Transportation Safety Administration	20.614	IDSP	DTNH22-07-H-00126	97,158	-
Gas Pipeline Safety	20.700	IURC	PPHP050070C0008	25,297	-
Intragency Hazardous Materials Public Sector Training and Planning Grants	20.703				
Hazardous Materials 2004 #11		IDFBS	HMEIN3050100	600	-
Hazardous Materials 2005 #12		IDFBS	HMEIN4050120	6,264	6,264
Hazardous Materials 2007 #14		IDFBS	HMEIN6050140	58,366	56,883
Total for Program				65,230	63,147
Other Assistance					
MOU with State Police	20	IDOR	MCSAP Funds	260,000	-
Seat Belt and Occupant Protection, National Highway Safety Administration, Section 154 Transfer	20	ICJI		2,889,061	2,889,061
Total Other Assistance				3,149,061	2,889,061
Total U.S Department of Transportation				738,595,341	26,477,361
GENERAL SERVICES ADMINISTRATION					
Donation of Federal Surplus Personal Property	39.003	IDOA	N/A	3,455,390	-
HAVA Early Payments	39.011				
Section 101 Funds		IEC	369940	206,710	-
Section 102 Funds		IEC	371752	223	-
Total for Program				206,933	-
Total General Services Requirements				3,662,323	-

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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
NATIONAL ENDOWMENT FOR THE ARTS AND HUMANITIES					
Promotion of the Arts - Partnership Agreements	45.025				
Basic State Grant		IAC	05-6100-2017	845	-
Basic State Grant		IAC	06-6100-2046	100,954	4,503
Basic State Grant		IAC	07-6100-2053	259,696	8,589
Arts in Education		IAC	07-6100-2053	23,200	23,200
Challenge America		IAC	07-6100-2053	94,108	94,108
Underserved		IAC	06-6100-2046	51	-
Underserved		IAC	07-6100-2053	66,800	8,000
American Masterpiece		IAC	07-6100-2053	57,500	57,500
Total for Program				603,154	195,900
State Library Program	45.310				
2006 GRANT		ISL	LS-00060015-06	532,160	520,146
2007 GRANT		ISL	LS-00070015-07	2,046,045	1,972,742
2008 GRANT		ISL	LS-00080015-08	8,541	-
Total for Program				2,586,746	2,492,888
Total National Endowment for the Arts and the Humanities				3,189,900	2,688,788
U.S. DEPARTMENT OF VETERANS AFFAIRS					
All-Volunteer Force Education Assistance	64.124				
State Approving Agency		IDVA	V101 (223C) P-4717	200,962	-
State Approving Agency		IDVA	V101 (223D) P-4817	200,297	-
Total for Program				401,259	-
Total U.S. Department of Veterans Affairs				401,259	-
U.S. ENVIRONMENTAL PROTECTION AGENCY					
Noise Pollution Control - Technical Assistance	66.030	ISDOH	K1-00E13101-0	6,977	-
Survey, Studies, Investigation Demonstration and Special Purpose Activities Relating to the Clean Air Act	66.034				
Diesel Locomotive		IDEM	XA00E158-01	97,456	-
Clean School Bus		IDEM	XA831745-01	125,160	-
Total for Program				222,616	
Water Pollution Control State and Local Intrastate Support	66.419	IDEM	I965557-06	61,028	-
State Underground Water Source Protection	66.433	DNR	300OG1UIC070001	115,800	-
Construction Management Assistance	66.438	IDEM	C180000-90	283,780	-
Water Quality Management Planning	66.454				
Water Quality Management 205(j)(1)		IDEM	C6975219-00	305	-
Water Quality Management 205(j)(1)		IDEM	C6975496-01	5	-
Water Quality Management 205(j)(1)		IDEM	C6975750-03	6,312	-
Water Quality Management 205(j)(1)		IDEM	C6975750-03	368	-
Water Quality Management 205(j)(1)		IDEM	C6975750-04	68,957	-
Water Quality Management 205(j)(1)		IDEM	C6975750-05	132,772	-
Water Quality Management 205(j)(1)		IDEM	C6975750-06	66,187	-
Water Quality Management 205(j)(1)		IDEM	C6975750-06	172	-
Total for Program				275,078	-
Nonpoint Source Implementation	66.460				
319 NPS Surface Water		IDEM	C9995008-00	87,972	-
319 NPS Surface Water		IDEM	C9975482-01	67,069	-
319 NPS Surface Water		IDEM	C9975482-02	284,427	-
319 NPS Surface Water		IDEM	C9975482-03	336,381	-
319 NPS Surface Water		IDEM	C9975482-04	822,156	-
319 NPS Surface Water		IDEM	C9975482-05	822,156	-
319 NPS Surface Water		IDEM	C9975482-06	850,276	-
319 NPS Surface Water		IDEM	C9975482-07	1,000,551	-
319 NPS Surface Water		IDEM		17,092	-
319 NPS Surface Water		IDEM	C9975482-08	8,188	-
Payroll holding account		IDEM		51,907	-
Total for Program				4,348,175	-

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. ENVIRONMENTAL PROTECTION AGENCY (continued)					
Wetlands Program Development Grants	66.461				
Wetlands		IDEM	CD975308-01	(256)	-
Wetlands Pro Dev.		IDEM	CD965165-01	55,754	-
Wetlands Pro Dev.		IDEM		9,794	-
Total for Program				65,292	-
Water Quality Cooperative Agreements	66.463				
Watershed		IDEM	CP975291-01	71	-
Watershed		IDEM	CP965041-01	32,500	-
Watershed		IDEM	CP965041-01	(41)	-
Watershed		IDEM	X7965099-01	(66)	-
Watershed		IDEM	CP965466-01	46,317	-
Watershed		IDEM	CP965466-01	36	-
Total for Program				78,817	-
Capitalization Grants for Drinking Water State Revolving Fund	66.468				
Drinking Water Revolving-Loans		IDEM	FS975486-03	173,084	-
Drinking Water SRF- Admin		IDEM	FS975486-03	(42,763)	-
Drinking Water SRF-PWSS		IDEM	FS975486-03	87,588	-
Total for Program				217,909	-
Great Lakes Program	66.469				
Lamp Lake Michigan		IDEM	GL965509.01	24,503	-
Lamp Lake Michigan		IDEM	GL00E204-01	201	-
Lamp Lake Michigan		IDEM		971	-
Delisting Targets Grand Calumet		IDEM	GL965660-01	13,026	-
Total for Program				38,701	-
State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	66.471				
ERG Operator Cert		IDEM	CT965138-01	193,772	-
Beach Monitoring and Notification program Implementation Grants	66.472				
Beach Protection Lake Michigan		IDEM	CU965643-01	6,003	-
Beach Monitoring 2007		IDEM	CU965444-01	139,167	-
Beach Monitoring 2007		IDEM	CU965109-01	22,813	-
Total for Program				167,983	-
Water Protection Grants to State	66.474				
Counter Terrorism		IDEM	WP00E096-01	42,251	-
Counter Terrorism		IDEM	WP975634-01	34,173	-
Payroll holding acct		IDEM		109	-
Total for Program				76,533	-
Performance Partnership Grants	66.605				
PPG		IDEM	BG985432-00	602,744	-
PPG		IDEM	BG985432-01	1,097,022	-
PPG		IDEM	BG985432-02	1,434,700	-
PPG		IDEM	BG985432-03	2,240,373	-
PPG		IDEM	BG985432-04	701,150	-
PPG		IDEM	BG985432-05	1,146,078	-
PPG		IDEM	BG985432-06	2,697,804	-
PPG		IDEM	BG985432-08	8,192,520	-
PPG		IDEM		903,066	-
PPG Underground Storage Tank		IDEM	BG985432-00	31,912	-
PPG Underground Storage Tank		IDEM	BG985432-01	55,447	-
PPG Underground Storage Tank		IDEM	BG985432-02	38,042	-
PPG Underground Storage Tank		IDEM	BG985432-03	41,009	-
PPG Underground Storage Tank		IDEM	BG985432-05	26,718	-
PPG Underground Storage Tank		IDEM	BG985432-06	128,309	-
PPG Underground Storage Tank		IDEM	BG985432-08	265,275	-
		IDEM	BG985432-08	26,535	-
PPG PCB		IDEM	BG985432-01	956	-
PPG PCB		IDEM	BG985432-02	1,854	-
PPG PCB		IDEM	BG985432-03	96,883	-
PPG PCB		IDEM	BG985432-04	2,372	-

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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. ENVIRONMENTAL PROTECTION AGENCY (continued)					
Performance Partnership Grants (continued)					
PPG PCB		IDEM	BG985432-05	2,499	-
PPG PCB		IDEM	BG985432-06	29,701	-
PPG PCB		IDEM	BG985432-08	37,392	-
EMS Schools		IDEM	BG985432-05	302,906	-
EMS Schools		IDEM	BG985432-06	(127,370)	-
Total for Program				19,975,897	-
Surveys, Studies, Investigations and Special Purposes Grants	66.606				
Watershed TMDL		IDEM	X995484-01	(18)	-
Ambient Air Monitoring		IDEM	PM985773-04	658,751	-
Ambient Air Monitoring		IDEM		181	-
Ambient Air Monitoring		IDEM	PM985773-05	34,620	-
National Performance Track		IDEM	X828698-01	2,244	-
Local Scale Air Toxics		IDEM	XA965784-01	25,911	-
		IDEM		880	-
Adv. Truck Stop Electrif.		IDEM	X985926-01	8,980	-
Spills of National Sig		IDEM	X965837-01	767	-
Total for Program				732,316	-
Training and Fellowship for the Environmental Protection Agency	66.607				
Outreach Operator Training		IDEM	T985627-05	(1,180)	-
Outreach Operator Training		IDEM	T985627-06	25,389	-
Outreach Operator Training		IDEM	T985627-07	28,063	-
Total for Program				52,272	-
Environmental Policy and Innovation Grants	66.611				
CLEAN Community Cha		IDEM	PI965680-01	54,952	-
Environmental Stewardship		IDEM	PI00E001-01	20,958	-
CLEAN Community Cha		IDEM	PI975839-01	41,401	-
CLEAN Community Cha		IDEM	N/A	1,552	-
Total for Program				118,863	-
TSCA Title IV State Lead Grants - Certification of Lead-Based Paint Professionals	66.707				
Lead-Based Paints		IDEM	PB975551-01	12,236	-
Lead-Based Paints		IDEM	PB985526-04	(4,664)	-
Lead-Based Paints		IDEM	PB985526-05	(8,000)	-
Lead-Based Paints		IDEM	PB965823-02	70,821	-
Lead-Based Paints		IDEM	PB965823-03	125	-
Total for Program				70,518	-
Pollution Prevention Grants Program	66.708				
P2 Regulatory Integration of Pollution		IDEM	NP965891-01	17,346	-
Mercury Reduction		IDEM		(30)	-
Mercury Reduction		IDEM	NP965037-01	(2,227)	-
Total for Program				15,089	-
Multi-Media Capacity Building Grants for State and Tribes	66.709				
Combined Sewer Overflow		IDEM		502	-
Combined Sewer Overflow		IDEM	EA965374-01	499	-
Env. Enforcement Sam		IDEM	EA965370-01	59,556	-
Total for Program				60,557	-
Environmental Justice Community/University Partnership Grants Program	66.710	ISDOH	PB-00E44701-0	28,177	-
Superfunds State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreement	66.802				
RCRA 3012 Program-CERCLIS Management		IDEM	V00E188-01	108,229	-
RCRA 3012 Program-PreCERCLIS Screening		IDEM	V00E188-01	19,407	-
RCRA 3012 Program-CERCLIS Pre-Assess		IDEM	V00E188-01	28,102	-
RCRA 3012 Program-CERCLIS Site Inspect		IDEM	V00E188-01	32,255	-
RCRA 3012 Program-CERCLIS Expand Site		IDEM	V00E188-01	47,432	-
RCRA 3012 Program-CERCLIS ReAssess		IDEM	V00E188-01	42,668	-
RCRA 3012 Program-CERCLIS Hazard Rank		IDEM	V00E188-01	22,262	-
Salary and fringe Holding Account		IDEM	V00E188-01	(17,096)	-
Ninth Avenue Dump		IDEM	V965003-02	6,834	-

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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. ENVIRONMENTAL PROTECTION AGENCY (continued)					
Superfunds State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreement (continued)					
Elkhart Main Street Well Field-East-447		IDEM	V965003-02	765	-
Elkhart Main Street Well Field-East-447		IDEM		3,830	-
Elkhart Main Street Well Field-West-448		IDEM	V965003-02	665	-
Elkhart Main Street Well Field-West-448		IDEM		4,663	-
Core Superfund		IDEM	V005990-01	(1,159)	-
Galen Myers Remedial Action		IDEM	V965884-01	70,983	-
Continental Steel-remedial design		IDEM	V985768-01	8	-
Continental Steel-remedial action		IDEM	V985768-01	33,325	-
Payroll holding		IDEM	V985768-01	3,566	-
Waste holding		IDEM	V965003-02	661	-
Waste		IDEM		1,308	-
Conrail Yard Site		IDEM	V965003-02	662	-
Conrail Yard Site		IDEM		5,739	-
Third Site		IDEM	V965003-02	1,427	-
Prestolite Battery		IDEM	V005899-01	11,069	-
Prestolite Battery		IDEM	V965003-02	1,788	-
Prestolite Battery		IDEM		78	-
Himco Dump		IDEM	V965003-02	2,071	-
Himco Dump		IDEM		1,279	-
International Minerals and Chem		IDEM	V965003-02	284	-
International Minerals and Chem		IDEM		2,621	-
American Chemical Services		IDEM	V965003-02	2,111	-
Douglas Road Landfill		IDEM	V965003-02	294	-
Douglas Road Landfill		IDEM		2	-
Douglas Road Landfill		IDEM		3,344	-
Lemon Lane		IDEM	V965003-02	3,966	-
Lemon Lane		IDEM		13,247	-
Illinois Central Springs		IDEM	V965478-01	59,546	-
Lakeland Disposal		IDEM	V965003-02	1,737	-
Lakeland Disposal		IDEM		8,104	-
Neal's Landfill		IDEM	V965003-02	2,225	-
Neal's Landfill		IDEM		11,292	-
Bennet Stone		IDEM	V965003-02	1,267	-
Bennet Stone		IDEM		2,688	-
Cam-Or		IDEM	V965003-02	4,515	-
Little Mississinewa		IDEM	V965003-02	997	-
Jacobsville		IDEM	V965003-02	1,509	-
Jacobsville		IDEM		6,504	-
Town of Pines		IDEM	V965003-02	2,386	-
Total for Program				561,460	-
Leaking Underground Storage Tank Trust Fund Program	66.805	IDEM			
Leaking Underground Storage Tank		IDEM	LS005981-12 7	263,122	-
Leaking Underground Storage Tank		IDEM	LS005981-13 7	(452)	-
Leaking Underground Storage Tank		IDEM	LS005981-15 7	1,187,693	-
Leaking Underground Storage Tank		IDEM	LS005981-16 7	115,444	-
Leaking Underground Storage Tank		IDEM	LS005981-16 E	136,970	-
Leaking Underground Storage Tank		IDEM	LS005981-16 4	16,478	-
Total for Program				1,719,255	-
Solid Waste Management Assistance Grants	66.808				
National Env. Information Exchange 06		IDEM	OS833045-01	140,402	-
NEIEN RCRA Data Fl		IDEM	OS832586-01	158	-
NEIEN Implementation		IDEM	OS831964-01	171,009	-
Total for Program				311,569	-
Superfund State and Indian Tribe Core Program Cooperative Agreements	66.809				
Core Superfund		IDEM	VC005990-01	694,824	-
Core Superfund		IDEM	VC005990-02	135,451	-
Core Superfund		IDEM	VC005990-03	206,444	-
Total for Program				1,036,719	-
State and Tribal Response Program Grants	66.817				
128a Core Brownsfield-307		IDEM	RP965078-02	55,877	-
128a Core VRP-308		IDEM	RP965078-02	30,703	-
Total for Program				86,580	-
Total Environmental Protection Agency				30,921,733	-

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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT ENERGY					
State Energy Program	81.041				
Cooperative Sub Grant Agreement		IDFBS	DE-FC02-97CH10881	47,780	-
State Energy Program		COM	DE-FG26-07NT43163	985,566	289,865
Total for Program				1,033,346	289,865
Regional Biomass Energy Program	81.079	COM	N/A	489	-
Energy Efficiency and Renewable Energy Information Dissemination, Outreach Training, and Technical Analysis/Assistance	81.117	COM	AAM-7-77543-02	18,539	-
State Energy Program Special Projects	81.119	COM	DE-FC26-06NT43014	328,989	-
Other Assistance					
Realignment and Closure Grant	81	COM	EM-14940-05-60	71,230	71,230
Total other Assistance				71,230	71,230
Total U.S. Department of Energy				1,452,593	361,095
U.S. DEPARTMENT OF EDUCATION					
Special Education Cluster					
Special Education Grants to States	84.027				
State Grant 2006		IDOE	H027A050084	8,334,813	8,334,813
State Grant 2007		IDOE	H027A060084	42,639,630	42,126,697
State Grant 2008		IDOE	H027A070084	183,844,443	181,863,753
		IDOH	14208-102-PN01	162,734	-
		IDOH	14207-013-DY02	55,245	-
Special Education		IDOH	14205-100-PN01	24,100	-
Total for Program				235,060,965	232,325,263
Special Education Preschool Grants	84.173				
State Grant 2006		IDOE	H173A050104	120,860	120,859
State Grant 2007		IDOE	H173A060104	1,151,079	1,151,079
State Grant 2008		IDOE	H173A070104	7,825,316	7,825,316
Division of Exceptional Learners		IDOH	45708-101-PN01	3,492	-
Special Education - Preschool Grants		IDOH	45708-102-PN01	20,361	-
Total for Program				9,121,108	9,097,254
Total Cluster				244,182,073	241,422,517
Adult Education - State Grant Program	84.002				
State Grant Program 2007		IDOE	V002A060014	304,722	304,722
State Grant Program 2008		IDOE	V002A070014	9,422,286	8,827,882
Total for Program				9,727,008	9,132,604
Title I Grants to Local Educational Agencies	84.010				
Title I		IDOH	03-9105	66,633	-
Grants to States 2007		IDOE	S010A060014	34,625,735	33,414,182
Grants to States 2008		IDOE	S010A070014	186,796,080	185,610,614
Title I		FSSA	N/A	13,497	-
Total for Program				221,501,945	219,024,796
Migrant Education - State Grant Program	84.011				
Basic State Grant 2006		IDOE	S011A050014	3,663,670	3,270,614
Basic State Grant 2007		IDOE	S011A060014	1,165,978	181,712
Total for Program				4,829,648	3,452,326
Title I Program for Neglected and Delinquent Children	84.013				
State Grant 2007		IDOE	S013A060014	99,666	99,666
State Grant 2008		IDOE	S013A070014	793,870	793,870
Total for Program				893,536	893,536

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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF EDUCATION (continued)					
Career and Technical Education - Basic Grants to State	84.048				
STATE LEADERSHI		IDWD	VO48A040014A	(33,123)	-
COMM TECH ED		IDWD	VO48A050014A	9,757	-
CP SECONDARY B/		IDWD	VO48A050014A	882,024	882,024
POST 2ND VOC. E		IDWD	VO48A050014A	288,759	288,759
COMM TECH ED		IDWD	VO48A060014A	(42,556)	-
STATE LEADERSHI		IDWD	VO48A060014A	419,116	91,546
CP SECONDARY B/		IDWD	VO48A060014A	3,919,698	12,344,546
POST 2ND VOC. E		IDWD	VO48A060014A	7,277,760	7,277,760
COMM TECH ED		IDWD	VO48A070014A	322,878	-
STATE LEADERSHI		IDWD	VO48A070014A	151,123	27,732
CP SECONDARY B/		IDWD	VO48A070014A	8,316,132	128,262
POST 2ND VOC. E		IDWD	VO48A070014A	5,567,360	5,567,360
Total for Program				27,078,927	26,607,990
Leveraging Educational Assistance Partnership	84.069				
Leveraging Educational Assistance Program - LEAP		SSACI	N069A070015	609,315	-
Special Leveraging Education Assistance Program - SLEAP		SSACI	N069B070012	792,922	-
Total for Program				1,402,237	-
Rehabilitation Services -Vocational Rehabilitation Grants to States	84.126				
Title I, Section 110		FSSA	H 126A 05 0019	54,319	-
Title I, Section 110		FSSA	H 126A 06 0019	2,506,457	-
Title I, Section 110		FSSA	H 126A 07 0019	26,584,576	-
Title I, Section 110		FSSA	H 126A 08 0019	31,998,206	-
Total for Program				61,143,558	-
Rehabilitation Services Client Assistance Program	84.161				
2006		IPASC	H161A060015B	94	-
2007		IPASC	H161A070015B	168,823	-
2008		IPASC	H161A080015B	44,576	-
Total for Program				213,494	-
Independent Living - State Grants	84.169				
Independent Living		FSSA	H 169A 07 0020	216,530	-
Independent Living		FSSA	H 169A 08 0020	344,156	-
Total for Program				560,686	-
Douglas Teacher Scholarship	84.176	SSACI	P176A40014	142,851	-
Rehabilitative Services - Independent Living Services for Older Individuals who are Blind	84.177				
Rehabilitative Services		FSSA	H 177B 06 0014	402,239	-
Rehabilitative Services		FSSA	H 177B 07 0014	220,364	-
Total for Program				622,603	-
Special Education Grant for Infants and Families	84.181				
Infants and Families with Disabilities		FSSA	H 181A 05 0030	3,359,907	-
Infants and Families with Disabilities		FSSA	H 181A 06 0030	4,672,292	-
Total for Program				8,032,199	-
Byrd Honors Scholarship	84.185				
2007 Grant		IDOE	P185A060015	531,500	531,500
2008 Grant		IDOE	P185A070015	344,500	344,500
Total for Program				876,000	876,000
Safe and Drug Free Schools and Communities - State Grant	84.186				
State Grant 06		IDOE	Q186A050015	56,222	-
State Grant 07		IDOE	Q186A060015	3,999,363	3,983,541
State Grant 08		IDOE	Q186A070015	250,702	201,085
Safe and Drug Free Schools and Communities		ICJI	Q186B060016	410,794	-
Total for Program				4,717,081	4,184,626
Supported Employment Services for Individuals with Significant Disabilities	84.187	FSSA	H 187A 06 0020	534,933	-

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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF EDUCATION (continued)					
Education for Homeless Children Youth	84.196				
State Grant 2006		IDOE	S196A050015	19,233	-
State Grant 2007		IDOE	S196A060015	145,990	54,081
State Grant 2008		IDOE	S196A070015	1,043,793	1,043,793
Total for Program				1,209,016	1,097,874
Even Start State Education Agencies	84.213				
State Grant 2006		IDOE	S213C050015	17,420	-
State Grant 2007		IDOE	S213C060015	37,326	-
State Grant 2008		IDOE	S213C070015	1,265,742	1,269,767
Total for Program				1,320,488	1,269,767
Assistive Technology	84.224				
Assistive Technology		FSSA	H 224A 06	250,261	-
Assistive Technology		FSSA	H 224A 07	176,719	-
Total for Program				426,980	-
Program of Protective and Advocacy for Individual Rights	84.240				
2005		IPASC	H240A050015	(314)	-
2006		IPASC	H240A060015	254	-
2007		IPASC	H240A070015	116,028	-
2008		IPASC	H240A080015	151,570	-
Total for Program				267,538	-
Tech-Prep Education	84.243				
COM TECH ED-PRE		IDWD	V243A050014	(23,269)	-
COM TECH ED-PRE		IDWD	V243A060014	1,066,304	1,060,814
COM TECH ED-PRE		IDWD	V243A070014	206,606	124,238
Total for Program				1,249,641	1,185,053
Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	84.265	FSSA	H 265A 05 0040	41,828	-
National Early Intervention Scholarship and Partnership	84.272	SSACI	P272A40010-95	36,637	-
Eisenhower Professional Development - State Grants	84.281	IDOE	S281A010014	1,229	-
Charter Schools	84.282	IDOE	U282A040016	3,571,358	3,512,295
Twenty First Century Community Learning Centers	84.287				
2005 Award		IDOE	S287C050014	383,317	25,000
2006 Award		IDOE	S287A060014	8,110,100	7,968,119
2007 Award		IDOE	S287C070014	3,604,486	3,604,486
Total for Program				12,097,904	11,597,605
State Grants for Innovative Program	84.298				
State Grant 2002		IDOE	S298A020014	40,105	-
State Grant 2006		IDOE	S298A050014	214,702	102,772
State Grant 2007		IDOE	S298A060014	1,972,614	1,648,118
State Grant 2008		IDOE	S298A070014	40,570	-
Total for Program				2,267,991	1,750,890
Education Technology State Grants Special Education - State Personnel Development	84.318				
State Grant 2006		IDOE	S318X050014	1,130,554	1,055,158
State Grant 2007		IDOE	S318X060014	2,224,747	2,224,383
Total for Program				3,355,301	3,279,541
State Program Improvement Grants	84.323	IDOE	H323A030003	912,455	912,455
Advanced Placement Incentive Program	84.330	IDOE	S330B070023	55,650	-
Grants to States for Incarcerated Youth Offenders	84.331				
Specter 07		IDOC	V331A060015	422,495	-
Specter 08		IDOC		216,786	-
Total for Program				639,281	-

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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF EDUCATION (continued)					
Comprehensive School Reform Demonstrations	84.332	IDOE	S332A050015	1,035,859	1,035,859
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334				
GEARUP Admin		SSACI	P334A990352	443	-
GEARUP Admin		SSACI	P334S050010	2,497,989	-
GEARUP Tuition		SSACI	P334S050010	112,411	-
GEARUP Mentorship		SSACI	P334S050010	254,072	-
Total for Program				2,864,915	-
Assistive Technology State Grants for Protection and Advocacy	84.343				
2005		IPASC	H343A050015	(98)	-
2006		IPASC	H343A060015	42	-
2007		IPASC	H343A070015	36,739	-
2008		IPASC	H343A080016	36,271	-
Total for Program				72,953	-
Reading First State Grants	84.357				
State Grant		IDOE	S357A050015	2,215,865	1,615,466
State Grant		IDOE	S357A060015	11,686,994	11,043,466
Total for Program				13,902,859	12,658,932
Rural Education	84.358				
State Grant		IDOE	S358B050014	2,076	2,076
State Grant		IDOE	S358B060014	56,149	56,149
State Grant		IDOE	S358B070014	71,275	71,275
Total for Program				129,499	129,500
English Language Acquisition Grants	84.365				
State Formula Grant Program		IDOE	T365A060014	1,064,932	844,170
State Formula Grant Program		IDOE	T365A070014	5,412,910	5,412,910
Total for Program				6,477,842	6,257,080
Mathematics and Science Partnerships	84.366				
2006 Grant		IDOE	S366B050015	648,251	648,251
2007 Grant		IDOE	S366B060015	1,731,523	1,634,252
Total for Program				2,379,774	2,282,503
Improving Teacher Quality State Grants	84.367				
2003 Grant		IDOE	S367A020013	1,551	-
2006 Grant		IDOE	S367A050013	995,045	811,172
2007 Grant		IDOE	S367A060013	35,834,246	34,738,657
2008 Grant		IDOE	S367A070013	10,469,294	10,469,294
Improving Teacher Quality		CHE	S367B050014A	513,190	482,933
Improving Teacher Quality		CHE	S367B060014A	623,857	623,857
Improving Teacher Quality		CHE	S367B070014A	16,419	16,419
Total for Program				48,453,601	47,142,332
Grants for State Assessments and Related Activities	84.369	IDOE	S369A070015	6,649,778	2,176,976
Statewide Data Systems	84.372	IDOE	R372A070013	380,529	5,000
Special Education - Technical Assistance on State Data Collection	84.373	IDOE	H373X060039	514,677	514,677
Other Assistance					
Special Education	84	ISSCH	14205-100-PN01	4,674	-
Individuals with Disabilities Education Act	84	ISB	14205-101-PN01	2,333	-
Act for Preschool	84	ISB	45707-101-PN01	12	-
Librarian/IERC Large Print Production Braille Project	84	ISB	14206-025-DY05	109,871	-
Total Other Assistance				116,890	-
Total U.S. Department of Education				696,891,253	602,402,734

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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
NATIONAL ARCHIVES AND RECORDS ADMINISTRATION					
National Historical Publications and Record Grants	89.003	ICPR	NAR07-RS-10032-07	5,500	-
ELECTION ASSISTANCE COMMISSION					
Help Americans Vote College Program	90.401				
HAVA Requirements Payments, Title III Funds		IEC	412089	185,556	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Aging Cluster					
Special Programs for the aging - title III B-Grants for Supportive Services and Senior Centers	93.044				
Supportive Services		FSSA	06 AA IN T3 SP	2,563,321	2,563,320
Supportive Services		FSSA	07 AA IN T3 SP	2,868,382	2,839,306
Supportive Services		FSSA	08 AA IN T3 SP	1,069,813	1,005,574
Total for Program				6,501,515	6,408,200
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045				
Congregate Meals		FSSA	06 AA IN T3 SP	683,067	669,863
Congregate Meals		FSSA	07 AA IN T3 SP	3,508,921	3,401,641
Congregate Meals		FSSA	08 AA IN T3 SP	2,624,241	2,505,743
Home Delivered Meals		FSSA	07 AA IN T3 SP	76,868	-
Home Delivered Meals		FSSA	08 AA IN T3 SP	56,926	-
Home Delivered Meals		FSSA	06 AA IN T3 SP	1,227,030	1,227,030
Home Delivered Meals		FSSA	07 AA IN T3 SP	3,975,364	3,975,363
Home Delivered Meals		FSSA	08 AA IN T3 SP	1,084,918	1,084,917
Total for Program				13,237,334	12,864,557
Nutrition Services Incentive Program	93.053				
Nutrition Services Incentive Program		FSSA	2 07 AA IN NSIP	489,078	489,077
Nutrition Services Incentive Program		FSSA	2 08 AA IN NSIP	978,388	978,388
		FSSA			
Total for Program				1,467,466	1,467,465
Total for Cluster				21,206,315	20,740,222
Child Care Cluster					
Child Care and Development Block Grant	93.575				
Child Care and Development Block Grant (CCDBG) - Administration		FSSA	G 07 01 IN CCDF	39,414,691	-
Child Care and Development Block Grant (CCDBG) - Administration		FSSA	G 08 01 IN CCDF	24,679,907	-
Total for Program				64,094,598	-
Child Care Mandatory and Matching Funds of the Child Care Development Fund	93.596				
Child Care Development Fund (CCDF) Matching/Mandatory		FSSA	G 07 01 IN CCDF	22,415,094	-
Child Care Development Fund (CCDF) Matching/Mandatory		FSSA	G 08 01 IN CCDF	56,512,362	-
Total for Program				78,927,456	-
Total for Cluster				143,022,055	-
Medicaid Cluster					
State Medicaid Fraud Control Unit	93.775				
State Medicaid Fraud Control Unit		AG	01-0701-IN-5050	1,052,797	-
State Medicaid Fraud Control Unit		AG	01-0801-IN-5050	1,867,500	-
Total for Program				2,920,297	-
State Survey and Certification of Health Care Providers and Suppliers	93.777				
Medicare Title XVIII-2007		ISDOH	05-0705-IN-5000	1,603,235	-
Medicare Title XVIII-2008		ISDOH	05-0805-IN-5000	4,599,624	-
CLIA(Clinical Lab. Improvement Act)-2007		ISDOH	05-0705-IN-5002	61,100	-
CLIA(Clinical Lab. Improvement Act)-2008		ISDOH	05-0805-IN-5002	213,121	-
Title XIX - Certification of Health Care Providers		FSSA	5 07 05 IN 5001	2,645,541	-
Title XIX - Certification of Health Care Providers		FSSA	5 08 05 IN 5001	2,798,444	-
Total for Program				11,921,066	-

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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)					
Medicaid Cluster (continued)					
Medicaid Assistance Program	93.778				
Assistance		FSSA	5 07 05 IN 5028	868,213,062	-
Assistance		FSSA	5 08 05 IN 5028	3,140,850,510	-
Medicaid Indigent Trust		FSSA	5 08 05 IN 5028	11,040,952	-
Administration		FSSA	5 07 05 IN 5048	14,480,199	-
Administration		FSSA	5 08 05 IN 5048	157,675,979	-
Katrina Administration		FSSA	KA06	513	-
Total for Program				4,192,261,215	-
Cluster Total				4,207,102,577	-
State and Territorial and Technical Assistance Capacity Development					
Minority HV/AIDS Demonstration Program	93.006				
OMH State Partnership Program FY06		ISDOH	1 STTMP051005-01-0	(30)	-
OMH State Partnership Program FY07		ISDOH	1 STTMP051005-0120	70,357	-
OMH State Partnership Program FY08		ISDOH	1 STTMP051005-0130	59,462	-
Total for Program				129,789	-
Special Programs for the Aging - Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect and Exploration	93.041				
Elder Protection Services		FSSA	06 AA IN T7 SP	93,425	93,424
Elder Protection Services		FSSA	07 AA IN T7 SP	103,258	103,258
Total for Program				196,683	196,682
Special Programs for the Aging - Title VII, Chapter 2 Long-Term Care Ombudsman Service for Older Individuals	93.042				
Ombudsman		FSSA	07 AA IN T7 SP	168,233	-
Ombudsman		FSSA	07 AA IN T3 SP	9,045	-
Ombudsman		FSSA	08 AA IN T7 SP	234,639	-
Total for Program				411,917	-
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043				
Preventive Health		FSSA	05 AA IN T3 SP	2,717	-
Preventive Health		FSSA	06 AA IN T3 SP	63,230	60,962
Preventive Health		FSSA	07 AA IN T3 SP	433,222	417,188
Preventive Health		FSSA	08 AA IN T3 SP	47,736	-
Preventive Health		FSSA	06 AA IN T7 SP	63	-
Preventive Health		FSSA	07 AA IN T7 SP	259	-
Total for Program				547,226	478,150
Special Programs for the Aging - Title IV and Title III Discretionary Projects	93.048				
Alzheimer's Disease Grant		FSSA	90 AZ 2789 02	433	-
Alzheimer's Disease Grant			90 AZ 2789 03	63,263	63,262
Total for Program				63,696	63,262
National Family Caregiver Support, Title III, Part E	93.052				
NFCSP (Title III Admin)		FSSA	04 AA IN T3 SP	1,290	-
NFCSP (Title III Admin)		FSSA	05 AA IN T3 SP	678,984	673,858
NFCSP (Title III Admin)		FSSA	07 AA IN T3 SP	2,999,259	2,859,181
NFCSP (Title III Admin)		FSSA	08 AA IN T3 SP	133,249	133,249
Total for Program				3,812,782	3,666,288
Bioterrorism Preparedness and Response Supplemental - 2008	93.069	ISDOH	U90/CCU517024-08	9,540,662	3,579,654
Advancing System Improvements to Support Targets for Healthy People	93.088	ISDOH	1 ASTWH070013-01-00	78,793	52,689
Food and Drug Administration - Research	93.103				
State Food Safety and Security Task Force Meetings FY07		ISDOH	1R13FD003184-02	2,488	-
State Food Safety and Security Task Force Meetings FY08		ISDOH	1R13FD003184-03	4,090	-
Total for Program				6,578	-

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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)					
Maternal and Child Health Federal Consolidated Programs	93.110				
Material and Child Health Bureau 2002-2004		IDOC	1H74MC00010-01	7,900	-
Early Childhood Comprehensive System Planning 2007		ISDOH	6H25MC00263-04	102,247	67,356
Early Childhood Comprehensive System Planning 2008		ISDOH	6H25MC00263-05	49,037	39,196
Data Integration - 2007		ISDOH	5H18MC00017-11	45,971	-
Data Integration - 2008		ISDOH	5H18MC00017-10	43,288	-
Total for Program				248,443	106,552
Adolescent Family Life Research Grants	93.111	ISDOH	5 H47MC02007-04-00	5,743	5,743
Projects Grants and Cooperative Agreements for Tuberculosis Control Program	93.116				
Tuberculosis Control Program - 2006		ISDOH	U52/CCU500520-24	12,667	-
Tuberculosis Control Program - 2007		ISDOH	U52/CCU500520-25	460,194	376,496
Tuberculosis Control Program - 2008		ISDOH	U52/CCU500520-26	202,454	144,375
Total for Program				675,315	520,871
Cooperative Agreements to State/Territories for the Coordination and Development of Primary Care Offices	93.130				
Primary Care Offices - 2008		ISDOH	5 U68 CS 00182-18	111,588	55,990
Primary Care Offices - 2009		ISDOH	6 U68 CS 00182-19	37,632	20,000
Total for Program				149,220	75,990
Protection and Advocacy for Individuals with Mentally Illness	93.138				
2005		IPASC		(507)	-
2006		IPASC	SMX189700L	368	-
2007		IPASC	SMX189700-07	218,165	-
2008		IPASC	3X98SM001897-08S1	347,172	-
Total For Program				565,198	-
Projects for Assistance in Transition from Homelessness	93.150				
Projects for Assist in Transition from Homelessness		FSSA	S MX 060015 P	488,083	486,639
Projects for Assist in Transition from Homelessness		FSSA	S MX 060015 Q	338,359	329,301
Total for Program				826,442	815,940
Grants to State Loan Repayment Program	93.165				
State Loan Repayment Program FY05		ISDOH	4 H56HP00122-03-01	7,797	605
State Loan Repayment Program FY06		ISDOH	6 H56HP00122-04-02	63,383	63,383
State Loan Repayment Program FY07		ISDOH	6 H56HP00122-05-01	33,500	33,500
Total for Program				104,679	97,488
Community Prevention Coalitions (partnership) Demonstration Grant	93.194	FSSA	U9SP11212A	1,907,505	1,898,920
Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197				
Childhood Lead Poison Prevention - 2007		ISDOH	US7/CCU522878-04-1	189,899	166,266
Childhood Lead Poison Prevention - 2008		ISDOH	5H64EH000135-2	775,078	303,082
Total for Program				964,977	469,348
Research on Healthcare Costs, Quality and Outcomes	93.226				
Cooperative Health Statistics - 2007		ISDOH	200-2000-07214	346,927	5,562
Cooperative Health Statistics - 2008		ISDOH	200-2007-M19929	348,583	5,620
Total for Program				695,510	11,182
Traumatic Brain Injury State Demonstration Grant Program	93.234	FSSA	H21MCO6756	117,778	-
Abstinence Education Program	93.235				
Abstinence Education Block Grant - 2006		ISDOH	G-0601INAEGP	1,439	-
Abstinence Education Block Grant - 2007		ISDOH	G-0701INAEGP	678,828	324,943
Abstinence Education Block Grant - 2008		ISDOH	G-0701INAEGP	144,567	-
Total for Program				824,834	324,943

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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)					
State Rural Hospital Flexibility Program	93.241				
RHFP - Critical Access Hospitals - 2007		ISDOH	5 H54RH00042-08-00	542,063	533,053
RHFP - Critical Access Hospitals - 2008		ISDOH	5 H54RH00042-09-00	261,456	259,869
Total for Program				803,519	792,922
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243				
MI DIG II		FSSA	H1SM56660A	43,201	-
MI DIG III		FSSA	H1SM058070-01	16,065	-
Alternatives to Restraint and Seclusion		FSSA	H9 SM 58129A	18,308	-
Total for Program				77,574	-
Universal Newborn Hearing Screening	93.251				
Universal Newborn Hearing Screening - 2007		ISDOH	4 H61 MC 00059-05	190	-
Universal Newborn Hearing Screening - 2008		ISDOH	4 H61 MC 00059-06	121,405	110,735
Universal Newborn Hearing Screening - 2009		ISDOH	4 H61 MC 00059-07	6,570	6,570
Rape Prevention and Education - FY 2007		ISDOH	VF1/CCV519921-06	604,011	604,011
Rape Prevention and Education - FY 2008		ISDOH	VF1CE00115	325,188	315,885
Total for Program				1,057,363	1,037,201
State Grants for Protection and Advocacy Services	93.267				
2005		IPASC		(274)	-
2006		IPASC	X82MC07232	5,774	-
2007		IPASC	X82MC08153	48,820	-
Total for Program				54,320	-
Immunization Grants	93.268				
Immunization Program - 2007		ISDOH	H23/CCH522522-05	2,175,327	322,058
Immunization Program - 2008		ISDOH	H23/CCH522522-06	1,018,462	4,808
Immunization Program - 2008 - Non - Cash Assistance		ISDOH	H23/CCH522522-06	144,667	-
Total for Program				3,338,456	326,866
Substance Abuse and Mental Health Services - Access to Recovery					
Access to Recovery	93.275	FSSA	1H79TIO19486-01	207,533	-
Access to Recovery		CCSV	TI19486	42,358	-
Total for Program				249,891	-
National Institute of Health Loan Repayments Program for Clinical Researchers	93.280	ISDOH	1U51PS5000911-01	29,490	-
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283				
Comprehensive Cancer Control 2007		ISDOH	U55/CCU521884-05	86,498	75,930
Comprehensive Cancer Control 2008		ISDOH	1U58DP000838-01	194,694	164,007
Early Hearing Detection and Intervention 2007		ISDOH	UR3/CCU524776-02	38,897	-
Early Hearing Detection and Intervention 2008		ISDOH	UR3/CCU524776-03	151,936	-
National Program of Cancer Registries - 2007		ISDOH	U55/CCU521884-05	34,027	30,704
National Program of Cancer Registries - 2008		ISDOH	1U58DP000838-01	459,340	368,604
Behavioral Risk Factor Surveillance - 2007		ISDOH	U58/CCU522814-04	65,595	-
Behavioral Risk Factor Surveillance - 2008		ISDOH	U58/CCU522814-05W1	101,249	-
Bioterrorism Preparedness and Response Supplemental - 2006		ISDOH	U90/CCU517024-06	26,877	-
Bioterrorism Preparedness and Response Supplemental - 2007		ISDOH	U90/CCU517024-07	9,823,068	3,263,935
Bioterrorism Preparedness and Response Non Cash Assistance		ISDOH	U90/CCU517024-05	902	-
Addressing Asthma - 2007		ISDOH		140,769	9,215
Addressing Asthma - 2008		ISDOH	U59/CEU525032-02	267,500	8,061
'Tobacco Use Prevention and Control - 2006		ISDOH	U58/CCU522814-02	(6)	-
Tobacco Use Prevention and Control - 2007		ISDOH	U58/CCU522814-03	361,048	358,869
Tobacco Use Prevention and Control - 2008		ISDOH	U58/CCU522814-04	622,587	542,951
State Epidemiology and Laboratory Surveillance and Response - 07		ISDOH	U50/CCU523777-03	470,162	114,041
State Epidemiology and Laboratory Surveillance and Response - 08		ISDOH	U50/CCU523777-04	156,879	15,678
Reducing the Impact of Arthritis - 2006		ISDOH	U58/CCU522814-03	1,070	-
Reducing the Impact of Arthritis - 2007		ISDOH	U58/CCU522814-04	50,913	165,572
Reducing the Impact of Arthritis - 2008		ISDOH	U58/CCU522814-05	87,194	112,077
Total for Program				13,141,199	5,229,644
Small Rural Hospital Improvement Grant Program	93.301				
Small Rural Hospital Improvement Grant - 2007		ISDOH	5 H3HRH00003-05-00	165,572	165,572
Small Rural Hospital Improvement Grant - 2008		ISDOH	5 H3HRH00003-06-00	112,077	112,077
Total for Program				277,649	277,649

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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)					
Promoting Safe and Stable Families	93.556				
Family Preservation and Support Services (Title IV Pt II)		DCS	G 06 01 IN 00FP	2,953,773	1,622,414
Family Preservation and Support Services (Title IV Pt II)		DCS	G 07 01 IN 00FP	4,766,962	4,266,281
Total for Program				7,720,735	5,888,695
Temporary Assistance to Needy Families	93.558				
Temporary Assistance to Needy Families		FSSA	G 06 01 IN TANF	30,742,611	-
Temporary Assistance to Needy Families		FSSA	G 07 01 IN TANF	70,997,046	-
Temporary Assistance to Needy Families		FSSA	G 08 01 IN TANF	59,366,806	-
Total for Program				161,106,463	-
Child Support Enforcement	93.563				
Title IV-D - Child Support Enforcement		DCS	G 07 04 IN 4004	2,434,913	-
Title IV-D - Child Support Enforcement		DCS	G 08 04 IN 4004	29,739,516	-
Total for Program				32,174,429	-
Refugee and Entrant Assistance - State Administered Program	93.566				
Refugee and Entrant Assistance - State		FSSA	G 06 AA IN 5110	301,607	301,607
Refugee and Entrant Assistance - State		FSSA	G 07 AA IN 5110	179,729	179,729
Refugee and Entrant Assistance - State		FSSA	G 06 AA IN 5100	145,067	145,067
Refugee and Entrant Assistance - State		FSSA	G 07 AA IN 5100	316,284	316,283
Refugee and Entrant Assistance - State		FSSA	G 08 AA IN 5100	211,613	211,612
Total for Program				1,154,300	1,154,298
Community Service Block Grant	93.569	COM	G07B3INCOSR	8,962,332	-
Refugee and Entrant Assistance - Discretionary Grants	93.576				
Health Programs for Refugees - 2007		ISDOH	90RX0162/01	12,243	12,243
Health Programs for Refugees - 2008		ISDOH	90RX0162-02	57,637	57,637
Refugee School Impact		FSSA	90ZE008702	125,000	125,000
Refugee School Impact		FSSA	90ZE008703	74,202	74,202
Total for Program				269,082	269,082
State Court Improvement Program	93.586				
State Court Improvement Program, CIP GRANT FY 2005		SC	0501INSCIP	100,417	100,417
State Court Improvement Program, CIP GRANT FY 2006		SC	0601INSCIP	76,391	76,391
State Court Improv. Data Sharing, DATA GRANT FY 2006		SC	0601INSCID	91,781	-
State Court Improving Training Program, TRAINING GRANT 2006		SC	0601INSCIT	139,033	9,650
Total for Program				407,622	186,458
Community Based Child Abuse Prevention Grants	93.590				
ADRC AOA Planning Grant		DCS	90AM302602	32,273	32,272
Community Based Prevention Program		DCS	G 00 05 IN FRPG	616,786	616,786
Community Based Prevention Program		DCS	G 00 06 IN FRPG	1,121,448	1,121,072
Community Based Prevention Program		DCS	G 00 07 IN FRPG	1,644,143	1,644,143
Total for Program				3,414,650	3,414,273
Grants to States for Access and Visitation Programs	93.597				
Access and Visitation		DCS	G 05 01 IN SAVP	33,571	33,570
Access and Visitation		DCS	G 06 01 IN SAVP	124,502	124,501
Total for Program				158,072	158,071
Head Start	93.600				
Head Start		FSSA	G 05 CD0012 05	6,438	-
Head Start		FSSA	G 05 CD2001 06	104,516	-
Head Start		FSSA	G 05 CD002002	114,534	-
Total Program				225,488	-
Adoption Incentive Program Payments	93.603	DCS	0701INAIPP	496,373	-

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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)					
Voting Access for Individuals with Disabilities - Grants to States	93.617				
HHS Polling Place Accessibility Grant		IEC	G-0503INVOTE	91,017	-
HHS Polling Place Accessibility Grant		IEC	G-0603INVOTE	40,720	40,720
Total for Program				131,737	40,720
Voting Access for Individuals with Disabilities - Grants for Protection and Advocacy System	93.618				
2004		IPASC	G0403INVOTP	15	-
2005		IPASC	G0503INVOTP	14,113	-
2006		IPASC	G0603INVOTP	21,080	-
2007		IPASC	G0703INVOTP	17,909	-
Total for Program				53,117	-
Developmental Disabilities Basic Support and Advocacy Grants	93.630				
SDDC - 2008		IGPC	G-0801INBS15	1,236,859	-
P&A for Developmental Disabilities 2005		IPASC	G0501INPA15	754	-
P&A for Developmental Disabilities 2006		IPASC	G0601INPA15	1,709	-
P&A for Developmental Disabilities 2007		IPASC	G0701INPA15	525,421	-
P&A for Developmental Disabilities 2008		IPASC	G0801INPA15	562,936	-
Total for Program				2,327,680	-
Child Welfare Services - State Grants	93.645				
Title IV-B Child Welfare Services		DCS	G 06 01 IN 1400	2,312,919	582,394
Title IV-B Child Welfare Services		DCS	G 07 01 IN 1400	2,923,109	769,088
Total for Program				5,236,028	1,351,482
Social Services Research and Demonstration	93.647	FSSA	90TA003401	6,681	-
Foster Care - Title IV - E	93.658				
Title IV-E Foster Care		DCS	G 07 01 IN 1401	19,320,323	-
Title IV-E Foster Care		DCS	G 08 01 IN 1401	64,595,225	-
Total for Program				83,915,548	-
Adoption Assistance	93.659				
Adoption Assistance		DCS	G 07 01 IN 1407	11,128,538	-
Adoption Assistance		DCS	G 08 01 IN 1407	35,447,040	-
Total for Program				46,575,578	-
Social Services Block Grant	93.667				
Social Services Block Grant		DCS	G 07 01 IN SOSR	34,005,310	-
Social Services Block Grant		DCS	G 08 01 IN SOSR	9,009,038	-
Total for Program				43,014,348	-
Child Abuse and Neglect State Grants	93.669				
Child Abuse Prevention		DCS	CAPTA 06	125,000	125,000
Child Abuse Prevention		DCS	CAPTA 07	69,882	69,882
Total for Program				194,882	194,882
Family Violence Prevention and Services - Grants for Battered Women's Shelter's - Grants to States and Indian Tribes	93.671				
Family Violence Prevention and Services		DCS	G 06 01 IN FVPS	725,290	-
Family Violence Prevention and Services		DCS	G 07 01 IN FVPS	863,994	-
Total for Program				1,589,284	-
Chafee Foster Care Independence Program	93.674				
Title IV-E Independent Living		DCS	G 06 01 IN 1420	926,529	595,352
Title IV-E Independent Living		DCS	G 07 01 IN 1420	2,613,834	2,299,171
Title IV-E Independent Living		DCS	G 06 01 IN CETV	21,254	21,254
Title IV-E Independent Living		DCS	G 07 01 IN CETV	799,389	723,143
Total for Program				4,361,006	3,638,920

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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)					
Unaccompanied Alien Children Program	93.767				
Children's Health Insurance Program Administration		FSSA	5 06 05IN 5021	1,014,338	-
Children's Health Insurance Program Assistance		FSSA	5 06 05IN 5021	50,615,649	-
Children's Health Insurance Program Administration		FSSA	5 07 05IN 5021	2,929,029	-
Children's Health Insurance Program Assistance		FSSA	5 07 05IN 5021	33,087,068	-
Total for Program				87,646,085	-
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	93.768				
Med Works Program		FSSA	05 00000 91781	371,561	-
Medicaid Infrastructure for employees with Disabilities		FSSA	1QACMS030232	87,901	-
Total for Program				459,462	-
Health Care Financing Research, Demonstration and Evaluation	93.779				
State Health Insurance Assistance Program 2007		IDOI	11-P-20202/5-15	605,426	-
State Health Insurance Assistance Program 2008		IDOI	11-P-20202/5-16	662,105	-
ADRC CMS		FSSA	91938A	252,657	252,656
Quality Assurance		FSSA	05 00000 92095	244,413	-
Money Follows the Person		FSSA	1LICMS300 150A	50,205	-
Total of Program				1,814,806	252,656
Alternatives to Psychiatric Residential Treatment Facilities for Children	93.789	FSSA	SO30013401	135,711	-
Medicaid Transformation Grants	93.793				
Medicaid Transformation - Estate Recovery		FSSA	0705INTRA1	37,884	-
Medicaid InfoTech Architecture		FSSA	1U030220A	10,805	-
Total of Program				48,689	-
National Bioterrorism Hospital Preparedness Program	93.889				
Bioterrorism Hospital Planning - 2006		ISDOH	4URHS05709-01-02	70,513	18,446
Bioterrorism Hospital Planning - 2007		ISDOH	1U3RHS07605-01-00	3,506,010	3,173,288
Bioterrorism Hospital Planning - 2008		ISDOH	U3REP070014-01-00	4,237,558	3,640,360
Total for Program				7,814,081	6,832,094
Grants to States for Operation of Offices of Rural Health	93.913				
Rural Health - 2007		ISDOH	6 H95RH00136-15-01	179,328	107,917
Rural Health - 2008		ISDOH	6 H95RH00136-12-01	21,856	8,000
Total for Program				201,184	115,917
HIV Care Formula Grants	93.917				
Title II HIV Care Grants - 2007		ISDOH	6X07HA00033-16	355,571	-
Title II HIV Care Grants - 2008		ISDOH	6X07HA00033-17	10,546,232	452,569
Title II HIV Care Grants - 2009		ISDOH	2X07HA00033-15	1,737,848	2,857
Total for Program				12,639,651	455,426
Cooperative Agreement for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919				
Breast and Cervical Cancer Early Detection - 2005		ISDOH	U55/CCU521884-03	47,116	-
Breast and Cervical Cancer Early Detection - 2007		ISDOH	U55/CCU521884-05	770,520	234,531
Breast and Cervical Cancer Early Detection - 2008		ISDOH	1U58DP000838-01	1,477,670	528,404
Total for Program				2,295,306	762,935
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other I Problems	93.938				
CSHP and HIV-AIDS Education		IDOE	CCU522603-04	328,503	7,705
CSHP and HIV-AIDS Education		IDOE	CCU522603-05	180,236	-
Total for Program				508,739	7,705

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)					
HIV Prevention Activities - Health Department Based	93.940				
HIV Prevention Project - 2005		ISDOH	U62/CCU523488-02	1,951	(1,077)
HIV Prevention Project - 2006		ISDOH	U62/CCU523488-03	(3,571)	-
HIV Prevention Project - 2007		ISDOH	U62/CCU523488-04	1,562,760	957,597
HIV Prevention Project - 2008		ISDOH	U62/CCU523488-05	796,674	423,564
Total for Program				2,357,814	1,380,084
Human Immunodeficiency Virus/Acquired Immunodeficiency Virus Syndrome Surveillance	93.944				
Surveillance of HIV/Aids Related Events Among Persons Not Receiving Care FY07		ISDOH	1 U01 PS000116-03	37,568	-
Surveillance of HIV/Aids Related Events Among Persons Not Receiving Care FY08		ISDOH	1 U01 PS000116-03	106,231	-
HIV/AIDS Surveillance and Seroprevalence - 2007		ISDOH	U62/CCU5235393-04	497,756	158,828
HIV/AIDS Surveillance and Seroprevalence - 2008		ISDOH	U62/CCU506227	311,033	48,025
Morbidity and Risk Behavior 07		ISDOH	U62/CCU524446-03	26,047	-
Morbidity and Risk Behavior 08		ISDOH	U62/CCU524446-04	364,253	-
Morbidity and Risk Behavior 09		ISDOH	U62/CCU524446-05	26,909	-
Total for Program				1,369,798	206,853
Block Grants for Community Mental Health Services	93.958				
Community Mental Health Services Block Grants		FSSA	07 B1 IN CMHS	3,742,083	3,077,322
Community Mental Health Services Block Grants		FSSA	08 B1 IN CMHS	3,857,941	3,130,994
Total for Program				7,600,024	6,208,316
Block Grants for Prevention and Treatment of Substance Abuse	93.959				
Prev and Treat of Substance Abuse Block Grant		FSSA	06 B1 IN SAPT	332,711	307,333
Prev and Treat of Substance Abuse Block Grant		FSSA	07 B1 IN SAPT	29,489,385	28,784,750
Prev and Treat of Substance Abuse Block Grant		FSSA	08 B1 IN SAPT	4,079,714	3,069,869
Total for Program				33,901,811	32,161,952
Prevention Health Services - Sexually Transmitted Diseases - Control Grant	93.977				
Sexually Transmitted Disease Accel Prev Campaign - 07		ISDOH	H25/CCH504340-16	1,192,538	1,046,890
Sexually Transmitted Disease Accel Prev Campaign - 08		ISDOH	H25/CCH504340-17	559,392	445,834
Total for Program				1,751,930	1,492,724
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988				
Diabetes Grant - 2007		ISDOH	U32/CCU522713-04	2,491	-
Diabetes Grant - 2008		ISDOH	U32/CCU522713-05W1	303,993	21,127
Total for Program				306,484	21,127
Preventive Health and Health Services Block Grant	93.991				
Preventive Health Services Block Grant - 2006		ISDOH	2006-B1-IN-PRVS-01	1,424,095	1,419,421
Preventive Health Services Block Grant - 2007		ISDOH	2007-B1-IN-PRVS-01	787,555	583,487
Preventive Health Services Block Grant - 2008		ISDOH	2B01DP009019-08	30,320	30,320
Total for Program				2,241,970	2,033,228
Maternal and Child Health Block Grant to the State	93.994				
Maternal and Child Health Block Grant - 2007		ISDOH	1 B04MC04272-01	4,802,227	834,730
Maternal and Child Health Block Grant - 2008		ISDOH	1 B04MC04272-01	8,302,431	3,954,628
Total for Program				13,104,658	4,789,358
Other Assistance					
DASIS (Drug and Alcohol Services Information System)	93	FSSA	283 02 9026	42,188	-
Mammography Inspection	93				
Mammography Inspection Program - 2007		ISDOH	223-03-4413	3,685	-
Mammography Inspection Program - 2008		ISDOH	223-04-4413	140,428	-
Total for Program				144,113	-
National Women and Girl HIV/AIDS Awareness 2008	93	ISDOH	HHSP233200700348M	2,098	-

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)					
Other Assistance (continued)					
Social Security Administration					
Electronic Death Registration System - 2007	93	ISDOH	SS00-06-60135	149,300	-
Total Other Assistance				337,699	-
Total U.S. Department of Health and Human Services				4,992,265,516	113,785,462
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE					
State Commissions	94.003				
Administrative		CCSV	04CAHIN001	487	-
ICCSV Federal Administration		CCSV	07CAHIN001	205,845	-
Total for Program				206,332	-
Learn and Serve America - School and Community Based Programs	94.004				
K-12 Formula Grant 2004			03KSNIN001	155,373	155,373
K-12 Formula Grant 2007			06KSNIN001	8,151	-
Learn and Serve Homeland Security Initiative			04KSHIN001	159,891	38,603
Total for Program				323,415	193,976
AmeriCorps	94.006				
AMERICORP		SSACI	N/A	10,352	-
AmeriCorps Competitive		CCSV	06ACHIN001	313,090	313,090
AmeriCorps Formula		CCSV	06AFHIN001	1,151,228	1,151,228
Total for Program				1,474,670	1,464,318
Planning and Program Development Grants					
Disability Placement Funds	94.007	CCSV	07CDHIN001	2,391	-
Training and Technical Assistance	94.009				
Program Development and Technical Assistance		CCSV	06PTHIN001	65,033	-
Total Corporation for National and Community Service				2,071,841	1,658,294
SOCIAL SECURITY ADMINISTRATION					
Disability Insurance Cluster					
Social Security - Disability Insurance	96.001	FSSA	08 04 IND 100	22,304,222	-
Total for Program and Cluster				22,304,222	-
Social Security State Grants for Work Incentive Assistance to Disabled Beneficiaries	96.009				
2006		IPASC	17B20018-5-02	29	-
2007		IPASC	17B20018-5-03	44,942	-
2008		IPASC	17B20018-5-04	75,064	-
Total for Program				120,035	-
Total Social Security Administration				22,424,257	-
U.S. DEPARTMENT HOMELAND SECURITY					
Homeland Security Cluster					
Homeland Security Grant Program	97.004				
2004 with State Homeland Security		BOAH	2004	181,390	-
2006 with State Homeland Security		BOAH	2005	(237,210)	-
Total for Program				(55,820)	-
Homeland Security Grants	97.067				
2005 Homeland Security Radiation Detection Equip		IDSP	2005-GE-T5-0048	75,032	-
2003 Part 1		IDFBS	2003-TE-TX-0198	357,181	-
2003 Part 2		IDFBS	2003-MU-T3-0027	16,843	-
2004 HSGP		IDFBS	2004-GE-T4-0029	(957,137)	3,132,357
2004 CCP		IDFBS	2004-GE-T4-0029	337,420	-
2004 UASI		IDFBS	2004-TU-T4-0019	42,412	(49,924)

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT HOMELAND SECURITY (continued)					
Homeland Security Cluster (continued)					
Homeland Security Grants (continued)					
2005 HSGP		IDFBS	2005-GE-T5-0049	6,582,691	4,587,282
2005 CCP		IDFBS	2005-GE-T5-0049	(42,134)	625,609
2005 UASI		IDFBS	2005-GE-T5-0049	4,017,298	3,865,769
2005 MMRS		IDFBS	2005-GE-T5-0049	444,446	444,446
2006 SHSP		IDFBS	2006-GE-T6-0019	4,659,119	3,421,157
2006 CCP		IDFBS	2006-GE-T6-0019	155,369	155,369
2006 MMRS		IDFBS	2006-GE-T6-0019	161,288	161,288
2007 SHSP		IDFBS	2007-GE-T7-0026	1,415	-
Total for Program				15,851,243	16,343,353
Cluster Total				15,795,423	16,343,353
Boating Safety Financial Assistance	97.012				
US Department of Homeland Security/US Boating Grant		DNR	LE3001LEB00x-07	498,164	-
US Department of Homeland Security/US Boating Grant		DNR	LE3001LEB00x-08	897,739	-
Total for Program				1,395,903	-
Community Assistance Program State Support Services Elementary	97.023				
Community Assistance Program - SSSE		DNR	300WT1SSSE07001	1,404	-
Community Assistance Program - SSSE		DNR	300WT1SSSE07002	2,781	-
Community Assistance Program - SSSE		DNR	300WT1SSSE07003	2,069	-
Community Assistance Program - SSSE		DNR	300WT1SSSE07004	(101)	-
Community Assistance Program - SSSE		DNR	300WT1SSSE07005	1,713	-
Community Assistance Program - SSSE		DNR	300WT1SSSE07006	368	-
Community Assistance Program - SSSE		DNR	300WT1SSSE07007	16,685	-
Community Assistance Program - SSSE		DNR	300WT1SSSE07008	595	-
Community Assistance Program - SSSE		DNR	300WT1SSSE07009	(3)	-
Community Assistance Program - SSSE		DNR	300WT1SSSE07010	(108)	-
Community Assistance Program - SSSE		DNR	300WT1SSSE08000	107,631	-
Total for Program				133,034	-
Flood Mitigation Assistance	97.029				
FMA 2005		IDFBS	EMC-2005-FM-E002	(705)	(705)
FMA 2006 MADISON		IDFBS	EMC-2006-FM-E018	3,751	3,750
FMA 2006 FT WAYNE		IDFBS	EMC-2006-FM-E016	73,213	73,213
Total for Program				76,259	76,258
Disaster Unemployment Assistance	97.034				
FEMA Disaster Relief		IDWD	UI-16745-08-55-A-18	7,338	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036				
Public Assistance Grants		IDOT	PA 3274	1,951,788	-
Cyber Crime Task Force Law Enforcement Agreement		DNR	300LE0N	1,693	-
Public Assistance Grants (2005 Tornado)		DNR	300LE0N	4,185	-
Angel Mounds Disaster		DNR	300MU4145472	124,984	-
Angel Mounds Disaster		DNR	300FR0N	7,887	-
Disaster 1520		IDFBS	N/A	7,255	-
Disaster 1573		IDFBS	N/A	417,086	336,531
Disaster 3238		IDFBS	N/A	817,406	816,215
Disaster 1612		IDFBS	N/A	396,962	396,962
Disaster 3274		IDFBS	N/A	6,080,725	6,078,522
Total for Program				9,809,971	7,628,230
Hazard Mitigation Grant	97.039				
Disaster 1433		IDFBS	N/A	3,350	3,350
Disaster 1520		IDFBS	N/A	769	-
Disaster 1542		IDFBS	N/A	14,300	14,300
Disaster 1573		IDFBS	N/A	56,003	30,600
Total for Program				74,422	48,250
Chemical Stockpile Emergency Preparedness Program	97.040				
Chemical Stockpile 2005		IDFBS	EMC-2005-GR-7008	228,597	228,597
Chemical Stockpile 2006		IDFBS	EMC-2006-GR-7002	288,865	90,421
Chemical Stockpile 2007		IDFBS	EMC-2007-CA-7002	946,319	796,020
Chemical Stockpile 2008		IDFBS	EMC-2008-CA-7002	826,072	630,978
Total for Program				2,289,853	1,746,016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT HOMELAND SECURITY (continued)					
National Dam Safety Program	97.041				
National Dam Safety Program		DNR	300WT1DM2003001	(107,052)	-
National Dam Safety Program		DNR	300WT1DM2006001	40,491	-
National Dam Safety Program		DNR	300WT1DM2007001	1,802	-
Total for Program				(64,758)	-
Emergency Management Performance Grant	97.042				
2005 EMPG		IDFBS	2005-GE-T5-0049	(339,488)	7,255
2006 EMPG		IDFBS	2006-EM-E6-0044	3,070,057	2,305,755
2007 EMPG		IDFBS	2007-EME7-0028	250,253	-
Total for Program				2,980,822	2,313,010
Cooperating Technical Partners	97.045				
Cooperating Technical Partners		DNR	300WT1CTP040001	1,816	-
Cooperating Technical Partners		DNR	300WT1CTP040002	26,436	-
Cooperating Technical Partners		DNR	300WT1CTP050001	16,069	-
Cooperating Technical Partners		DNR	300WT1CTP050002	34,885	-
Cooperating Technical Partners		DNR	300WT1CTP050003	9,855	-
Cooperating Technical Partners		DNR	300WT1CTP050004	11,161	-
Cooperating Technical Partners		DNR	300WT1CTP050005	18,397	-
Cooperating Technical Partners		DNR	300WT1CTP050006	17,186	-
Cooperating Technical Partners		DNR	300WT1CTP050007	38,114	-
Cooperating Technical Partners		DNR	300WT1CTP050008	217	-
Cooperating Technical Partners		DNR	300WT1CTP050009	10,053	-
Cooperating Technical Partners		DNR	300WT1CTP050010	20,395	-
Cooperating Technical Partners		DNR	300WT1CTP050011	5,245	-
Cooperating Technical Partners		DNR	300WT1CTP050012	54,144	-
Cooperating Technical Partners		DNR	300WT1CTP050013	1,604	-
Cooperating Technical Partners		DNR	300WT1CTP050014	31,543	-
Cooperating Technical Partners		DNR	300WT1CTP060001	43,445	-
Cooperating Technical Partners		DNR	300WT1CTP060002	79,613	-
Cooperating Technical Partners		DNR	300WT1CTP060003	1,272	-
Cooperating Technical Partners		DNR	300WT1CTP060004	66,902	-
Cooperating Technical Partners		DNR	300WT1CTP060005	10,156	-
Cooperating Technical Partners		DNR	300WT1CTP060006	54,130	-
Cooperating Technical Partners		DNR	300WT1CTP060007	148	-
Cooperating Technical Partners		DNR	300WT1CTP060008	7,682	-
Cooperating Technical Partners		DNR	300WT1CTP060009	24,943	-
Cooperating Technical Partners		DNR	300WT1CTP060010	24,071	-
Cooperating Technical Partners		DNR	300WT1CTP060011	5,121	-
Cooperating Technical Partners		DNR	300WT1CTP060012	19,863	-
Cooperating Technical Partners		DNR	300WT1CTP060013	3,412	-
Cooperating Technical Partners		DNR	300WT1CTP060014	3,116	-
Cooperating Technical Partners		DNR	300WT1CTP060015	10,093	-
Cooperating Technical Partners		DNR	300WT1CTP060016	11,555	-
Cooperating Technical Partners		DNR	300WT1CTP070000	97,365	-
Total for Program				760,007	-
Pre-disaster Mitigation	97.047				
PDM-C 2005		IDFBS	EMC-2005-PC-0004	502,154	491,997
PDM-C 2006		IDFBS	EMC-2006-PC-0005	1,857	-
Total for Program				504,011	491,997
Citizen Corps	97.053	CCSV	EMC-2003-GR-7018	1,095	-
Port Security Grant Program	97.056				
IDNR LE DHS PSGP Lake Michigan		DNR	300LE1DHSLM07	46,281	-
IDNR LE DHS PSGP Ohio River		DNR	300LE1DHSOR07	507,366	-
Total for Program				553,646	-
Map Modernization Management Support	97.070				
Map Modernization Management Support (MMMS)		DNR	300WT1MMMS05001	191,016	-
Map Modernization Management Support (MMMS)		DNR	300WT1MMMS05002	(37,817)	-
Map Modernization Management Support (MMMS)		DNR	300WT1MMMS05003	(7,151)	-
Map Modernization Management Support (MMMS)		DNR	300WT1MMMS05004	(12,116)	-
Map Modernization Management Support (MMMS)		DNR	300WT1MMMS05005	(7,510)	-
Map Modernization Management Support (MMMS)		DNR	300WT1MMMS05006	(9,799)	-
Map Modernization Management Support (MMMS)		DNR	300WT1MMMS05007	(3,425)	-

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT HOMELAND SECURITY (continued)					
Map Modernization Management Support (continued)					
Map Modernization Management Support (MMMS)		DNR	300WT1MMMS05008	(1,268)	-
Map Modernization Management Support (MMMS)		DNR	300WT1MMMS05009	(111,929)	-
Map Modernization Management Support (MMMS)		DNR	300WT1MMMS06001	32,190	-
Map Modernization Management Support (MMMS)		DNR	300WT1MMMS06002	14,472	-
Map Modernization Management Support (MMMS)		DNR	300WT1MMMS06003	931	-
Map Modernization Management Support (MMMS)		DNR	300WT1MMMS06004	2,655	-
Map Modernization Management Support (MMMS)		DNR	300WT1MMMS06006	6,350	-
Map Modernization Management Support (MMMS)		DNR	300WT1MMMS06007	4,632	-
Map Modernization Management Support (MMMS)		DNR	300WT1MMMS07000	46,484	-
Total for Program				107,714	-
Law Enforcement Terrorism Prevention Program	97.074				
2004 LETPP		IDFBS	2004-GET4-0029	3,860,524	816,880
2005 LETPP		IDFBS	2005-GE-T5-0049	2,206,453	625,609
2006 LETPP		IDFBS	2006-GE-T6-0019	1,431,219	1,080,282
Total for Program				7,498,196	2,522,771
Buffer Zone Protection Program	97.078				
2005 BZPP		IDFBS	2005-GR-T5-0070	839,781	841,472
2006 BZPP-CHEM		IDFBS	2006-BZ-T6-0030	253	-
Total for Program				840,034	841,472
Homeland Security Biowatch Program	97.091				
Bio-Watch HS		IDEM	2006ST-091-000019 Seg 1	66,700	67,376
Bio-Watch HS		IDEM	2006ST-091-000019 Seg 2	146,879	39,196
Total for Program				213,579	106,572
Repetitive Flood Claims	97.092	IDFBS	EMC-2006-GR-7024	1,300	1,300
Other Assistance					
Storm Water Manual	97	DNR		43,180	-
Total Other Assistance				43,180	-
Total U.S. Department of Homeland Security				43,021,030	32,119,229
Grand Totals				$ 8,829,762,830	$ 1,249,508,038

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

STATE OF INDIANA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Scope of Schedule

All federal awards received by the State of Indiana, as a governmental unit, have been included in the Schedule of Expenditures of Federal Awards except for the programs administered by the component units listed in Note 3.

Note 2. Basis of Presentation

a. The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the State of Indiana and is presented in accordance with requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of Federal Awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

b. The source of information for the schedule was obtained from the various agencies' grant records while the financial statements were prepared from the records of the Auditor of State. Therefore, the schedule may not necessarily coincide with the financial statements.

Note 3. Component Units

The entities listed below are component units for financial statement purposes and receive federal financial assistance. The federal transactions of these entities are not reflected in this schedule. Each of these entities has its own independent audits in compliance with OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations with a fiscal year end date of June 30, except for the Indiana Housing and Community Development Authority which has a fiscal year end date of December 31.

Component Unit	Federal Funds Expended
Purdue University	$ 258,500,311
Indiana University	347,438,744
Indiana State University	16,088,646
Ball State University	23,230,730
Vincennes University	16,220,017
University of Southern Indiana	7,575,808
Ivy Tech State College	90,538,536
Indiana Finance Authority	30,459,071
Indiana Housing and Community Development Authority	277,718,488
Total	$ 1,067,770,351

Note 4. State Agencies

The initials in the Agency column indicate the agency that receives the federal funds directly. The following table identifies the state agencies. See also Note 7.

Agency	Agency Name
AG	Attorney General, Office of the
BOAH	Board of Animal Health
CCSV	Governor's Commission on Community Service and Volunteerism
CHE	Commission for Higher Education
DCS	Indiana Department of Child Services
DNR	Indiana Department of Natural Resources
EPCC	Evansville Child Psychiatric Center
IBS	Indiana Blind School
IDOC	Indiana Department of Correction
IDOL	Indiana Department of Labor
IDWD	Indiana Department of Workforce Development
FSSA	Family and Social Services Administration
IAC	Indiana Arts Commission
ICJI	Indiana Criminal Justice Institute
ICPE	Indiana Commission on Proprietary Education
ICRC	Indiana Civil Rights Commission
IDEM	Indiana Department of Environmental Management
IDHS	Indiana Department of Homeland Security
IDOA	Indiana Department of Administration
IDOE	Indiana Department of Education
IDOI	Indiana Department of Insurance
IDOR	Indiana Department of Revenue
IDSP	Indiana Department of State Police
IDVA	Indiana Department of Veterans' Affairs
IEC	Indiana Election Commission
IEDC	Indiana Economic Development Corporation
IGPC	Indiana Governor's Planning Council for People With Disabilities
INDOT	Indiana Department of Transportation
IPAC	Indiana Prosecuting Attorney's Council
IPASC	Indiana Protection and Advocacy Services Commission
IPSB	Indiana Professional Standards Board
ISDOH	Indiana State Department of Health
ISL	Indiana State Library
ISSCH	Indiana Soldiers and Sailors Children's Home
IURC	Indiana Utility Regulatory Commission
IVH	Indiana Veterans' Home
JTAC	Judicial Technology and Automation Committee
LT.GOV	Lieutenant Governor – Office of Commissioner of Agriculture
MD	Military Department of State of Indiana
SC	Supreme Court
SOS	Secretary of State
SSACI	State Student Assistance Commission of Indiana

Note 5. State Unemployment Insurance Benefits

State Unemployment Insurance Benefits represent the funds returned from the U.S. Treasury for nonfederal unemployment benefits. The State collects unemployment taxes from employers and deposits them in the Unemployment Insurance Trust Fund to be used by the State.

Note 6. Noncash Assistance

The State expended the following amount of noncash assistance for the year. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	Noncash Assistance Expended
School Lunch	10.555	$ 27,762,639
Donation of Federal Surplus Personal Property	39.003	3,455,390
Immunization Grants	93.268	144,667
Bioterrorism Preparedness and Response	93.283	902

Note 7. Agency/Federal Program Changes

Formation of New Department

Effective January 11, 2005, the Department of Child Services (DCS) was created. Several federal programs formerly under Family and Social Services Administration (FSSA) are now under the authority of DCS. However, some processes, such as some aspects of financial reporting, are still under the authority of FSSA.

STATE OF INDIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiency identified that is not considered to be a material weakness?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
Material weaknesses identified	Yes
Significant deficiencies identified that are not considered to be material weaknesses?	Yes

Type of auditor's report issued on compliance for major programs: Qualified for State Children's Health Insurance Program (93.767), the Special Supplemental Nutrition Program for Women, Infants, and Children Program (10.557), and Homeland Security Cluster (97.004 and 97.067). Unqualified for all others.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes

Dollar threshold used to distinguish between Type A and Type B programs: $26,489,289

Auditee qualified as low-risk auditee?	No

Identification of major programs:

CFDA No.	Program Title
CNC	Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559)
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.558	Child and Adult Care Food Program
17.245	Trade Adjustment Assistance
WIA	Work Investment Act Cluster (17.258, 17.259, 17.260)
20.205	Highway Planning and Construction Cluster
SE	Special Education Cluster (84.027, 84.173)
84.048	Career and Technical Education
84.367	Improving Teacher Quality State Grants
93.558	Temporary Assistance for Needy Families (TANF)
93.563	Child Support Enforcement
CCC	Child Care Cluster (93.575, 93.596)
93.658	Foster Care – Title IV-E
93.659	Adoption Assistance
93.767	State Children's Insurance Program
MC	Medicaid Cluster (93.775, 93.777, 93.778)
HS	Homeland Security Cluster (97.004, 97.067)

Section II - Financial Statement Findings

The audit of the State of Indiana's financial statements disclosed a significant control deficiency and material weaknesses that are required to be reported. Management's response to the findings starts on page 270.

FINDING 2003 - CAFR-1, LEASES

The Procurement Division of the Indiana Department of Administration maintains a database of lease activity. Procedures in place to update the lease database do not ensure that all qualifying leases are entered into the lease database. This results in the database not being complete.

Adequate lease records should be maintained by the Department of Administration to ensure that lease obligations are properly presented in the State's financial statements in accordance with standards issued by the Financial Accounting Standards Board.

Each agency, department, institution or office is responsible for compliance with applicable statutes, regulations, contract provisions, state policies, and federal requirements. Compliance is required, as applicable, with generally accepted accounting principles, and standards issued by the Governmental Accounting Standards Board, Financial Accounting Standards Board, and other standard setting bodies. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

FINDING 2005 - CAFR-1, CAPITAL ASSETS

The Indiana Department of Administration is required by statute to provide for the periodic inspection, appraisal, and inventory of all of the State's real and personal property. The Auditor of State needs financial information relating to the State's real and personal property for financial reporting purposes and previously agreed to assume the responsibility for maintaining those records. Procedures have been established which require all state agencies to send timely updates of purchases of land, equipment, buildings and related improvements, and retirement and sale of assets of $20,000 or more to the Auditor of State. Additionally, agencies are required to physically tag assets and conduct an annual physical inventory of assets, comparing the results of such inventory to the Auditor of State and agency maintained capital asset records. Through our testing we found that state agencies do not consistently comply with the above requirements. This results in a lack of internal control over the State's capital assets as well as a misstatement of capital assets in the State's financial statements. Assets are frequently reported as additions in subsequent fiscal periods after the acquisition of the assets. This lack of timely reporting results in prior period adjustments in the State's financial statements.

The Governmental Accounting Standards Board requires the capitalization of a government's capital assets in the period in which they are acquired.

Indiana Code 4-13-1-20(b) and 4-20.5-6-3 state that the Department of Administration shall provide for the periodic inspection, appraisal, and inventory of all of the state's property, and shall require reports from agencies concerning the property in the custody of each state agency.

Each agency, department, institution or office is responsible for compliance with applicable statutes, regulations, contract provisions, state policies, and federal requirements. Compliance is required, as applicable, with generally accepted accounting principles, and standards issued by the Governmental Accounting Standards Board, Financial Accounting Standards Board, and other standard setting bodies. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

FINDING 2007 - CAFR-1, GRANT REPORTING

The State of Indiana does not have an adequate process in place for the compilation of a complete and accurate schedule of federal awards (grant schedule). In addition to reporting federal grant activity in the Single Audit Report, this schedule is used in the calculation of accruals for grants receivable and deferred revenue in the financial statements.

The State's process for compiling the grant schedule requires each agency that receives federal financial assistance to prepare a schedule that reflects fiscal year grant activity. This schedule includes beginning cash balance, federal receipts, program expenditures, ending cash balance, and funds passed through to subrecipients, for each grant award. We found various errors in the agency-prepared grant schedules. These errors if left uncorrected would have resulted in the misstatement of the accruals for grants receivable and deferred revenue in the financial statements as well as incorrect grant schedule reporting. These errors are the result of a largely manual process that exists for the preparation of the schedules by agencies. Additionally, internal controls are not in place to provide a centralized review of the agency prepared schedules nor is there a centralized compilation of the various schedules into a comprehensive schedule for the State.

Adequate grant schedule reporting should be prepared to ensure that grant related activities are properly presented in the State's financial statements in accordance with standards issued by the Governmental Accounting Standards Board.

OMB Circular A-133 requires a recipient of federal awards to prepare appropriate financial statements, including the schedule of expenditure of federal awards.

Each agency, department, institution or office is responsible for compliance with applicable statutes, regulations, contract provisions, state policies, and federal requirements. Compliance is required, as applicable, with generally accepted accounting principles, and standards issued by the Governmental Accounting Standards Board, Financial Accounting Standards Board, and other standard setting bodies. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

FINDING 2008 - CAFR-1, CONSTRUCTION IN PROGRESS

The Indiana Department of Administration (IDOA) and the Indiana Department of Transportation (INDOT) maintain databases of the State's construction in progress (CIP) activity. Procedures in place to report to the Auditor's office the activity and balances at year end were not adequate to ensure that construction in progress balances reported for external financial reporting were accurate. Our testing of projects which were included in both IDOA and INDOT construction in progress balances disclosed projects that were completed and thus no longer should have been reported as construction in progress. This resulted in a prior period adjustment to restate beginning balances for IDOA and a recalculation of CIP balances for both IDOA and INDOT at year end for external financial reporting.

The Governmental Accounting Standards Board requires the capitalization of a government's capital assets in the period in which they are acquired or constructed.

Each agency, department, institution or office is responsible for compliance with applicable statutes, regulations, contract provisions, state policies, and federal requirements. Compliance is required, as applicable, with generally accepted accounting principles, and standards issued by the Governmental Accounting Standards Board, Financial Accounting Standards Board, and other standard setting bodies. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

FINDING 2008 - CAFR-2, LOANS RECEIVABLE

Controls do not appear to be in place to age or analyze the potential collectability of loan balances that are reported in the general ledger (GL) and reported as a receivable for external financial reporting. Agencies do not always report loans to the Auditor of State's office for removal from the GL when they determine balances are no longer collectible. This results in loans receivable potentially not being reported at net realizable value.

Loans should be analyzed for collectability to ensure that loans receivable are properly presented in the State's financial statements in accordance with standards issued by the Governmental Accounting Standards Board.

Each agency, department, institution or office is responsible for compliance with applicable statutes, regulations, contract provisions, state policies, and federal requirements. Compliance is required, as applicable, with generally accepted accounting principles, and standards issued by the Governmental Accounting Standards Board, Financial Accounting Standards Board, and other standard setting bodies. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

FINDING 2008 - CAFR-3, CONTINGENCIES

Procedures in place to review for possible contingency situations which may require accrual and/or disclosure in the financial statements and notes do not ensure that contingencies other than litigation are considered as required. An assessment of litigation in which the State is a defendant is made; however, review for other situations which may require accrual and/or disclosure is not made. During our audit, we found that the federal government has issued three Office of Inspector General audit reports dated April 2007 through October 2008 on Indiana's Medicaid Assistance Program which seek repayment from the State for a total of $124 million. These audit reports were brought to the attention of management for consideration of reporting requirements under SFAS 5, Accounting for Contingencies, and note disclosure was made.

Adequate procedures should be in place to ensure that accounting and disclosure of contingencies are properly made in the State's financial statements and notes in accordance with standards issued by the Financial Accounting Standards Board.

Each agency, department, institution or office is responsible for compliance with applicable statutes, regulations, contract provisions, state policies, and federal requirements. Compliance is required, as applicable, with generally accepted accounting principles, and standards issued by the Governmental Accounting Standards Board, Financial Accounting Standards Board, and other standard setting bodies. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

FINDING 2008 - CAFR-4, LOCAL OPTION INCOME TAX

The State Budget Agency and the Department of Revenue maintain and provide information essential to the establishment of individual Trust Balance History Reports. These Reports track each county's beginning and ending Local Option Income Tax (LOIT) balances, collections, distributions, and interest earned. These individual Reports are provided to State Board of Accounts to be compiled and audited for external financial reporting in the State's CAFR. In compiling and auditing LOIT, we found erroneous transactions totaling over $683 million in overpayments that although most were corrected by the State, they were not caught prior to payment due to the lack of adequate payment approval controls of the State but rather were reported by the counties upon receiving the excess payments. Additionally, the State does not have a reconciliation process in place for LOIT. These conditions result in a lack of internal control over the State's LOIT.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements, and incorrect decision making. An agency's control environment consists of the overall attitude, awareness and actions of management and the governing board or commission. This would include establishing and monitoring policies for developing and modifying accounting systems and control procedures. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

FINDING 2008 - CAFR-5, MEDICAID

Adequate procedures were not in place to report the Medicaid Assistance Fund transactions made by the Medicaid fiscal agent for accrual recognition or to display quality assessment fees as revenue. The State accounting records only post the net disbursement issued to fund the Medicaid checking account. As a result, the accounts payable were materially understated and the quality assessment fees were not shown for external financial reporting. We proposed adjustments to correct the accounts payable accrual as well as other adjustments to properly adjust current year revenue, expense and related receivables amounts. This resulted in a prior period adjustment to restate beginning balances for the fund.

Adequate procedures should be in place to ensure accruals and other adjustments needed to fairly state Medicaid Assistance Fund activity and balances for external financial reporting in accordance with standards issued by the Governmental Accounting Standards Board.

Each agency, department, institution or office is responsible for compliance with applicable statutes, regulations, contract provisions, state policies, and federal requirements. Compliance is required, as applicable, with generally accepted accounting principles, and standards issued by the Governmental Accounting Standards Board, Financial Accounting Standards Board, and other standard setting bodies. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

FINDING 2008 - CAFR-6, OPEB REPORTING

The State provides postemployment health care benefits to its retirees through a defined contribution Other Post Employment Benefit (OPEB) plan. The plan is not accounted for as a trust fund, since an irrevocable trust has not been established for the plan. Contributions to this plan were made in full for the fiscal year in amounts required per the actuarial study. However, since these monies have not been placed in trust, they cannot be considered plan assets in accordance with the standards established by the Governmental Accounting Standards Board. Those standards require that actuarially required contributions be reported as a liability for external financial reporting if contributions have not been placed in trust for the plan.

Procedures were not in place to disclose the OPEB liability in accordance with standards established by the Governmental Accounting Standards Board.

Each agency, department, institution or office is responsible for compliance with applicable statutes, regulations, contract provisions, state policies, and federal requirements. Compliance is required, as applicable, with generally accepted accounting principles, and standards issued by the Governmental Accounting Standards Board, Financial Accounting Standards Board, and other standard setting bodies. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

Section III - Federal Award Findings and Questioned Costs

The findings are numbered with the state year, then the initials of the state agency responsible (the initials are defined in Note 4 of the Notes to the Schedule of Expenditures of Federal Awards) and then a sequential number. Certain Family and Social Services findings (denoted as FSSA) have (DCS) before the sequential number. This is due to the relationship between FSSA and the Department of Child Services (DCS). (See Note 7) Unless otherwise noted, prior report references are to the State of Indiana Single Audit Report for the period of July 1, 2006 to June 30, 2007, Report B31731.

PRIOR FINDINGS

Prior audit findings regarding procedures, compliance, or internal controls that continued to be findings per the criteria of OMB Circular A-133 during this audit period are not repeated in this Schedule of Findings and Questioned Costs listed below. They are disclosed in the Summary Schedule of Prior Audit Findings. These findings include:

96-FSSA-33	Fund Balances - Child Support Enforcement Fund Centers
99-FSSA-7	ISETS Information Technology (IT) Controls
2000-FSSA-1	Lack of and Improper Supporting Documentation
2000-FSSA-2	Overpayment of Adoption Assistance Subsidies
2000-FSSA-3	Foster Care Provider Licensure
2000-FSSA-5	Child Support Enforcement Program Federal Reporting
2003-FSSA-1	Foster Care Payments
2003-FSSA-6	Child Care and Development Fund (CCDF) - Monitoring of Registered Ministries
2003-FSSA-16	Ongoing Verification of Provider Medical Licenses
2004-FSSA-4	Family and Social Services Advisory Committee
2004-FSSA-5	Supervision of Local Offices of Family and Children (OFCs)
2004-FSSA-6	Death Verifications
2004-FSSA-8	Provider Enrollment (HCBS Wavers, First Steps)
2005-FSSA-1	Cash Management Documentation of Procedures
2005-FSSA-2	Cash Management SCHIP Template

2005-FSSA-4	PSC 272 Quarterly Reports
2005-FSSA-5	Schedule of Federal Financial Assistance Reporting Errors
2005-FSSA-10	Overpaid and Undocumented Manual Payments Issued
2005-FSSA-13	Inpatient Hospital Duplicates not Detected
2005-FSSA-15	C&T Process-Monitoring of Contractor
2005-FSSA-16	Tracking of Certification & Transmittal (C&T)
2005-FSSA-17	Contractor Monthly Status Report Statistics
2005-FSSA-18	Inactive Provider Records
2005-FSSA-19	Ongoing Out-of-State License Verification
2005-FSSA-20	Timely Follow-Up of License Termination
2005-FSSA-21	Provider Enrollment-Contractor Monitoring
2005-FSSA-23	AIMS Contractor Access Assignments and Controls Not Monitored
2005-FSSA-27	Incorrect Rate Applied for Managed Care
2005-FSSA-30	Medicaid Bank Reconciliations
2006-FSSA-1	Contractor Staff Credential Verifications
2006-FSSA-2	C&Ts of Acute Care and Long Term Care Facilities
2006-FSSA-3	Provider Enrollment Errors
2006-FSSA-5	State Owned Intermediate Care Facility
2006-FSSA-6	Managed Care Payment Variances
2006-FSSA-7	Medicaid Grant Overstated Expenditures Reported
2006-FSSA-8	Medicaid Administration Grant-Expenditures Over Award
2006-FSSA-9	Medicaid Administration Grant-CMS 64 Quarterly Reports
2006-FSSA-11	TANF Eligibility Income Determinations
2006-FSSA-12	TANF Eligibility Documentation
2006-FSSA-13	TANF Eligibility-Verification
2006-FSSA-14	TANF Allowable Cost
2007-FSSA-1	Medicaid Grant Reporting Errors
2007-FSSA-2	Inaccurate Grant Accounting Records
2007-FSSA-3	Quality Assessment Fee Refunds
2007-FSSA-4	Review of Long-Term Care Facility audits
2007-FSSA-5	On-Going Provider Federal Exclusion Verifications
2007-FSSA-6	Faculty Physician Access to Care Adjustments
2007-IDHS-1	Reporting
2007-IDHS-2	Cash Management Controls

Our test of the Summary Schedule of Prior Audit Findings found the schedule to be materially correct except as noted in the current findings.

Findings 2008 - FSSA-1 through 2008 – FSSA-10 relate to programs administered by the Indiana Family and Social Services Administration (FSSA). Their response to the findings starts on page 276.

FINDING 2008 - FSSA-1, MEDICAID ADMINISTRATION GRANT - PERIOD OF AVAILABILITY

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Allowable Costs/Cost Principles, Period of Availability, Reporting
Internal Control:	Significant Deficiency

The grant accounting records show that the federal share of expenses for the Medicaid Administration Grant 05 07 05 IN 5048 exceeded the grant award by $14,017,440 at the grant cutoff date of September 30, 2007. Additional grant money was not requested. Instead, these Medicaid Administration expenses, which were disbursed during the 2007 grant award period, were transferred to the 2008 Medicaid Administration Grant 05 08 05 IN 5048 in October 2007.

We found that grant expenses incurred during the 2007 grant year, including the $14,017,440 transfer of expenses to the 2008 grant, exceeded the final adjusted grant award by $36,649,415. Our prior finding 2006-FSSA-8, Medicaid Administration Grant – Expenditures Over Award, and its status reported at September 2007 indicate a pattern of post-grant funding reductions which occurred for the grant periods ended September 30, 2005 and 2006. At September 30, 2007, the 2007 grant award per the Federal Payment Management System was $122,591,000. After the 2007 grant 05 07 05 IN 5048 expired on September 30, 2007, CMS decreased the grant award by $22,631,975. FSSA Finance could provide no explanation for this decrease in the grant award. Related federal notifications or correspondence were not provided for audit. This is an indication of insufficient verification of grant award amounts.

We have found the control environment lacking for the Medicaid program during fiscal 2008. As such, the related training, oversight, information and communication and control procedures were not designed in order to prevent or detect errors. It does not appear that new staff or managers were aware of period of availability requirements for grant accounting. We are also not aware of budget to actual or forecast reports which would be used to monitor the grant balance for Medicaid administration.

We consider $14,017,440 of the disbursements from the 2008 Medicaid Administration Grant 05 08 05 IN 5048 to be associated with expenses before the period of availability of this grant. We consider these questioned costs which may be required to be repaid to the federal government.

We consider the federal expenditures reported in excess of the grant award of $22,631,975 to be questioned costs which may be required to be repaid to the federal government.

"Any cost allocable to a particular Federal award or cost objective under the principles provided for in the Circular may not be charged to other Federal awards to overcome deficiencies, to avoid restrictions imposed by law or terms of the Federal awards or for other reasons." (US OMB Circular A-87, Attachment A (C) (3) (c))

"Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period." (45 CFR 92.23 (a))

"A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its sub grantees and cost-type contractors, must be sufficient to: 1) permit preparation of reports required by this part and the statutes authorizing the grant, and 2) permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes." (45 CFR 92.20)

"Each agency, department, institution or office has the following accounting responsibilities: 1. Operate within the confines of the established budget, 2. Maintain a control environment, 3. Maintain control procedures . . ." "The accounting system provides the basis for budgetary control. The operating budget should be viewed as a comprehensive planning and control device. Each agency must function within the budget limits." (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

We recommended that grant period of availability be monitored, and when necessary, a grant award increase for Medicaid Administration costs be sought. We further recommended that FSSA Finance monitor the federal grant award amounts for each grant and the related disbursements closely to ensure they are not exceeding the award amount. Federal awards and changes recorded to them should be verified to the associated requests and notifications, which should be retained and available for audit.

FINDING 2008 - FSSA-2, MEDICAID PROGRAM GRANT ACCOUNTING RECORDS

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Allowable Costs/Cost Principles; Cash Management; Reporting
Internal Control:	Material Weakness

FSSA Finance maintains the grant accounting records in spreadsheets entitled Expend/Allots. Entries record the federal and state share of each source document and track expenses by the federal program year. The federal expenses are to be periodically summarized and recorded on the Federal Expense Tracking System (FETS), which is utilized to draw federal funds and is the source of the Schedule of Federal Financial Assistance.

We identified the following errors in the grant accounting records maintained for the Medicaid Assistance program:

1. We found that throughout fiscal 2008 largely only one type of transaction was being recorded as expense into the FETS and having associated federal funds provided. The daily transfers required to fund the Medicaid bank account were posted to FETS, but the other accounting entries were omitted. The omitted entries for the 2008 Medicaid Grant

include additional expenses totaling $190,384,855 as well as expense credits for program reimbursements which totaled $205,195,109. These are considered material to the program and could result in interest owed to the federal government for days in which federal receipts exceeded expenses. The expend/allots records indicated a positive cash balance of federal funds held for a majority of the time from September 2007 through June 2008. At June 30, 2008, federal expenses were overstated by $14,810,254 due to this error.

2. Other undocumented variances exist between expenses recorded on FETS as compared to the detail recorded on expend/allots from both the 2007 and 2008 Medicaid grants, resulting in further overstatement of federal expenses of $914,430.

3. The federal share of certain repayments of Medicaid funds entitled CMIA-90 was recorded into the grant records as federal revenue instead of as a reduction of expenses. From August 2007 through June 2008, $13,686,895 (federal) was recovered through CMIA-90 refunds and not returned until September 30, 2008.

4. During fiscal year ended June 30, 2008, the refunds associated with Nursing Facility Quality Assessment Fees (QAF) were not deducted from assessment fee collections when recording adjustments in the grant accounting records. This condition was reported in our prior finding 2007-FSSA-3, Quality Assessment Fee Refunds. The federal share of expenses was overstated by an additional $2,137,907 for the fiscal 2008 refunds omitted.

5. The federal share of expenses transferred from Medicaid to SCHIP for May and June 2007, was recorded inappropriately as an increase of federal revenue in the fiscal 2008 grant accounting records, instead of an expense credit. The transfer for May 2007 was not owed, as it had already been recorded during fiscal 2007. (See also 2008 FSSA-3 SCHIP DUPLICATE EXPENSE). As of June 30, 2008, the federal expenses in the accounting records for Medicaid were overstated by $4,012,932. Subsequent correcting entries over compensated the return of federal share by applying the total cost amount. As of September 30, 2008, the federal share of Medicaid expenses for this was understated by $9,449,483.

6. First Steps is a State of Indiana program which uses the Medicaid fiscal contractor, EDS, for claims payments and shares the Medicaid bank account. The electronic funds transfers issued for First Step expenses are not included in the calculation of Medicaid federal expense used to draw federal funds. They are posted as 100% state expense. State accounting entries to transfer the First Steps expenses from Medicaid Assistance to the First Step program are made weekly. During State Fiscal Year 2008, all the First Steps state transfer entries associated with the 2008 Medicaid grant, incorrectly divided the reversing expense entry between federal and state expense. However, no portion of the transfer received was owed to the federal government, as the expense was originally recorded correctly as state expense. Due to this error, at June 30, 2008, federal expenses were understated and state expenses were overstated by $24,639,072.

7. Disproportionate Share Hospital repayments of $119,548,587 (federal share) were received on May 23, 2008. This was not recorded as such in the accounting records. Instead, on May 28, 2008, an apparent reduction in the federal share requested for the bank deposit occurred. The calculations of the draw reduction were not fully evidenced or reconciled. We calculated that the reduction of the federal expense applied was $121,013,089. As such, the effect was to understate federal expenses by $1,464,502.

8. An intergovernmental transfer check received December 19, 2007, representing 100% state share was posted in the detail accounting record (expend/allots) as federal funds received. This was discovered as a reconciling item between FETS and expend/allots. The records at June 30, 2008, remained in error overstating federal balances and understating the state revenue and balance by $2,350,530.

9. In researching special hospital payments completed during fiscal 2008, we identified that no accounting entry had been recorded to recognize $6,381,051 of federal cost for a payment issued July 28, 2006. This overstated the state costs and understated the federal costs for the state fiscal year 2007.

The inaccurate accounting records caused the schedule of federal financial assistance for the Medicaid program to be in error. The errors described above caused the schedule of federal financial assistance to overstate Medicaid program federal expenses by $9,458,844.

As was discussed in our prior finding 2007-FSSA-2, Inaccurate Grant Accounting Records, neither regular, nor complete, reconciliations between the supporting accounting records and the grant schedule were done. Supervisory review of accounting procedures was incomplete. The omitted federal grant accounting entries described in number one, include transactions that are individually significant to the program, with cumulative totals that are material.

"A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its sub grantees and cost-type contractors, must be sufficient to: 1) permit preparation of reports required by this part and the statutes authorizing the grant, and 2) permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes." (45 CFR 92.20)

"Grant funds may be used only for: (1) The allowable costs of the grantees, subgrantees and cost-type contractors . . ." 45 CFR 92.22 (a)

With respect to cash management, ". . . grantees and subgrantees shall disburse program income, rebates, refunds, contract settlements, audit recoveries and interest earned on such funds before requesting additional cash payments." (45 CFR 92.21 (a)(2))

We recommended that FSSA Finance reconcile and review supporting grant accounting records on a regular and timely basis during the fiscal year. Adjustments should be recorded to correct identified errors. Procedures should be implemented to ensure that the requests for federal funds are accurate and complete.

FINDING 2008 - FSSA-3, SCHIP DUPLICATE EXPENSE

Federal Agency:	Department of Health and Human Services
Federal Program:	State Children's Health Insurance Program
CFDA Number:	93.767
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Allowable Costs/Cost Principles; Reporting
Internal Control:	Material Weakness

The State Children's Health Insurance Program (SCHIP) claims are processed and paid together with Medicaid claims by EDS, the Medicaid fiscal contractor. At the end of the month, EDS issues a summary report of the SCHIP expense. FSSA Finance uses the summary report to reduce the Medicaid fund expenses and increase the SCHIP fund expenses, in order to properly classify the program expenses as well as to apply the higher SCHIP federal match rate. Adjusting entries to move SCHIP expenses from Medicaid Assistance to SCHIP Assistance were not made during the first five months of the state fiscal year 2008. When adjusting entries were made in December 2007, the May 2007 adjustment, which had already been made in June 2007, was duplicated. As a result, federal expenses in the SCHIP Assistance fund are overstated by $5,210,759. An additional $13,109 is also in question as the federal expense recorded for the months of June through September 2007 had the higher matching rate applied which became effective October 1, 2007. The overstated federal expenses of SCHIP total $5,223,868. The overstated expenses were also included in the total reported in the Schedule of Federal Financial Assistance as of June 30, 2008.

We consider the duplicate expense amount overcharged to the federal government to be material to the program. The error was neither prevented nor detected by an internal control. Controls were not present to ensure timely entries, with application of cutoff procedures to ensure prior period costs are not recorded twice in error.

The overstated federal SCHIP expenses of $5,223,868 are considered questioned costs which may be required to be repaid to the federal government.

"Grant funds may be used only for: (1) The allowable costs of the grantees, subgrantees and cost-type contractors . . ." (45 CFR 92.22 (a))

45 CFR 92.20 (a) states: "A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to—(1) Permit preparation of reports required by this part and the statutes authorizing the grant, and (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes."

We recommended that FSSA Finance reconcile and review supporting grant accounting records on a regular and timely basis during the fiscal year. Internal controls should be designed in order to apply cutoff procedures to ensure prior period costs are not recorded twice in error. FSSA should process the necessary accounting adjustments to correct the identified errors.

FINDING 2008 - FSSA-4, GRANT ERRORS IN MEDICAID ADMINISTRATION AND SCHIP

Federal Agency:	Department of Health and Human Services
Federal Program:	Medicaid Assistance Program; State Children's Health Insurance Program
CFDA Number:	93.778, 93.767
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Allowable Costs/Cost Principles; Reporting
Internal Control:	Significant Deficiency

For the state fiscal year ended June 30, 2008, total computable expenses for Medicaid administrative grants were reported on the CMS 64 at $27,997,955 greater than the expend/allot accounting records. Conversely, the federal share was reported on the CMS 64 at $10,625,868 less than the expend/allots accounting records. We identified an error made in compiling the report which overstated total costs by $10,321,964. This was caused by use of a detail transaction list that contained an error and had not been reconciled to the summary totals in expend allots. Another calculation error was made in May 2008 that understated the federal share reported for contract costs by $11,993,248. The unidentified variance for total costs reported may be due to local program expenses recognized which are not included within the state's grant accounting records.

We further identified errors in claiming the full federal administrative costs. The state reimburses the federal share of certain administrative expenses for Community Mental Health Clinics, recognizing that the local expenditures have provided the matching funds. The invoices then already have the federal matching rate applied. Due to a clerical error, the federal matching rate was applied a second time, resulting in an understatement of federal expense. The adjusting entry made to correct the error did not include all the invoices incorrectly posted. At June 30, 2008, federal expenses remain understated by $3,265,517 (for Grant 5 08 05 IN 5048).

The expend/allots are similarly maintained for the State Children's Health Insurance Program (SCHIP) with detail and summary spreadsheet tabs. We found that the federal cash balance of the 2006 grant was overstated by $2,400,000. This was caused by an understatement of the December 5, 2007, weekly total and federal expense amounts posted. This was a transcription error as the detail tab for the period was found to have included the full costs.

The conditions noted above result from a significant control deficiency. The detail accounting records and reports were not required to be balanced, and there was an incomplete supervisory review process. The accounting process also has not been designed to record and account for the noncash transactions necessary to recognize the local program expenditures within financial reports.

"A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its sub grantees and cost-type contractors, must be sufficient to: 1) permit preparation of reports required by this part and the statutes authorizing the grant, and 2) permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes." (45 CFR 92.20)

We recommended that FSSA Finance ensure that procedures are in place to regularly balance detail and summary accounting records for the Medicaid administration and SCHIP grants. Adjustments should be made to correct the errors detected in the Medicaid administration expenses recognized and reported, and in the SCHIP records. We also recommended that the costs reported for the Administration grant be reconciled to the grant accounting records. Consideration should be given to creating accounts necessary to classify, compile and accurately report the recognized local program expenditures.

FINDING 2008 - FSSA-5, GRANT ACCOUNTING INTERNAL CONTROL ENVIRONMENT

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program; SCHIP
CFDA Number:	93.778, 93.767
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Allowable Costs/Cost Principles; Reporting
Internal Control:	Material Weakness

During our audit of FSSA, we found multiple control deficiencies which when combined were considered to be a material weakness in the control environment for the grant accounting maintained for the Medicaid and State Children's Health Insurance Programs. A lack of control consciousness is indicated by the deficiencies identified in various other components of internal control. There was inadequate documentation of the components of internal control. Internal controls were not developed, reviewed or monitored for the grant accounting records. There was a lack of written accounting procedures for the grant records. Controls had not been designed to prevent or detect material errors within the grant accounting records or reports. Current fiscal year program findings indicate material errors which were not detected in the course of business. Previously reported internal control deficiencies were also not corrected.

All accounting staff assigned to Medicaid and SCHIP had changed in fiscal 2008. There were new staff in accounting entry and supervisor positions. There were a limited number of staff assigned considering the volume, and number of accounting systems and reports involved. There were a total of two to three accountants assigned to grant accounting and reporting. These new staff had to learn the grant accounting requirements as well as the systems involved. The staff are also responsible for monitoring the fiscal agent and the bank account. Due to a lack of procedures, schedules and limited number of experienced staff, multiple material errors were made in the grant accounting records as well as in federal reporting. There also were ongoing out of balance conditions, and the fiscal agent records were insufficiently monitored. The limited staff size also did not allow for a proper segregation of duties. We observed that the same person was performing duties such as handling receipts, preparing source documents, posting and reconciling records, largely without evidenced supervision. Grant accounting entries were not evidenced as reviewed. Some accounting entries were not adequately supported by actual entry forms, or calculations. Adjustments were at times combined with daily activity and not adequately documented. Reconciliations between the summary and detail grant accounting records were not performed during the fiscal year. Accounting entries necessary to return federal funds were delayed up to eight months. Even cursory review of the records detected operational errors as cash balances were indicated for the federal balance of the Medicaid and SCHIP programs.

FSSA did not monitor the fiscal agent balancing between its financial system and its reporting system. The balancing information had not been requested or provided to FSSA for the state fiscal year ended June 30, 2008.

Other program analysts and managers assigned by OMPP were also newly employed or assigned during fiscal 2008. These analysis processes are based upon claims information from the fiscal agent and were not designed to incorporate use of the grant accounting records. As such, the analysis did not serve as a compensating control mechanism.

"A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its sub grantees and cost-type contractors, must be sufficient to: 1) permit preparation of reports required by this part and the statutes authorizing the grant, and 2) permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes." (45 CFR 92.20)

"Each agency, department, quasi, institution or office has the following accounting responsibilities:

1. Operate within the confines of the established budget.

2. Maintain a control environment.

3. Maintain control procedures.

4. To properly utilize the state accounting system.

5. Maintain an effective and accurate accounting system for subsidiary and supplementary records.

6. Maintain and make available for audit, documentation supporting the validity and accountability of monies received or disbursed.

7. Perform duties in accordance with statute, regulations, state policy, contract provisions, and federal requirements as applicable." (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

"The federal government has communicated through the OMB Circular A-133 Compliance Supplement the theory that there are five components that comprise an internal control. These are: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring. The existence of these components are markers that are used during an audit of a federal program to determine the completeness and effectiveness of internal controls. The Supplement describes each component in detail as well as provides possible characteristics that might identify the existence of each of these components. These components should be readily identifiable when establishing and implementing internal controls, especially for controls that impact a federal program." (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

We recommended that FSSA develop, review and monitor internal controls for the Medicaid and State Children's Health Insurance Fund grant accounting. Accounting procedures should be designed to prevent or detect errors or irregularities in the course of business. Duties should be assigned in a manner to ensure a proper segregation of duties. Staff size, qualifications and training programs should be reviewed in order to ensure that the controls can be effectively implemented.

FINDING 2008 - FSSA-6, OVERPAID CAPITATION RATE

Federal Agency:	FSSA/OMPP
Federal Program:	Medical Assistance Program/State Children's Health Insurance Program (SCHIP)
CFDA Number:	93.778, 93.767
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Controller, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Allowable Costs/Cost Principles
Internal Control:	Significant Deficiency

Capitation rates for Managed Care contracts are calculated based on an actuary study. These rates are approved by CMS prior to use. As stated in Finding 2005-FSSA-27, Incorrect Rate Applied for Managed Care, FSSA did not have a process in place to verify the rates were accurately entered into, or paid by the AIMS computer system.

We again found that an incorrect rate was entered and paid for managed care. The rate effective for January through June 2008, for Anthem's Northwest Region (1), Package A Child Ages 6-12 rate was $83.69 per contract amendment 2. The rate we verified as entered into AIM was $92.31. This is a difference of $8.63 over the contract rate for each person. The overpayment occurred in August 2008, when the rate was adjusted retroactively in the computer. We were informed that this error occurred perhaps when fiscal agent staff were entering new contract rates for the July 1, 2008, contract amendment. The August 2008 Capitation Payment Listing Summary reports the payment adjustment was applied for 29,340 member months. At the excess rate of $8.63, the total overpayment is $253,204. The federal share of the total overpayment is considered questioned costs which may be required to be repaid to the federal government. Upon our inquiry, EDS recognized this error and was planning to enter a correction for a computer adjustment in April 2009.

FSSA and EDS did not have a process in place to detect these errors. FSSA does not perform a review of rates paid per the capitation reports once they are processed. When we began our audit tests, several reports were missing or incomplete. The fiscal agent located and completed these at our request.

"All payments under risk contracts and all risk-sharing mechanisms in contracts must be actuarially sound." (42 CFR 438.6 (c) (2))

"To be allowable under federal awards, costs must meet the following general criteria . . . (j). Be adequately documented." (US OMB Circular A-87 (C) (1))

In accordance with 45 CFR 92.20 (a): "A state must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal contract and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to - (1) permit preparation of reports required by this part and the statutes authorizing the grant, and (2) permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes."

We again recommended that OMPP implement a process to ensure the accuracy of rates placed in AIM and a process to check rates once reports are ran. Totals from the reports are used to pay the MCO's monthly and should include accurate totals. An adjustment to correct the overpaid amount should be processed.

FINDING 2008 - FSSA-7, SURVEILLANCE AND UTILIZATION REVIEW AUDIT FILES

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Controller
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions 1 – Utilization Control and Program Integrity
Internal Control:	Significant Deficiency

The FSSA Office of Medicaid Policy and Planning (OMPP) contracted with Health Care Excel (HCE) to conduct the required Surveillance and Utilization Review (SUR) audits. The contractor was to perform claims utilization analysis to identify aberrant behavior as an indication of potential fraud and abuse. On-site audits of provider medical records were also then performed. Following the contract expiration, December 31, 2008, all files, databases and records were transmitted to OMPP. While these were generally made available to us, the staff was no longer available when we tested this function in 2009. As such, we were unable to make appropriate inquiries of contractor staff to verify the continuance of prior controls.

We tested a sample of audits to ensure the reports issued were accurate and complete and that the audits had consistently applied control procedures and appropriate methodology. There were 263 audits started during our audit period, of which 15 were selected for testing. Several documents or information necessary to support the work performed and the effectiveness of the contractor's services were missing from files tested, as described below.

- Recoupment files were missing for 5 of 13 (38%) cases tested that were identified for recoupment. Recoupment files generally contain a case activity log, a Provider Repayment Election Form (PREF) completed and signed by the provider to indicate provider's intentions with regard to repayment of the identified overpayments and interest, copies of the check and the daily check log, and a date stamp indicating the date that payment is received.

- There was no evidence of internal supervisory review for 4 of 15 cases (27%). For one closed case, there was no supervisory review documented for any part of the case. For two cases, there was no documentation of supervisory review to approve closure of the case. For one case, there was no evidence of supervisory review for the final determination letter.

- Indiana Medicaid Fraud Control Unit (MFCU) releases were not documented for 2 of 15 cases (13%). The MFCU is a unit of the Office of the Indiana Attorney General. MFCU releases are obtained to allow HCE to proceed with a specified course of action (on-site audit, preliminary findings, recoupment, etc.) at each case milestone so that MFCU investigative activities are not jeopardized. According to the Memorandum of Understanding between FSSA's OMPP and the Office of the Indiana Attorney General, if HCE does not receive a response from MFCU within 10 business days after a list of proposed actions are sent, HCE may continue with the specified course of action. However, this practice is rare. There was no documentation in the files that this approach was taken.

- There was no evidence of the interest calculation to support the final determination letter for 3 of 13 cases (23%) which were identified for recoupment. For one of those cases, an OMPP employee also allowed the provider to change the interest due from $6,891.86 to $6,631.56 without any calculation or basis stated.

- One case did not contain evidence that the case objectives were met despite the case having been closed. The objectives of this type of case include the examination of medical records for early intervention of errors for new providers. There was no evidence that any medical records were either requested or reviewed. The extent of the information contained in the case file was a fax which stated that there was a phone interview to gain basic information regarding the operations and that the reviewer drove by the location after office hours.

At June 30, 2008, the contractor's records show a total of $24.4 million as outstanding balances for 145 providers. These include 99 provider cases listed as awaiting state hearings and appeals dating back to 1999. OMPP is currently conducting follow-up with cases which were active as of when the contract ended. Furthermore, the federally mandated SUR function was contracted to EDS, the Medicaid fiscal agent, which only required SUR review of only 1 audit per month beginning in January 2009.

42 CFR § 456.3 states that: "The Medicaid agency must implement a statewide surveillance and utilization control program that— (a) Safeguards against unnecessary or inappropriate use of Medicaid services and against excess payments; . . ."

42 CFR § 456.4 states that: "(a) The agency must— (1) Monitor the statewide utilization control program; (2) Take all necessary corrective action to ensure the effectiveness of the program; (3) Establish methods and procedures to implement this section; (4) Keep copies of these methods and procedures on file; and (5) Give copies of these methods and procedures to all staff involved in carrying out the utilization control program."

Per IC 12-15-13-3(g): "If interest on an overpayment to a provider is due from the provider, the secretary [defined in IC 12-7-2-172 as the Secretary of FSSA] may, in the course of negotiations with the provider regarding an appeal filed under subsection (b), reduce the amount of interest due from the provider."

Per IC 12-15-23-5: "If the administrator and a provider fail to enter into an agreement not more than sixty days after the administrator's discovery of an overpayment, the administrator shall immediately certify the facts of the case to the Medicaid fraud control unit established under IC 4-6-10."

We recommended that FSSA develop and document a full control structure for the required surveillance and utilization review function. The open case files should be reviewed to identify the accuracy of the information and action necessary to collect amounts due the program or properly document uncollectable amounts. Interest calculations should be in accordance with IC 12-15-13-3 and documented. Outstanding audit cases that are not awaiting appeal should be certified to the Medicaid Fraud Control Unit in accordance with IC 12-15-23-5.

FINDING 2008 - FSSA-8, DUPLICATE HOSPITAL PROVIDER RECORDS

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Controller
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions 4 – Provider Eligibility, Allowable Costs/Cost Principles
Internal Control:	Significant Deficiency

EDS, the Indiana Medicaid fiscal agent contractor, enrolls providers and assigns provider numbers which are referenced on claims. In testing this process, we identified that a new provider number was issued in May 2008 to a large hospital for its north Indianapolis facility. However, the previously assigned provider number for this hospital (location B of the east facility) remained open. As a result, the new provider number and location B were both open for billings during an overlapping time period beginning with an effective date of December 18, 2007. Both provider numbers were actively being used to file claims.

On December 18, 2007, the north hospital began operating under its own separate facility license issued by the Indiana State Department of Health. It also obtained a new tax identification number, National Provider Identifier (NPI), and Medicare number. At first, the new information was simply entered into the previously assigned location B provider profile. A May 7, 2008, email from a hospital representative described the history, issues, and potential impacts of various courses of action. As a result of the licensure change, the representative stated the correct resolution for their provider profile is to show an eligibility termination date of December 17, 2007, for location B, and to show an effective date of December 18, 2007, for the new provider number for the north hospital. EDS did not follow this course of action.

Further, when examined on April 15, 2009, the name and address for the hospital location B had been changed and now duplicates that of location D of the east facility, which is for the inpatient psychiatric unit located at the north hospital's campus. We were informed that the provider enrollment staff changed the name and service location address for location B but we did not receive information regarding the purpose or authority for this change.

An application for new enrollment was received by EDS during May 2008 to create a provider number for the north hospital alone. The disclosures section was inconsistent with the remainder of the application; resulting in uncertainty as to if the disclosures were current. The disclosures section was handwritten and used an old application form (June 2005) while the remainder of the application was typed and used the most recent application form (October 2007). The form requirements varied between the two versions as the more recent form required the signature of the disclosed person. The enrollment staff did not question the inconsistency. The enrollment staff also did not conduct the required query for federal exclusion of those disclosed until after we inquired. The relationship of the network hospitals was not clear from the disclosures.

The AIM system records for the B location showed that 3,734 claims were paid for dates of service from December 18, 2007 through April 15, 2009, for a total amount of $2,377,046.58. We cannot readily ascertain if these duplicate other claims were submitted under either the new hospital number or for location D. Also, we are not certain at which location these claims were rendered.

A facility which has more than one open provider number available to use for the same purpose does not allow appropriate application of surveillance and utilization review procedures. Furthermore, an inconsistent assignment of the location codes would deter claim analysis procedures. Additionally, because the provider's name and service location were changed for location B, there is an inadequate audit trail. The eligibility for location B should have been terminated without changing the provider name or address to that of a different facility.

42 CFR § 447.45 (f) states that a prepayment review must consist of ". . . (iii) Verification that the claim does not duplicate or conflict with one reviewed previously or currently being reviewed."

42 CFR § 456.23 states: "The agency must have a post-payment review process that— (a) Allows State personnel to develop and review— . . . (2) Provider service profiles; and (3) Exceptions criteria; and (b) Identifies exceptions so that the agency can correct misutilization practices of recipients and providers."

42 CFR § 456.4 states: "(a) The agency must— (1) Monitor the statewide utilization control program; (2) Take all necessary corrective action to ensure the effectiveness of the program; . . ."

42 CFR § 455.104 states: "(a) The Medicaid agency must require each disclosing entity to disclose the following information in accordance with paragraph (b) of this section: (1) The name and address of each person with an ownership or control interest in the disclosing entity or in any subcontractor in which the disclosing entity has direct or indirect ownership of 5 percent or more; (2) Whether any of the persons named, in compliance with paragraph (a)(1) of this section, is related to another as spouse, parent, child, or sibling. (3) The name of any other disclosing entity in which a person with an ownership or control interest in the disclosing entity also has an ownership or control interest. This requirement applies to the extent that the disclosing entity can obtain this information by requesting it in writing from the person. The disclosing entity must—(i) Keep copies of all these requests and the responses to them; (ii) Make them available to the Secretary or the Medicaid agency upon request; and (iii) Advise the Medicaid agency when there is no response to a request. (b) (1) Any disclosing entity that is subject to periodic survey and certification of its compliance with Medicaid standards must supply the information specified in paragraph (a) of this section to the State survey agency at the time it is surveyed. The survey agency must promptly furnish the information to the Secretary and the Medicaid agency…(3) Updated information must be furnished to the Secretary or the State survey or Medicaid agency at intervals between recertification or contract renewals, within 35 days of a written request."

We recommended that the hospital location B be terminated effective December 17, 2007. We recommended that a comparison, and recoupment, if necessary, occur for claims paid under the provider numbers for locations B, D, and that of the new north hospital number. We recommended that situations considered new or rare be monitored closely by OMPP to ensure that federal and state regulations are met, the action is applied consistently with the use of thorough documentation, and the desired outcome is achieved. We also recommended that the most recent provider enrollment forms be required and obtained for the north hospital. The relationship of the network hospital structure should be identified and the required searches of the US Office of Inspector General federal exclusion database should be performed.

FINDING 2008 - FSSA-9, PHARMACY FACILITY PERMITS

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Controller
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions 4 – Provider Eligibility, Allowable Costs and Cost Principles
Internal Control:	Significant Deficiency

Pharmacies participating in Indiana Medicaid are enrolled into AIM as a facility billing unit, using the pharmacy facility permit number issued by the Indiana Professional Licensing Agency (IPLA), for Indiana locations. AIM data for pharmacies is compared monthly with IPLA permit data in order to timely detect errors in recording AIM information and to identify unlicensed facilities. However, we found that the reports generated from the process were not being used to research and correct the pharmacy records or provider status in AIM. Nonmatched reports list pharmacy permits or pharmacist licenses which cannot be matched to the IPLA license file. Providers continue to appear on the monthly reports until action is taken in AIM or the status according to IPLA changes. The reports for the fiscal year ended June 30, 2008, largely listed the same findings each month. Each monthly report listed approximately 700 pharmacies whose AIM records did not agree to the IPLA. We found several errors and recurring entries listed which indicate that the non-matched pharmacy report has not been worked by EDS staff to research and correct errors.

We researched seventeen pharmacies on the June 2008 nonmatched pharmacy report with Indiana permits and identified problems with each as follows:

- There were ten pharmacies without an active IPLA permit but were active in AIM to bill. The IPLA permit numbers have been in "closed facility" status since as long ago as December 31, 2001. In March 2009, six of these had the AIM provider profile terminated after we notified EDS that the nonmatched report did not appear to have been worked. The Indiana Medicaid program is vulnerable to making inappropriate payments to providers which are active in AIM but do not have an active pharmacy permit.

- There were four providers for which the permit number recorded in the provider's profile in AIM belongs to another pharmacy. Of these, one provider's actual IPLA permit is no longer active. As the correct permit number is not recorded in AIM, the reports will fail to identify if the actual facility is closed. The Indiana Medicaid program is also vulnerable to making inappropriate payments to providers which are active in AIM but do not have an active pharmacy permit.

- There were three providers with an active permit but the incorrect permit number was entered into AIM. As the correct permit number is not recorded in AIM, the reports will fail to identify if the actual facility is closed.

42 CFR §447.45(f) (1) (i) states: "(f) Prepayment and postpayment claims review. (1) For all claims, the agency must conduct prepayment claims review consisting of--(i) Verification that the recipient was included in the eligibility file and that the provider was authorized to furnish the service at the time the service was furnished; . . ."

Indiana Code 25-26-13-20(a) and (b) states: "(a) A person desiring to open, establish, operate, or maintain a pharmacy shall apply to the board for a pharmacy permit on a form provided by the board . . . (b) If the applicant desires to open, establish, operate, or maintain more than one (1) pharmacy, he must file a separate application for each. Each pharmacy must be qualified by a different pharmacist." Indiana Code 25-26-13-21(a) states: "A pharmacy permit is not transferable as to location or ownership."

We recommended that FSSA and the fiscal agent use the reports generated to timely detect and correct inaccurate or unlicensed pharmacy facility permit numbers. A process to regularly archive inactive provider files in AIM should be implemented so that data comparisons between the AIM data and licensing data from IPLA are more effective. For closed pharmacies, the claims should be researched to identify and recoup payments made for any dates of service after a license or permit for the facility is no longer active. Such research and determinations should then be documented and retained for audit.

FINDING 2008 - FSSA-10, OMPP AIM ACCESS, TRAINING AND CONTROLS

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Controller
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions – ADP Risk Analysis and System Security Review
Internal Control:	Significant Deficiency

We found that the authorization forms for access to the claims processing system, AIM, were not retained by OMPP prior to May 2008. The former state employee who processed these was contacted and indicated that the AIM Request Access forms were shredded, without maintaining an electronic copy. The forms are to document the system access as authorized by the employee's supervisor, and list the employee's social security number and mother's maiden name. According to the OMPP HIPAA Security Policy and Procedure Manual, the forms are to be signed by the supervisor, submitted to the security coordinator and retained. They also are to have the signed confidentiality policy agreement attached. Without the forms, the access granted through OMPP is not evidenced as properly authorized. This primarily includes OMPP staff as well as some contractor's staff access as managed by OMPP.

The forms we observed as retained subsequent to May were not all signed by supervisors as they had been emailed from off-site contractors. The email was not retained with the forms. Also, there is no complete listing of all supervisors, for the state and contractors, who are approved to grant system authorizations. An improper request would not be detected under this process.

OMPP also maintains a system for privacy and security training courses which can be accessed on the internet. OMPP policy requires the training. The system used retains a record of those entered for accessing the courses, and the completion status. There is no control in place to verify the required training has been successfully completed prior to granting AIM access. There also is no follow up or comparison to ensure the training is completed. We compared eight staff listed with AIM access to the training system and found one who had never been entered to access the training courses. Another two staff had only completed one training segment each. On a regular basis, only two of the four on-line courses are now required.

OMPP did not have an officially named security administrator for the Medicaid program. After March 5, 2008, following a resignation, there was no longer a dedicated position assigned as privacy and security coordinator either. The duties were assumed by the Controller and a fiscal analyst, with the training administered by the receptionist.

"State agencies are responsible for the security of all ADP projects under development, and operational systems involved in the administration of HHS programs. State agencies shall determine the appropriate ADP security requirements based on recognized industry standards or standards governing security of Federal ADP systems and information processing." (45 CFR 95.621 (f) (1))

"State ADP security requirements shall include the following components: (i) Determination and implementation of appropriate security requirements as specified in section (f) (1) of this section. (ii) Establishment of a security plan and, as appropriate, policies and procedures to address the following area of ADP security: . . . C) Software and data security; D) Telecommunications security; E) Personnel security; . . . .and H) Designation of an Agency ADP Security Manager." (45 CFR 95.621 (f) (2))

"A covered entity must train all members of its workforce on the policies and procedures with respect to protected health information required by this subpart, as necessary and appropriate for the members of the workforce to carry out their function within the covered entity." (45 CFR 164.530(b) (1))

The OMPP HIPAA Security Policy and Procedure Manual specifies the following:

- "Access to electronic PHI will be granted to authorized OMPP staff members. Prior to receiving access, approval must be obtained by the appropriate management, and all authorizations will be maintained by the OMPP Security Coordinator (and/or Privacy Coordinator)." (Section 5)

- "The OMPP Security Coordinator will be responsible for ensuring that all staff, including existing staff and new staff that will join OMPP in the future, participates in a security awareness and training program, and receive a passing score on the post-training evaluation. Training components will address, in detail, all components contained in this manual.

  New staff members will be required to receive training within the first two weeks of employment." (Section 6)

- "All OMPP staff will be trained and certified on the security policies and procedures as contained in this manual. The OMPP Security Coordinator will maintain records of such training. . . . Documentation will be maintained by the OMPP Security Coordinator for six years from the date of its creation or the date when it last was in effect, whichever is later. (Section 14)

We recommended that FSSA obtain and retain the security access forms and confidentiality agreements for all who have been granted access to AIM or its related software reporting or test systems. This would include a process to identify and confirm those supervisors who may properly authorize such requests. A procedure should be implemented to ensure that all staff with access have completed the required training in privacy and security policies. Furthermore, an agency ADP Security Manager should be officially designated for the Medicaid program in accordance with 45 CFR 95.621. Such manager should be sufficiently qualified not only to develop and monitor the state's own policies and procedures, but also to oversight the risk assessment process for the security of the entire AIM system as managed by contractors.

Finding 2008 - DCS-1 relates to a program administered by the Indiana Department of Child Services (DCS). Their response to the finding starts on page 282.

FINDING 2008 - DCS-1, INADEQUATE DOCUMENTATION

Federal Agency:	Department of Health and Human Services - ACF
Federal Program:	Child Support Enforcement Program (IV-D)
CFDA Number:	93.563
Auditee Contact Person:	Mary Edmonds
Title of Contact Person:	Deputy Director, Department of Child Services
Phone Number:	317-232-4758
Compliance Requirement:	Activities Allowed or Unallowed
Internal Control:	Control Deficiency

During our audit of Department of Child Services (DCS) Child Support Program, we found multiple disbursements to County Clerks and County Prosecutors that had no supporting source documentation such as paid bills. Furthermore, although DCS has an agreement with the County Clerks and County Prosecutors requiring the subgrantees to submit source documentation, DCS was not enforcing it. As a result, we could not trace funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes. This is a control deficiency.

45 CFR 92.20(a) states: "A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to -- . . . (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes."

45 CFR 92.20 (b) states: "The financial management systems of other grantees and subgrantees must meet the following standards: (6) *Source documentation.* Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc."

We recommended that DCS accounting procedures be sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes by enforcing the submission of proper source documentation by County Clerks and County Prosecutors to support disbursements. We further recommended that claims from subgrantees without the proper source documentation not be paid.

Finding 2008 - ISDOH-1 relates to a program administered by the Indiana State Department of Health (ISDOH). Their response to the finding starts on page 292.

FINDING 2008 - ISDOH-1, SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE-REPORTING ERRORS

Federal Agency:	Department of Agriculture
Federal Program:	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
CFDA Number:	10.557
Auditee Contact Person:	Allen Collier
Title of Contact person:	Director of Finance
Phone Number:	317-233-7852
Compliance Requirement:	Reporting
Internal Control:	Material Weakness

During our audit of the IN State Department of Health (ISDOH), we found that the Schedule of Federal Financial Assistance had multiple errors. The largest was an omission of $38,382,543 as amount passed down to the sub recipients for the WIC 2007 program. ISDOH did not clearly define their sub recipients. These errors if left uncorrected would have resulted in material misstatement to the Schedule. The insufficient controls and lack of an adequate overall review process of the Schedule contributed to the potential of errors. This is a material weakness.

45 CFR 92.20 states: "(a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its sub grantees and cost-type contractors, must be sufficient to— (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes."

We recommended that ISDOH strengthen procedures in preparing the Schedule of Federal Financial Assistance and institute a thorough review process of the schedule to ensure accurate, current, and complete disclosure of the financial results.

Findings 2008 - IDWD-1 and 2008 – IDWD-2 relate to programs administered by the Indiana Department of Workforce Development (IDWD). Their response to the findings starts on page 293.

FINDING 2008 - IDWD-1, CASH MANAGEMENT - TRADE ADJUSTMENT ASSISTANCE

Federal Agency:	Department of Labor
Federal Program:	Trade Adjustment Assistance
CFDA Number:	17.245
Auditee Contact Person:	Scott Sanders
Title of Contact Person:	Chief Financial Officer
Phone Number:	317-232-7472
Compliance Requirement:	Cash Management
Internal Control:	Control Deficiency

During our audit of the Department of Workforce Development (DWD), we found that DWD maintained federal funds drawn down for the Trade Adjustment Assistance grant for an excessive period of time prior to expending those funds. The funds were maintained at the agency for an average of 20 days before they were expended.

31 CFR 205.11(a) states: "A State and a Federal Program Agency must minimize the time elapsing between the transfer of funds from the United States Treasury and the State's payout of funds for Federal assistance program purposes, whether the transfer occurs before or after the payout of funds."

We recommended that DWD draw down the federal funds either after the State pays out of the funds or within a couple of days of payout of the funds.

FINDING 2008 - IDWD-2, CASH MANAGEMENT - CAREER AND TECHNICAL EDUCATION

Federal Agency:	Department of Education
Federal Program:	Career and Technical Education - Basic Grants to States
CFDA Number:	84.048
Auditee Contact Person:	Scott Sanders
Title of Contact Person:	Chief Financial Officer
Phone Number:	317-232-7472
Compliance Requirement:	Cash Management
Internal Control:	Control Deficiency

During our audit of the Department of Workforce Development (DWD), we found that DWD maintained federal funds drawn down for the Career and Technical Education - Basic Grants to States grant for an excessive period of time prior to expending those funds. The funds were maintained at the agency for an average of 119 days before they were expended.

31 CFR 205.11(a) states: "A State and a Federal Program Agency must minimize the time elapsing between the transfer of funds from the United States Treasury and the State's payout of funds for Federal assistance program purposes, whether the transfer occurs before or after the payout of funds."

We recommended that DWD draw down the federal funds either after the State pays out of the funds or within a couple of days of payout of the funds.

FINDING 96 - FSSA (DCS)-33, FUND BALANCES -
CHILD SUPPORT ENFORCEMENT FUND CENTERS

Federal Agency:	Department of Health and Human Services - ACF
Federal Program:	Child Support Enforcement Program (IV-D)
CFDA Number:	93.563
Auditee Contact Person:	Peggy Boggs
Title of Contact Person:	Financial Manager, Department of Child Services
Phone Number:	317-232-3450

Finding:

The Child Support Bureau of Family and Social Services Administration is responsible for the implementation of the Child Support Enforcement Program (IV-D) (93.563), including the collecting and the distribution of child support payments. The Bureau receives collections that must be either held as reimbursements to Federal, County and State governments to offset AFDC costs or forwarded to the child support client. 45 CFR S 302.15 states that the IV-D agency will maintain the records necessary to identify the amount, source, and distribution of collections.

As of June 30, 1996, Family and Social Services was holding $34,861,131 in several accounts identified for distribution to select entities or custodial parents. A reconcilement tying these funds to the Terminal Communication Access Method (TCAM) system which identify the amount, source and distribution had not been completed by the agency. We requested an accounting to identify the proper recipients of these funds. The agency responded by identifying potential reconciling items as follows:

Description of Funds Held	Amount
Federal AFDC Reimbursements	$ 6,827,069
State AFDC Reimbursements	3,456,123
County AFDC Reimbursements	919,195
Other Reimbursements in Process	4,086,144
Returned Monies Held by Agency	2,932,082
Potential Refunds to Payors and Other Undistributed Funds	10,387,617
June, 1996 Receipts Distributed in July, 1996	5,984,327
Unexplained Difference	286,574
Total	$ 34,879,131

We recommended that the funds in these accounts be reconciled to detailed source records. We also recommended that an aging account be maintained for funds that are held because the proper recipient either cannot be identified or located. We instructed that any funds deemed to be abandoned property as detailed in Indiana Code 32-9-1.5-20 and 4-10-10 be transferred to the Attorney General's Unclaimed Property Division.

Status of Finding as of September 2008:

The balance in account 3510-150200 as of September 30, 2008, is $3,034.21. The Child Support Bureau's Reconciliation Unit will continue the reconciliation process in an effort to bring this balance to zero. Processes and procedures are now in place to ensure that accounts performing similar purposes are reconciled periodically with the State's official accounting system. This finding remains open.

FINDING 99 - FSSA (DCS)-7, ISETS INFORMATION TECHNOLOGY (IT) CONTROLS

Federal Agency:	Department of Health and Human Services
Federal Program:	Child Support Enforcement
CFDA Number:	93.563
Auditee Contact Person:	Mary Edmonds
Title of Contact Person:	Deputy Director, Department of Child Services
Phone Number:	317-232-4758
Compliance Requirement:	Special Tests and Provisions
Internal Control:	Material Weakness

Finding:

The Indiana Support Enforcement Tracking System (ISETS) is the computer system used to administer the collection and distribution of child support payments and manage other support enforcement activities. Our review of this system found the following:

Accounting Procedures and Controls

45 CFR 74.21 requires that the financial management system have effective control over and accountability for all funds. We found that the accounting of child support funds was inadequate. Deficiencies include the inability to balance and reconcile child support receipts and disbursements processed at the State level, inaccurate subaccount balances that track support delinquencies and Unreimbursed Past Public Assistance, and inaccurate tax intercept processing. These deficiencies were communicated to FSSA management in a letter dated March 27, 2000, based upon the results of an Information Technology Services audit performed by the Indiana State Board of Accounts.

We recommended that FSSA correct the accounting procedures and control deficiencies as documented in the management letter.

Cash Receipts Handling

45 CFR 302.20 states in part: "The IV-D agency will maintain methods of administration designed to assure that persons responsible for handling cash receipts of support do not participate in accounting or operating functions which would permit them to conceal in the accounting records the misuse of support receipts. Such methods of administration shall follow generally recognized accounting standards." We found deficiencies in the areas of batching, balancing, chain of custody, and timely deposit of cash receipts processed at the State level. These deficiencies were communicated to FSSA management in a letter dated March 27, 2000, based upon the results of an Information Technology Services audit performed by the Indiana State Board of Accounts.

We recommended that FSSA correct the cash receipts handling deficiencies as documented in the management letter.

Security

45 CFR 95.621(f) states that: ". . . state agencies shall determine the appropriate ADP security requirements based on recognized industry standards or standards governing security of Federal ADP systems and information processing." 45 CFR 95.621(h) also requires the designation of an Agency ADP Security Manager and the performance of periodic risk analyses. FSSA has not designated an ADP Security Manager nor has a risk analysis been performed for ISETS. These and other information technology control deficiencies within ISETS security implementation were communicated to FSSA management in a letter dated March 27, 2000, based upon the results of an Information Technology Services audit performed by the Indiana State Board of Accounts.

We recommended that FSSA designate an ADP Security Manager, conduct periodic risk analyses of ISETS, and correct the security implementation deficiencies as documented in the management letter.

Child Support Data Supplied to the Welfare System

45 CFR 307.10.b.10 states that child support data should be transmitted to the State's TANF system. Although such a transfer is occurring, we found errors in the data transmitted. Deficiencies in the transfer were communicated to FSSA management in a letter dated March 27, 2000, based upon the results of an Information Technology Services audit performed by the Indiana State Board of Accounts.

We recommended that the transfer of child support data to the welfare system be corrected as documented in the management letter.

Verification of Social Security Numbers

45 CFR 307.10.b.1 and 2 states that the Social Security Numbers (SSNs), names, and dates of birth for Absent Parents and Custodial Parents should be verified with Federal, State, and local agencies. We found that the SSNs, names, and dates of birth of ISETS participants have not been verified. This deficiency was communicated to FSSA management in a letter dated March 27, 2000, based upon the results of an Information Technology Services audit performed by the Indiana State Board of Accounts.

We recommended that FSSA verify SSNs, names, and dates of birth as documented in the management letter.

Status of Finding as of September 2008:

Accounting Procedures and Controls

The Child Support Bureau has put manual processes in place to balance and reconcile child support receipts and disbursements processed at the State level. This is completed on a daily and monthly basis. Additionally, CSB has directed County offices to correct the inaccuracies of sub account balance, as required by Cooperative Agreements between CSB and the County offices.

Inaccurate tax intercept processing has been corrected by ISETS system edits that prevent duplication of files.

This aspect of the finding remains open because of inaccurate sub accounts balances on some of the county's cases. CSB staff will continue to work closely with the County offices on this issue by communicating with the counties via the field consultants, user meetings, newsletters and policy letters.

Cash Receipts Handling

Manual processes are in place to balance the cash accounts on a daily basis. Through the use of existing reports, funds that posted and disbursed using the ISETS system are reconciled to deposits and disbursements recorded in the State Auditor's accounts. System queries are used to regularly review financial transactions for accuracy. Discrepancies are researched, corrected and documented manually.

Manual processes are also used to reconcile accounts with the Auditor's fund accounts monthly. This aspect of the finding remains open until CSB reconciles the balance in the 3510-150200 account in order to bring the balance down to zero. The CSB Accountant continues to work on the reconciliation of this account.

Security

DCS has designated an ADP Security Manager: Kathee Saylor, Information Security Manager for FSSA.

IOT is responsible for performing Homeland Security analyses and COOP analyses annually for the ISETS system.

This aspect of the finding remains open as it is perceived that some County State users have more access than they need in various county systems. CSB will continue to review and monitor user IDs and profiles in the counties in order to limit access.

Child Support Data Supplied to the Welfare System

Transfer of referenced child support data to the welfare system has been corrected. The disbursement date is now used to pass data back to ICES, and this data is now displayed on the DECB screen in the system for the case. Considered closed.

Verification of Social Security Numbers

A verification process for SSNs with the Social Security Administration was completed in December 2000. On an automated basis, all child support participants are submitted for SSN verification to SSA. When ISETS receives the verification from SSA, the SSN is automatically coded in ISETS as VSSA (verified SSA). Considered closed.

FINDING 2000 - FSSA (DCS)-1, LACK OF AND IMPROPER SUPPORTING DOCUMENTATION

Federal Agency:	Department of Health and Human Services
Federal Program:	Adoption Assistance Program
CFDA Number:	93.659
Auditee Contact Person:	Donna Sobecki
Title of Contact Person:	Assistant Deputy Director, CEU and Cash Management, Department of Child Services
Phone Number:	317-234-5686
Compliance Requirement:	Eligibility
Internal Control:	Significant Deficiency

Finding:

45 CFR 1356.40 lists requirements that a state must meet in order to participate in the Adoption Assistance Program. FSSA has in its Child Welfare Manual detailed instructions that should be followed so that the agency will be in compliance with these requirements.

Paragraph 807 of the Manual requires form SF2973 (Application for Adoption Assistance) to be completed by the adoptive parent(s), and signed by the Director of the county Office of Family and Children (OFC), for each child prior to the final decree of adoption. However, in 3 of the 25 cases tested this form was executed after the final decree of adoption, and in 2 cases the form was not found, for a total of 20% noncompliance.

Paragraph 808 of the Manual requires form SF2976 (Adoption Assistance: Child Certification) to be completed by the Director of the OFC for each child prior to the final decree of adoption. However, in 4 of the 25 cases tested this form was executed after the final decree of adoption, and in 2 cases the form was not found, for a total of 24% noncompliance.

Paragraph 809 of the Manual requires form SF2974 (Adoption Assistance Agreement) to be completed by the adoptive parent(s) and signed by the Director of the OFC prior to the final decree of adoption. However, in 4 of the 25 cases tested this form was executed after the final decree of adoption for a 16% noncompliance. Also, paragraph 814 of the Manual requires this form to be renewed biennially and whenever there is a change in the amount of payment. However, in 4 of the 25 cases tested the current form was not found for a 16% noncompliance.

Paragraph 816.2 of the Manual requires that copies of forms SF2973, SF2974 and SF5374 be submitted to the Central Office Financial Management. From there they are routed to the Central Eligibility Unit for filing. The method used for filing documentation sent in by the OFC is by date received. In retrieving any case record it becomes impracticable to determine the date of receipt and, therefore, to be able to locate any particular record. In our testing for documentation controls we were not able to locate copies of documentation from the test cases that were to have been submitted to the Central Office by the OFC because of the filing method being used.

We recommended that FSSA complete and process forms in compliance with the Child Welfare Manual and maintain proper documentation to support the Adoption Assistance Program. We also recommended that documentation be filed in such a way that allows for an adequate audit trail.

Status of Finding as of September 30, 2008:

The draft manual section has not been released. It has not been released because of recent legislative changes and a structured policy and practice analysis is currently underway that will result in identifying gaps in practice and procedure which will result in the implementation of new policy and training. This will be finalized in the SFY 2009. AAP training is provided as one of the breakout sessions to the Foster Parent Conferences and has also been occurring in the different counties.

As a part of the analysis, changes to the Department of Child Services' (DCS) data system, ICWIS will occur. Currently DCS is working with ACF on a redesign to ICWIS to become SACWIS compliant. As a part of the redesign it is envisioned that the documents and forms required will be included in the data system with edits that will enforce the rules to assist in preventing these types of findings. The redesign effort will not be completed until May/June 2009.

A monthly ICWIS tip of the day is currently being sent to all ICWIS users. These tips of the day will explain when adoption assistance forms need to be executed.

With the most recent legislative changes it has been determined that the Centralized Eligibility Unit will receive a copy of the AAP agreement and while the State Board of Accounts needs the entire case to complete an audit not just the agreement, the case file will continue to be located at the local office, not central office. The entire case file is sent from the local office to central office so that SBOA can complete the audit. New procedures are currently being developed to ensure compliance with the recently passed legislation. This finding remains open.

FINDING 2000 - FSSA (DCS)-2, OVERPAYMENT OF ADOPTION ASSISTANCE SUBSIDIES

Federal Agency:	Department of Health and Human Services
Federal Program:	Adoption Assistance Program
CFDA Number:	93.659
Auditee Contact Person:	Donna Sobecki
Title of Contact Person:	Assistant Deputy Director, CEU and Cash Management, Department of Child Services
Phone Number:	317-234-5686
Compliance Requirement:	Activities Allowed or Unallowed
Internal Control:	Significant Deficiency

Finding:

42 USC 673(a)(3) requires that adoption assistance subsidy payments not exceed the foster care maintenance payment. As stipulated in paragraph 810.3 of FSSA's Child Welfare Manual, FSSA's policy on the limitation on payments under the Adoption Assistance Program (AAP) is 75% of the county's rate for foster care per diem. Any amounts paid by the counties over this limitation are to be borne by the county.

We found that two of the twenty-five payments tested were in excess of the 75% allowable amount. One, a case in Jennings County, was overpaid by $248.02 during the month tested, and another, a case in Vigo County, was overpaid by $142.97. Neither of these overpayments exceeded 100% of the foster care maintenance payment. We expanded our testing of payments in these two counties. In Jennings County we found the same amount of overpayment for the same child for the additional month tested. In Vigo County we found a different child was overpaid $775.07 for the additional month tested. This overpayment was a violation of both the State 75% policy and the 100% Federal requirement. The allowable foster care maintenance payment at 100% was $571.91 and so the overpayment exceeded the Federal threshold by $203.16.

Through inquiry we found that the Central Office did not review for payments in excess of limitation either on a systematic or sample basis. Further, we found that while reviews are completed by the agency's three state-wide consultants, these reviews are completed on a special case basis rather than systematically.

We recommended that the payments from the AAP not exceed limitations. We also recommended that a system of review to detect payments in excess of limitations be implemented.

Status of Finding as of September 30, 2008:

The draft manual section has not been released. It has not been released because of recent legislative changes and a structured policy and practice analysis is currently underway that will result in identifying gaps in practice and procedure which will result in the implementation of new policy and training. This will be finalized in the SFY 2009. AAP training is provided as one of the breakout sessions to the Foster Parent Conferences and has also been occurring in the different counties.

As a part of the analysis, changes to the Department of Child Services (DCS) data system, ICWIS is in the requirements building stage as a part of a redesign to ICWIS for SACWIS compliance. It is envisioned that the AA agreement will be completed in the ICWIS and the ongoing negotiated monthly payment will be validated through a new unit, the Centralized Eligibility Unit, prior to authorization. Upon finalization, the data system will automatically move the agreement from the foster care case to the adoption assistance case. Payments will be made against the amount that is in the agreement with edits that will enforce the rules to assist in preventing this audit finding. The redesign effort will not be completed until 2009.

The Centralized Eligibility Unit should be operational in 2009. At that time, some components of the above enhancement will be operational to assist in eliminating this audit finding.

The recommendation that a system of review to detect payments in excess of limitations is currently being designed (KIDTRAX).

Payment to the adoptive parent cannot be reduced unless all parties are in agreement through an amendment to the subsidy. This finding remains open.

FINDING 2000 - FSSA (DCS)-3, FOSTER CARE PROVIDER LICENSURE

Federal Agency:	Department of Health and Human Services
Federal Program:	Foster Care Program
CFDA Number:	93.658
Auditee Contact Person:	Donna Sobecki
Title of Contact Person:	Assistant Deputy Director, CEU and Cash Management, Department of Child Services
Phone Number:	317-234-5686
Compliance Requirement:	Eligibility
Internal Control:	Material Weakness

Finding:

42 USC 671 and 672, and the approved Indiana State Plan both state that Foster Care Program payments may be made only to properly licensed or approved providers. We reviewed ten foster children cases to determine if licensure controls were in place. We found that five providers were not properly licensed. We also were not able to determine for an additional case as the case file could not be found.

Through inquiry we found several control issues. During our audit period the automated system known as the Indiana Child Welfare Information System used for data eligibility collection (which includes licensing status) was not linked to either county or central office accounting systems. Reliance had to be placed on manual forms of communication to stop ineligible payments. In addition, the central office did not review to ensure that payments were made only to properly licensed or approved providers, either on a systematic or sample basis. Further, we found that while reviews are completed by the agency's three state-wide consultants, these reviews are completed on a special case basis rather than systematically.

We recommended that controls be implemented to ensure payments are made only to properly licensed or approved providers.

Status of Finding as of September 30, 2008:

The Department of Child Services is currently working on a system enhancement within ICWIS on the Resource and Licensing Modules. The licensing status will be clearly identifiable throughout ICWIS through the changes made within this enhancement. This enhancement should be completed in 2009.

The Department is in the requirements building stage as a part of the redesign effort for SACWIS compliance. One of the functional requirements in this redesign would send to the payment system the child's eligibility would be based on the new Licensing Status codes implemented in the Resource and Licensing Enhancement. This would dictate the correct account and sub account coder for generation of the payment and subsequent claiming when eligible and reimbursable for a licensed home/facility. If the foster home of facility is not licensed, the system will change the child's eligibility and the payment system would be required to pay out of a non-eligible account and sub account code thus not allowing federal reimbursement for the payment when and if made. The redesign effort including the payment system will not be completed until 2009. This finding remains open.

FINDING 2000 - FSSA (DCS)-5, CHILD SUPPORT ENFORCEMENT PROGRAM FEDERAL

Federal Agency:	Department of Health and Human Services - ACF
Federal Program:	Child Support Enforcement Program (IV-D)
CFDA Number:	93.563
Auditee Contact Person:	Donna Sobecki
Title of Contact Person:	Assistant Deputy Director, CEU and Cash Management , Department of Child Services
Phone Number:	317-234-5686
Compliance Requirement:	Reporting
Internal Control:	Material Weakness

Finding:

Collections of child support by the central office of FSSA are deposited with the Treasurer of State. These child support funds are separately accounted for within the State's accounting system which is maintained by the Auditor of State. The Treasurer of State reconciles the deposits to the State accounting system. The State accounting system is the official record for both the collections and disbursements of child support funds made by the central FSSA office.

The collection and disbursement of child support funds are also entered on the Indiana Support Enforcement Tracking System (ISETS) which maintains detailed information for each child support case.

We found that amounts recorded on the federal reports are pulled from both of these sources. However, there is no reconcilement of ISETS transactions and balances on the State's accounting system. (Details of possible reconciling items were communicated to FSSA management in a letter dated March 27, 2000.)

In addition, ISETS produces the WEAAC224 - Daily Book Balancing report which documents the balance of funds remaining within ISETS on a daily basis. At the counties the report is used to support the reconcilement of ISETS to their bank accounts. The left side of the report calculates the balance at the end of the day by taking the prior day's balance and applying the total receipts, disbursements, and other transactions processed for the day. The right side of the report breaks the balance down into undistributed receipts (held items) and undistributed checks (the items that will be in the next check run). The left side balance should always match the right side balance. Although the report balances for funds processed at the counties, it does not balance for funds processed at the State. At June 29, 2000, there was a difference between the two balances of $43,635,881.

Since we were not able to verify the ISETS transactions and balances to the official Auditor of State records, we were not able to determine the reliability of those ISETS amounts used in the federal reports.

45 CFR 74.21 defines the financial management standards for child support enforcement programs. The code requires that the financial management system provide effective control and accountability for all funds.

To ensure accurate and reliable federal reporting, we recommended that FSSA strengthen the accounting procedures and controls over the above areas as required by 45 CFR 74.21.

Status of Finding as of September 30, 2008:

A number of the programming changes necessary to strengthen the accounting procedures and controls to ensure accurate and reliable federal reporting were put into production in July 2004.

Manual processes are used to balance the accounts on a daily basis. The accounts are also manually reconciled on a monthly basis. Reports and database queries are used for these processes.

A file is received monthly from the State Auditor's office and is used to update the status of warrants on ISETS. Manual processes are also used to reconcile both outstanding and stale-dated state warrants to the ISETS database on an annual basis.

The corrections recommended in connection with theWEAAC224 report have not been completed because of the extensive nature of the ISETS enhancements required. DCS will need to modernize or replace the ISETS system in the next several years, and has chosen not to invest in this set of enhancements at this time because of these types of deficiencies in the system will be addressed through the modernization/ replacement of ISETS. This finding remains open.

FINDING 2003 - FSSA (DCS)-1, FOSTER CARE PAYMENTS

Federal Agency:	Department of Health and Human Services
Federal Programs:	Foster Care Program
CFDA Numbers:	93.658
Auditee Contact Person:	Donna Sobecki
Title of Contact Person:	Assistant Deputy Director, CEU and Cash Management, DCS
Phone Number:	317-234-5686
Compliance Requirement:	Activities Allowed or Unallowed, Reporting
Internal Control:	Significant Deficiency

Finding:

Eligibility of children for the Foster Care, Foster Care Waiver, and Adoption Assistance programs are determined at FSSA's local offices of Family and Children. The claims for reimbursement from these programs are also prepared by these local offices. These claims are sent to FSSA's central office of Financial Management for processing. Financial Management makes payments from the appropriate program funds as indicated on the claims. There are separate federal funds for the Adoption Assistance Program and the Foster Care Program. Foster Care and Foster Care Waiver are both paid from the same federal program, but the amount that may be paid for Foster Care Waiver children is limited and must be identified for reporting and analysis purposes.

We tested ten payments to verify allowability and found two exceptions. One case had been identified on a claim as eligible for Foster Care and should have been identified as a Foster Care Waiver case. This resulted in the under reporting of Waiver payments. Another case had been identified on a claim as eligible for Foster Care and should have been Adoption Assistance. This resulted in $511.50 being paid from Foster Care funding instead of Adoption Assistance funding. Through further research we found that both cases had been properly classified on claims the following month. However, no corrections for the prior improper claims had been made. Through inquiry we found that there is no formal mechanism in place for the local offices to inform the central office of incorrect claims for these programs.

45 CFR 74.20 states that: ". . . (b) Recipients' financial management systems shall provide for the following: . . . (2) Records that identify adequately the source and application of funds for HHS-Sponsored activities. . . . (3) Effective control over and accountability for all funds, property and other assets."

We recommended that FSSA implement a process for the local offices to apprise financial management of incorrect claims.

Status of Finding as of September 30, 2008:

DCS Finance has completed an electronic claiming system. Child Welfare Claiming System (CWCS) for reimbursements to counties under Title IV-E, Assisted Guardianship and Title IV-A Emergency Assistance. During 2005, enhancements to CWCS were made to continue to improve efforts to audit claims for reimbursement prior to payment. These enhancements include the ability to search database for duplicate payments; ability to find and insert ICWIS ID and vendor information to reduce data entry errors; user must check certification and certified amount for claiming; and institution/facility rates are now included in the system to reduce data entry errors. A monthly report is prepared for staff to identify possible duplicate payments from one payment source or the possibility of two programs paying for the same service. A manual electronic schedule of payments is currently available within the CWCS system so data can be imported into CWCS rather than being reentered. Since enhancements continue, this finding remains open.

FINDING 2003 - FSSA-6, CHILD CARE AND DEVELOPMENT FUND (CCDF) - MONITORING OF REGISTERED MINISTRIES

Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Child Care Cluster
CFDA Number:	93.575, 93.596
Auditee Contact Person:	Melanie Brizzi
Title of Contact Person:	Child Care Administrator
Phone Number:	317-234-3313
Compliance Requirement:	Allowable Costs/Cost Principles
Internal Control:	Significant Deficiency

Finding:

Of the four major classes of child care providers that participate in Indiana's CCDF voucher program (licensed centers, licensed homes, registered ministries, and legally licensed-exempt in-home providers), only registered ministries are not subject to minimum staff/child ratios or total capacity limitations. In addition, the Bureau of Child Development (BCD) does not routinely verify attendance records against CCDF enrollment records during its periodic inspections of registered ministries. The absence of staff/child or total capacity restrictions, combined with the absence of cross-verification of records, creates unique opportunities for manipulation of enrollment records at registered ministries that participate in the CCDF voucher program. During the audit period, an investigation of a registered ministry by FSSA's Bureau of Investigation resulted in 26 felony charges related to the manipulation of enrollment records.

45 CFR 98.11 states: "In retaining overall responsibility for the administration of the program, the Lead Agency shall . . . (5) Oversee the expenditures of funds by subgrantees and contractors and (6) Monitor programs and services."

We recommended FSSA monitor registered ministries for allowable costs.

Status of Finding as of September 2008:

The Division of Family Resources has entered into a contract with JP Morgan to develop a swipe card system that will combine the EBT/Food Stamps/TANF cash assistance card with the CCDF voucher card. Combining cash assistance programs on a card with child care benefits is expected to significantly deter CCDF parents from sharing their card and/or PIN with their child care provider. The new card is expected to be piloted in May 2009 with statewide rollout to be completed by December 2009.

Further, the CCDF program developed rules to be formally promulgated. The rules specifically provide DFR with credible, defendable authority to take action against families and/or providers who are not complying with program policies and requirements. The rules were developed by DFR policy and operations staff along with a team that included FSSA Bureau of Investigations, FSSA Office of General Counsel, and FSSA Finance Management. The rules are in draft form and have been submitted to FSSA Office of General Counsel to be prepared and formatted for the formal promulgation process. The formal promulgation process may take from 12-18 months.

FSSA Audit has supplemented program by completing random field audits of child care providers. Their results are communicated to program for appropriate follow-up.

This finding remains unresolved.

FINDING 2003 - FSSA-16, ONGOING VERIFICATION OF PROVIDER MEDICAL LICENSES

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Controller, FSSA-OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions - Provider Eligibility
Internal Control:	Significant Deficiency

Finding:

FSSA's Medicaid Program contracts with an outside contractor, EDS, for determining provider eligibility. During our audit of FSSA's Medicaid Program, we found that the current status of provider medical licenses was not verified by EDS on a consistent basis. The Indiana Health Professions Bureau (IHPB) maintains a centralized database of health profession licenses. IHPB transmits to EDS on a monthly basis an electronic list of active licenses. EDS used this file to verify that new Medicaid providers applying for enrollment were licensed. However, EDS did not use this file to verify that the licenses of active providers were current. In one instance, we discovered a provider that remained actively enrolled whose license had been revoked more than two years previously. Upon inquiry, we found that EDS performed a limited verification of license revocations using manual procedures. However, these manual procedures were insufficient to assure that providers without a current license would be determined ineligible on a consistent basis. This is a control weakness.

42 CFR 440 Subpart A includes definitions of the various medical services eligible for reimbursement under Medicaid. 42 CFR 440.50 defines physicians' services as "services furnished by a physician . . . by or under the personal supervision of an individual licensed under State law to practice medicine or osteopathy."

We recommended that FSSA implement procedures to ensure that providers whose medical licenses are not current do not remain eligible for participation in Medicaid.

Status of Finding as of September 2008:

The Indiana Professional Licensing Agency (IPLA) sends license data to EDS each month that lists providers who are and are not duly licensed in our state. By adding a new column to the On Demand reports used by Provider Enrollment (PRV-0413R and 0414R) with the data now supplied to EDS by the IPLA, recovery of claim payment amounts that occur during these unlicensed periods is possible. Provider Enrollment will know periods where providers were not licensed and should not have received payment for services rendered. The reports' enhancement is the key to successful follow up in the recovery process. CR442 and CO1174 have been approved and completed to achieve this end. Additionally, OMPP will create a systematic quarterly reporting process that reports potential providers that can be purged (i.e., termination of eligibility) Non-Managed Care providers who have not have had claim activity for the past 18 months. This is done manually today. To date, CO253, created to carry this out, is awaiting resource assignment.

OMPP considers this finding open until CO253 is tested and implemented.

FINDING 2004 - FSSA-4, FAMILY AND SOCIAL SERVICES ADVISORY COMMITTEE

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Controller, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Activities Allowed or Unallowed
Internal Control:	Significant Deficiency

Finding:

42 CFR 431.10 (b) states: "A State Plan must . . . (2) Include a certification by the State Attorney General, citing the legal authority for the single State agency to—(i) administer or supervise the administration of the plan; and (ii) make rules and regulations that it follows in administering the plan . . ."

Indiana Code 12-8-6-1 states: "The office of Medicaid policy and planning is established." Indiana Code 12-8-6-3 states: "The office is designated as the single state agency for administration of the state Medicaid program under IC 12-15." Attachment 1.1-A of the Indiana State Plan includes a certification by the State Attorney General regarding the legal authority of OMPP as the single State agency to administer the plan.

However, the certification is silent regarding OMPP's authority to make rules and regulations that it follows in administering the plan. Indiana Code 12-8-6-5 states: "The secretary [of the Family and Social Services Administration (FSSA)] may adopt rules under IC 4-22-2 to implement . . . the state Medicaid program." In past years, the Center for Medicare and Medicaid Services (CMS) has made inquiries regarding the apparent conflict between OMPP's and FSSA's rulemaking authority. In practice, FSSA's Office of General Counsel has resolved this conflict by submitting all Medicaid-related rules to both OMPP and the Secretary's office for approval.

Indiana Code 12-8-1-9 states: ". . . any rules adopted by the secretary . . . must be approved by the family and social services committee established by IC 12-8-3-2 before submission to the attorney general . . ." Indiana Code 12-8-3-3 states: "The committee consists of fifteen (15) voting members appointed by the governor . . . The voting members may not be employees of the executive branch or legislative branch of the state. Not more than five (5) of the members may be health care providers . . ." These members must include at least one licensed physician, one representative of a disproportionate share (DSH) hospital, and "One (1) individual who serves as a provider on the Medicaid advisory committee (IC 12-15-33-2) who shall represent the interests of health care providers having representation on the Medicaid advisory committee."

Prior to 1995, the Family and Social Services Advisory Committee (Advisory Committee) consisted of a predecessor entity, the Family and Social Services Advisory Commission. The commission primarily consisted of executive branch members and did not have authority to approve rules.

We were informed of the rule-making authority of the Advisory Committee during an exit interview with senior FSSA management staff during December 2004. Upon further inquiry, we discovered that neither FSSA's Audit Division nor CMS were aware of the existence of the Advisory Committee and its rule-approval authority. The organization charts for OMPP and FSSA (Attachment 1.2-A of the Indiana State Plan) do not disclose the existence of the Family and Social Services Advisory Committee.

We also discovered that members of the Advisory Committee are not required to excuse themselves from voting unless they have a personal financial interest in the outcome of the vote. According to the Office of General Counsel, unless their personal compensation is directly affected by the proposed rule, potential conflicts of interest for their employer do not disqualify the member from voting.

We reviewed the minutes of the Advisory Committee during the audit period and discovered that votes were frequently taken if the minimum quorum of eight members were present. At times up to four representatives of the health care industry contributed to the minimum quorum, including an employee of a managed health care organization, a doctor, a member of Health and Hospital Corporation (a Marion County DSH provider), an employee of a mental health care center, and a former director of OMPP who now works for a health-care research and consulting firm periodically retained by FSSA.

42 CFR 431.10(e) states: "In order for an agency to qualify as the Medicaid agency—(1) The agency must not delegate, to other than its own officials, authority to . . . (ii) Issue policies, rules and regulations on program matters. (2) The authority of the agency must not be impaired if any of its rules, regulations, or decisions are subject to review, clearance, or similar action by other offices or agencies of the State."

The submission of Medicaid-related rules to an Advisory Committee which contains a significant voting bloc of health-care industry representatives represents a potential impairment of OMPP's rule-making authority. The potential impairment cannot be evaluated as to the extent that the existence of the Advisory Committee may affect what rules are proposed and submitted. The additional delays imposed on the rulemaking process through the introduction of several layers of approval, including the Secretary's office, also represents a potential impairment.

We recommended that OMPP communicate with CMS and, if necessary, members of the Indiana State Legislature regarding the potential impact of the existence of the Advisory Committee on its ability to serve as the single State agency.

Status of Finding as of September 2008:

The status of this finding remains unchanged. The agency does not agree with this finding's conclusion that a conflict exists between OMPP's and FSSA's rulemaking authority. The office of the secretary of Family and Social Services is accountable, *through the offices of FSSA*, for "overall policy development and management of the state Medicaid plan under IC 12-15." See IC 12-8-1-5(b)(5) OMPP is one of the offices within FSSA and it has been designated to administer the Medicaid state plan under the secretary's direction. See IC 12-8-6. OMPP is part of FSSA, therefore, it is not correct to conclude that that a conflict with respect to rulemaking exists between them because they are part of the same agency.

FSSA does not agree with this finding's conclusion that the Family and Social Services Advisory Committee (hereinafter "Committee") legally impairs OMPP's ability to serve as the single state agency administering the Medicaid program. This finding appears to use the terms "rulemaking" and "rule approving" authority interchangeably, when they are not the same. "Rulemaking" is a term of art and does not equate to rule approval. Rulemaking "means the process of formulating and adopting a rule." See IC 4-22-2-3(c). The Committee does not have rulemaking authority. With regard to Medicaid rules, rulemaking authority resides appropriately with FSSA/OMPP. The FSSA Advisory Committee does have authority to approve, reject or return a rule, however, this action does not, on its face, legally impair the single state agency's authority in administering the Medicaid program. FSSA points out that federal law does not prohibit review or clearance of rules by other offices or agencies in the state, only that the single state agency's legal authority not be impaired by such action. See 42 CFR 431.10(e)(2). IC 12-8-3-5 limits the Committee's role to an advisory one with regard to policy. The Committee has construed its mission as follows:

"The Committee is entrusted with the authority to approve a rule, disapprove it, or return to a division or the Office of the Secretary with suggestions for revision or to request additional information. A rule presented to this Committee is forwarded to the Attorney General for approval only after approval by this Committee. *The Committee is not to judge the legal authority of a rule as that rests with the Attorney General's Office, and the policy that is set by the Governor's Office*."

This finding remains unresolved due to the need to update the citations mentioned above.

FINDING 2004 - FSSA-5, SUPERVISION OF LOCAL OFFICES OF FAMILY AND CHILDREN (OFCs)

Federal Agency:	Department of Health and Human Services
Federal Program:	State Children's Insurance Program (SCHIP), Medical Assistance Program
CFDA Number:	93.767, 93.778
Auditee Contact Person:	Doug Herrington
Title of Contact Person:	Compliance Manager, OMPP
Phone Number:	317-234-2927
Compliance Requirement:	Activities Allowed or Unallowed, Eligibility
Internal Control:	Significant Deficiency

Finding:

As noted in Attachment 2.2-A of the Indiana State Plan, the agency that determines eligibility for coverage is "Each County Welfare Department under the supervision of the Family and Social Services Administration" (FSSA). In 1986, the County Welfare Departments were transformed into the local Offices of Family and Children (OFCs). FSSA's Division of Family and Children (DFC) has oversight responsibility for the local OFCs.

We reviewed monitoring and reporting mechanisms between DFC's central office and the local OFCs during the audit period. We discovered that the monitoring controls for central office oversight of local OFCs mainly concerned the Food Stamp program, and applicability to the Medicaid program was limited:

> Second-Party Review (SPR). Local supervisors perform an SPR or desk review on all cases authorized by caseworkers who are on probation or who have been employed less than six months. In prior years, SPRs were also performed for a sample of all experienced caseworkers. However, as of 2003, targeted SPRs were implemented to review earned-income determinations for the Food Stamp program only.
>
> Management Evaluation Reviews (MERs). As part of the MER, a random sample of Food Stamp cases is selected for desk review. Since Medicaid cases are frequently handled by specialized staff, and program requirements significantly differ, MERs are of limited usefulness in monitoring Medicaid-related duties.
>
> Quality Control (QC) Reviews. During the audit period, DFC's Bureau of Family Resources (BFR) completed a Medicaid Eligibility Quality Control (MEQC) pilot project, as mandated by CMS. The scope of the MEQC project was limited to a highly technical area of nursing home admissions involving potential estate-shielding tactics. Although error rates identified were high, broad-based conclusions cannot be necessarily projected to the program as a whole.
>
> Audit Division Reports. FSSA's Audit Division performed on-site audits of local OFCs throughout 2002-2004. We reviewed the scope of these audits and found that, for all but two counties, the audits did not test any federally-funded Medicaid-related functions.

Through interviews with staff and management we verified that the primary purpose of these monitoring and reporting mechanisms was to achieve a lower statewide error rate for Food Stamp eligibility determinations. FSSA allocated quality control resources to lowering the Food Stamp error rate to avoid financial penalties imposed by the United States Department of Agriculture (USDA). In contrast, by opting for the pilot project option offered by CMS for Medicaid, the State was able to avoid potential exposure to the risk of broad-based penalties altogether. As resources were reallocated to lowering the Food Stamps error rate, residual coverage of Medicaid functions by the SPR process was eliminated.

Furthermore, we determined that FSSA management had fostered a culture that encouraged autonomy at the local level, to the point where the central office of the DFC served as a clearinghouse for information and technical assistance but not accountability for program management, which rested with the local directors.

The association of quality control with penalty avoidance rather than a management responsibility in its own right, combined with an emphasis on local autonomy, constitutes a deficiency in the control environment at DFC. Upon inquiry, OMPP indicated it was unaware of the extent of these deficiencies and their potential impact on the Medicaid program. This lack of communication between divisions constitutes a deficiency in the control environment at OMPP and FSSA.

To test the potential impact of these control deficiencies on the Medicaid program, we focused on whether local offices were being held accountable to follow up on independent verifications of local office data against outside sources. As required by 42 CFR 435.940 through 435.960 and Section 4.32 of the State Plan, eligibility data entered by local caseworkers in the Indiana Client Eligibility System (ICES) is periodically verified against independent information, including (but not limited to) information from the Social Services Administration (SSA), Internal Revenue Service (IRS) and Indiana's Department of Workforce Development (DWD). If a discrepancy is found, a data alert is generated by ICES to the caseworker. If the caseworker does not enter a code indicating what type of action was taken and the date action was taken, an alert is generated by ICES to the supervisor. Data will not be automatically overwritten in ICES as the result of a data exchange except for Social Security (SS) benefits or Supplemental Security Income (SSI) verified by SSA.

We were unable to identify any reporting mechanism by which DFC monitored the disposition of data alerts by local OFCs. We requested a custom query from the ICES data warehouse for alerts received during 2003 and 2004 that (1) remained uncompleted despite (2) having generated a supervisory alert. We verified that over 13,000 such alerts remained on the system, including over 2,000 new hire matches against Indiana's child support system and over 200 prison inmate matches against SSA.

More than 7,000 alerts belonged to St. Joseph County, including multiple repetitive alerts for the same case file across time periods. St. Joseph County was selected for a MER in 2000 and 2004. We reviewed the 2000 report and found that problems had been noted in this area, and a recommendation for additional training issued. The same problems were noted in 2004, but no recommendation was made.

However, even for counties for which data alert screens are being completed by caseworkers, no effective oversight exists that these screens are being completed on other than a perfunctory basis unless the case file is selected as part of an SPR or QC sample. Medicaid files are not included in the selection process except under limited circumstances.

The risk of inadequate follow-through for data alerts is exacerbated for pregnant women and children under the age of 19 covered under Hoosier Healthwise, a health coverage program jointly funded by Medicaid and the State Children's Health Insurance Program (SCHIP). Applicants to Hoosier Healthwise are subject to simplified verification rules. Under simplified verification, the applicant's statement is accepted as verification of name, citizenship, address, residency, marital status, and date of birth so long as a valid Social Security number is submitted. Income may be verified by a single pay stub or child support receipt so long as the applicant states that monthly income did not fluctuate from the current level in the prior three months.

42 CFR 435.903 states: "The agency must---(a) Have methods to keep itself currently informed of the adherence of local agencies to the State plan provisions and the agency's procedures for determining eligibility; and (b) Take corrective action to ensure their adherence." 42 CFR 435.952 sets forth requirements for the timely review of information received through data matches. 42 CFR 435.952(f) states: "The agency must use appropriate procedures to monitor the timeliness requirements of this section."

We recommended that OMPP coordinate with DFC to implement monitoring procedures to ensure appropriate follow-up on data alerts by the local OFCs.

Status of Finding as of September 2008:

Until the implementation of IBM's eligibility modernization this finding will remain unresolved.

FINDING 2004 - FSSA-6, DEATH VERIFICATIONS

Federal Agency:	Department of Health and Human Services
Federal Program:	State Children's Insurance Program (SCHIP), Medical Assistance Program
CFDA Number:	93.767, 93.778
Auditee Contact Person:	Doug Herrington
Title of Contact Person:	Compliance Manager, OMPP
Phone Number:	317-234-2927
Compliance Requirement:	Activities Allowed or Unallowed, Eligibility
Internal Control:	Significant Deficiency

Finding:

On a daily basis, the Family and Social Services Administration (FSSA) submits the Social Security numbers of new applicants for programs served by the local Offices of Family and Children (OFCs) to the Social Security Administration (SSA) for verification that the number is valid, has been assigned to the corresponding name, and the number/name are not in the SSA death registry. In addition, FSSA verifies data for active household members against the SSA death registry on a quarterly basis for all recipients above 13 years of age.

If SSA records indicate that a recipient has died, an alert is generated to the caseworker. The Indiana Client Eligibility System (ICES) permits caseworkers to authorize file changes once daily. Most changes can be batched prior to authorization, but death information must be authorized in two sequential steps for the recipient to be properly removed from the household and the remaining household members' eligibility to be recalculated.

If a recipient is properly removed, the recipient's case should become inactive and therefore not be included in the next quarter's death verification request. We requested a query of the ICES data to determine if any death matches were returned for the same recipient from one quarter to the next. A query was generated to compare results for the 4th quarter of 2004 to results for the 4th quarter of 2005. We found 133 matches statewide. Of these matches, 38 indicated some kind of benefit had been provided in 2005. Of these matches, 10 indicated a date of death prior to June 2002.

For these 10 matches, we obtained payment data for the audit period. Out of the 10 matches, 6 recipients were identified who received a combined total of more than $200,000 in services during SFY04. We also tested a match for a date of death from 1957 and discovered that Medicaid payments had been provided through 2001.

These results are not conclusive until additional research is conducted. For example, if services were provided under a stolen identity, the sum of inappropriate payments would potentially span a longer time-frame than SFY04. Even if each instance of discrepant data can be traced to an error rather than the intentional misuse of an identity, the failure to detect and correct the discrepancies in a timely manner indicates control weaknesses over the payment function. In addition, failure to fully complete the two-step authorization required by ICES for death data affects the accuracy of eligibility determinations for remaining household members.

42 CFR 430.0 states: "Title XIX of the Social Security Act, enacted in 1965, authorizes Federal grants to States for medical assistance to low income persons who are age 65 or older, blind, disabled, or members of families with dependent children or qualified pregnant women or children." Medical assistance cannot be provided to a person who is deceased.

We recommended that research be conducted to determine the cause of discrepant death verification data for repetitive data alerts. In addition, we requested that the ultimate disposition of each instance of discrepant data, whether correction of erroneous data, recoupment or referral to an appropriate investigative or law enforcement authority be documented and reported to us.

We also recommended that adequate oversight be exercised to ensure timely and appropriate resolution of discrepant death data by local OFCs.

Status of Finding as of September 2008:

The new reports referenced in the 2007 response were initiated. Soon after the modernization of the eligibility system began the reports were included in the new process. One of the purposes of the modernization initiative is to ensure appropriate and timely resolution of discrepant death data. OMPP continues to work with the new system as the modernization rolls out; the state is now operating parallel systems with some areas of the state under the new system and others continuing in the "old" system, consolidated reports are not yet available, but are planned. OMPP continues to monitor.

This finding remains unresolved.

FINDING 2004 - FSSA-8, PROVIDER ENROLLMENT (HCBS WAIVERS, FIRST STEPS)

Federal Agency:	Department of Health and Human Services
Federal Program:	State Children's Insurance Program (SCHIP), Medical Assistance Program
CFDA Number:	93.767, 93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Controller, FSSA-OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions – Provider Eligibility
Internal Control:	Significant Deficiency

Finding:

Prior to the formation of the cross-divisional Waiver Unit between the Office of Medicaid Planning and Policy (OMPP) and the Division of Disability, Aging and Rehabilitative Services (DDARS) in early 2004, home and community based service (HCBS) waiver providers were enrolled by DDARS staff under a provider agreement that did not meet Medicaid disclosure standards. Some providers separately executed a Medicaid-compliant agreement with the Medicaid claims payment contractor, EDS, to provide traditionally covered services. An enrollment project to ensure that all waiver providers have executed a Medicaid-compliant agreement is scheduled for completion in early 2005.

In addition, during the audit period, providers participating in the First Steps early intervention program were enrolled by the Division of Family and Children's (DFC's) central reimbursement office (CRO) contractor, Covansys. These providers did not complete a Medicaid-compliant agreement, even though their services were submitted by DFC for reimbursement by EDS if provided to a Medicaid-eligible recipient, as confirmed by data matches to the Indiana Client Eligibility System (ICES).

42 CFR 455.104 enumerates various provider disclosure requirements for the Medicaid program. We recommended that adequate disclosures be obtained from all First Steps providers whose services are potentially billable to the Medicaid program.

We also recommended completion of the HCBS waiver provider enrollment project.

Status of Finding as of September 2008:

EDS will initiate another waiver file audit project to verify specified required documents are properly documented for this sub-group of providers.

The finding remains unresolved.

FINDING 2005 - FSSA-1, CASH MANAGEMENT DOCUMENTATION OF PROCEDURES

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Audited Contact Person:	David Nelson
Title of Contact Person:	Director of Finance, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Cash Management
Internal Control:	Significant Deficiency

Finding:

During our audit of FSSA, we found that FSSA's Financial Management Division did not have an adequate system of documentation to trace specific expenditures to its corresponding federal draw. This occurred due to a lack of formal written procedures over Cash Management. This is a control weakness.

45 CFR 92.20 (b)(2) states in part: "Accounting Records. Grantees . . . must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards . . . assets, liabilities, outlays or expenditures and income."

45 CFR 92.20 (a) states in part: "A state must expand and account for grant funds in accordance with State laws and procedure for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees . . . must be sufficient . . ."

We recommended that FSSA develop formal written procedures over Cash Management to ensure that federal draws follow their respective check clearance pattern templates and that adequate supporting documentation of draws are maintained.

Status of Finding as of September 2008:

Business Processes have been documented but are continually revised as FSSA transitions to PeopleSoft Financials as part of a state-wide accounting system.

FSSA Accounting Operations reconciles each fund center on a weekly basis. The weekly reconciled federal expenditures are then drawn from the appropriate federal grant(s). Business processes to tie federal expenditures to specific GL entries are being implemented until PeopleSoft is fully functional as a state-wide accounting system. This finding remains open.

FINDING 2005 - FSSA-2, CASH MANAGEMENT SCHIP TEMPLATE

Federal Agency:	Department of Health and Human Services
Federal Program:	State Children's Health Insurance Program (SCHIP)
CFDA Number:	93.767
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Finance, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Cash Management
Internal Control:	Significant Deficiency

Finding:

During our audit of FSSA, we found that the check clearance pattern template for the State Children's Health Insurance Program (SCHIP) was inaccurate because it had not been properly updated to include only necessary data. Furthermore, we found other check clearance pattern templates that had not been properly updated to include additional necessary data and remove outdated data. The change in data would not have changed the final templates. FSSA did not properly monitor to ensure that only necessary data utilized to calculate the check clearance pattern templates, was properly included. This is a control weakness.

45 CFR 92.40(a) states: "Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and sub grant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity."

We recommended that FSSA implement procedures to adequately monitor to ensure that only necessary data be included in the computation of the check clearance pattern templates.

Status of Finding as of September 2008:

The check clearance pattern (CCP) is entered annually into FETS to delay payments until the average check clearance time has elapsed. The CCP for SFY 2009 currently in FETS has been verified against Exhibit II: List of Clearance Times in the Cash Management Improvement Act Agreement for SFY 2009. Calendar reminders have been set for all members of Cash Management as a reminder to update the CCP at the end of June each year.

A complete process to enforce the CCP days will not be available until PeopleSoft is utilized to identify federal expenditures available for federal draws.

FSSA considers this finding open.

FINDING 2005 - FSSA (DCS)-4, PSC 272 QUARTERLY REPORTS

Federal Agency:	Department of Health and Human Services
Federal Program:	Title IV-D, Child Care Cluster
CFDA Number:	93.563, 93.575, 93.596
Auditee Contact Person:	David Nelson; Donna Sobecki
Title of Contact Person:	Director of Finance, FSSA; Assistant Deputy Director, CEU and Cash Management, DCS
Phone Number:	317-232-7088; 317-234-5686
Compliance Requirement:	Reporting
Internal Control:	Significant Deficiency

Finding:

During our audit of FSSA, we found that the Federal Cash Transaction Report, PSC 272, quarterly reports had inaccurate amounts reported as compared to FSSA's Federal Expense Tracking System (FETS). FSSA did not have a reconciliation process in place to verify that expenses in FETS were recorded properly on the PSC 272 quarterly report. Through inquiry and observation, there is a lack of monitoring controls to verify that the dollar amounts recorded on the PSC 272 quarterly reports are accurate prior to being reported to the federal government.

45 CFR 92.20(b) states: "The financial management systems of other grantees and subgrantees must meet the following standards: - (1) Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant."

We recommended that FSSA implement a reconciliation process to verify that the amounts recorded on the Federal Cash Transaction Report PSC 272 quarterly reports are accurate prior to being reported to the federal government.

Status of Finding as of September 2008:

FSSA

The PSC 272 Quarterly Federal Cash Transaction Report for 2008 was manually completed based on selected reports from the FSSA Federal Expenditure Tracking System (FETS). A written procedure for preparing the 2008 PSC 272 was developed. The net federal share disbursements reported were reconciled by each reported award and in total for each PSC 272 report to FETS reports. The FETS reports were reconciled monthly by Cash Management to Financial Accountant prepared "Expends vs. Allotment" spreadsheets developed by Fund and Center and balanced to Auditor of State (AOS). The development within PeopleSoft of Project reporting in the future will create transaction queries or reports that will be utilized to drive both deposits and expends. Formal procedures will be developed based on PeopleSoft Project implementation. This finding remains open pending the PeopleSoft implementation of the ENCOMPASS project with AOS.

DCS

The PSC 272 reports were completed based on a new report in the FETS system identified as the "FETS-Schedule of Federal Financial Assistance." The report can be run utilizing date ranges and captures data included in the FETS transaction processing. The report breaks out Federal Assistance reporting by Grantor Agency/ PIN/ CFDA#/Grant number/Start Balance/Deposits/Draws/Expends/End

Balance/Account (fund center) with totals by Grantor Agency. The development within PeopleSoft of Project reporting in the future will create transaction queries or reports that will be utilized to drive both deposits and expends that will be invoiced in PeopleSoft and tracked utilizing PeopleSoft Account Receivable module. The current reconciliation process is at fund center level utilizing the Cash Management Accountants prepared reconciliation to the "Expends vs. Allots" spreadsheets maintained and submitted by the Fiscal Account Managers by fund center. These spreadsheets are reconciled to the balances in FETS system by transaction type and various federal system PIN number balances on at a minimum on a monthly basis. The Cash Management reconciliation is reviewed by the Assistant Deputy Director of Cash Management. The Assistant Controller completes a summary reconciliation of AOS, the Allot vs. Expends report and FETS. This reconciliation is done monthly for all the fund centers. This reconciliation is reviewed by the Controller. This finding will remain open pending the PeopleSoft implementation in the ENCOMPASS project with AOS.

FINDING 2005 - FSSA (DCS)-5, SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE - REPORTING ERRORS

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program, Child Support, Child Care Cluster
CFDA Number:	93.778, 93.563, 93.575, 93.596
Auditee Contact Person:	David Nelson
Title of Contact person:	Director, Financial Management
Phone Number:	317-232-7088
Compliance Requirement:	Reporting
Internal Control:	Material Weakness

Finding:

During our audit of FSSA, we found that the Schedule of Federal Financial Assistance had numerous errors totaling over $100 million. FSSA resubmitted the Schedule to us multiple times throughout the period August 2005 to March 30, 2006. Errors were found in receipts, disbursements, pass-through amounts, CFDA numbers, cross-footing in ending balances, and entire grants being left off the schedule. Even though these errors were resolved, such materially significant errors in the future could result in a qualification of the Schedule. This also affects the reliability of how major programs are determined. The lack of formal written procedures and an inadequate review process of the Schedule contributed to the potential for errors. This is a control weakness.

45 CFR 92.20 states: "(a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to— (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes."

We recommended that FSSA develop formal written procedures in preparing the Schedule of Federal Financial Assistance and institute a thorough review process of the schedule to ensure accurate, current and complete disclosure of the financial results.

Status of Finding as of September 2008:

The A-133 Schedule of Federal Financial Assistance report for 2008 was manually completed based on selected reports from the FSSA Federal Expenditure Tracking System (FETS) and inputs from Financial Accountants for non-FETS tracked awards. A written procedure for preparing the 2008 A-133 was developed. Control totals were developed within the A- 133 schedule for review and reconciliation of the recorded data to FETS and non-FETS balances. The development within PeopleSoft Project reporting in the future will create transaction queries or reports that will be utilized to drive both deposits, and expenditures. Formal procedures will be developed based on PeopleSoft Project implementation. This finding remains open pending the PeopleSoft implementation of the ENCOMPASS project with AOS.

FINDING 2005 - FSSA-10, OVERPAID AND UNDOCUMENTED MANUAL PAYMENTS ISSUED

Federal Agency:	Department of Health and Human Services
Federal Program:	State Children's Health Insurance Program (SCHIP), Medical Assistance Program
CFDA Number:	93.767, 93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Controller, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Allowable Costs/Cost Principles
Internal Control:	Significant Deficiency

Finding:

The State's fiscal agent for the Medicaid program, EDS, has a process to pay expenditures based on payout requests and manual check requests. We reviewed and tested these payment records and found that EDS did not always obtain OMPP approval to issue payments, or sufficient documentation to support the expenditure. The following payments are considered as questioned cost to the federal program:

OMPP approved that an interim payment be issued to a hospital, however, the calculations were not approved. The manual calculations made were in error, as was a subsequent system payment that was issued for the balance of the dates of service. The total overpaid was $623,101.

A payment was issued for a 1995 settlement agreement. The total interest paid was $161,648.

A payment was issued without the supporting calculation for $468,804.

A dentist was refunded the amount he reimbursed for duplicate payments identified. The basis for the refund was not documented in EDS records. The refund issued was $25,959.

The above questioned costs total $1,279,512. The federal share of the questioned costs may be required to be repaid with State funds.

"To be allowable under Federal awards, costs must meet the following general criteria: a. be necessary and reasonable for proper and efficient performance and administration of Federal awards. b. Be allocable to Federal awards under the provisions of this Circular . . . d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items. . . . j. Be adequately documented." (US OMB Circular A-87, section C (1))

"Costs incurred for interest on borrowed capital or the use of a governmental unit's own funds, however represented, are unallowable except as specifically provided in subsection b. or authorized by Federal legislation." (US OMB Circular A-87, Attachment B, 23)

We recommended that FSSA review and approve calculations for expenditures based on payout requests and manual check requests. Controls to ensure only allowable, documented costs are recorded by the fiscal agent should be developed and monitored. FSSA should obtain adequate documentation, seek reimbursement for and repay the federal share of the total questioned costs to the federal government.

Status of Finding as of September 2008:

The interest payment noted in the finding is for a 1995 settlement agreement. FSSA Finance reported the overpayment of $161,648 on the CMS-64 for the QE 9/30/07 and returned 50% as the federal portion through an expenditure adjustment in December 2007. The difference between the FMAP and 50% still needs to be returned. The documentation for this expenditure was held with the OMPP staff person regarding the necessity for the payment and is available for review.

The review of the Finance Operating Procedures Manual has been completed. Manual expenditures are addressed in Section 4 of the Manual. Manual expenditures to hospitals (for supplemental and DSH payments), FQHCs/RHCs (for federally required interim and finalized RBMC wraparound payments), nursing homes (for municipal UPL payments) and physician UPL payments are initiated and authorized by OMPP. After the payments are issued, OMPP reconciles the payment amount against what was initially authorized.

This finding remains unresolved.

FINDING 2005 - FSSA-11, DENTAL CORPORATION CLAIMS

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Controller, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions – Utilization Control and Program Integrity
Internal Control:	Significant Deficiency

Finding:

We observed that claims for dental groups were paid without rendering provider information. As a result of omitting the rendering provider from dental group claims, proper utilization analysis could not be performed. This condition precludes analysis of claims billed from dental groups, as well as claims billed for dental providers which operate a private practice in addition to working in a group practice. The Surveillance and Utilization Review (SUR) function provides profiles of health care delivery and utilization patterns of providers and recipients. By analyzing and comparing providers and recipients to their peer groups, atypical practices can be identified and appropriate action may be pursued.

We found that AIMS has not evaluated dentist claims for edit 1008 (rendering provider must have an individual provider number) since at least the year 2000. On June 3, 2005, Change Order fifty-two (52) was released into production. The change order narrative states that its purpose is, "to meet HIPAA requirements by allowing dental rendering at the detail level." A provider bulletin dated June 1, 2005, informed providers that the rendering provider's number is required and where it should be submitted on the claim. We observed denial of dental claims because of edit 1008 during June 2005.

Subsequent to our audit period, on July 25, 2005, edit 1008 was inactivated for dentists at the request of FSSA on Reference Change Order 2877. In addition, the following other edits were also inactivated for dentist claims at that time: 231 (rendering provider number is missing), 232 (rendering physician number is not in a valid format), 1010 (rendering provider is not a member of the billing group, or rendering not equal billing), 1004 (rendering provider not eligible to render services on this program for the date of service), and 7509 (rendering provider on prepayment review). According to the document describing the change, ". . . the OMPP feels that there was not adequate notification to providers for them to modify their procedures to enroll rendering providers in the system." From start to finish, the provider enrollment process is roughly 30 days. As of March 31, 2006, FSSA has not requested that the edits be reactivated.

42 CFR §456.23 states that: "The agency must have a post-payment review process that-- (a) Allows State personnel to develop and review-- (1) Recipient utilization profiles;(2) Provider service profiles; and (3) Exceptions criteria; and (b) Identifies exceptions so that the agency can correct misutilization practices of recipients and providers."

42 CFR §456.3 states that: "The Medicaid agency must implement a statewide surveillance and utilization control program that-- (a) Safeguards against unnecessary or inappropriate use of Medicaid services and against excess payments; . . . (c) Provides for the control of the utilization of all services provided under the plan in accordance with subpart B of this part; and (d). . . ."

We recommended that FSSA ensure that rendering dentists are identified on all dental group claims. FSSA should also ensure that post-payment review processes and the SUR program include necessary procedures to ensure proper payments are issued for dental services.

The EDS Claims Resolutions Manual indicated that the following other types of providers/specialties and codes are excluded from edit 1008: Rehabilitation Center (06), Title V Clinic (08/085), School Corporation (16), Public Health Department (17), Optician (21), Durable Medical Clinic (35), Transportation (36), Laboratory (38), and Radiology Provider (39). We further recommended that FSSA ensure that rendering provider information is required for all applicable provider group practice claims for SUR purposes.

Status of Finding as of September 2008:

The 1008 edit which requires a rendering provider linkage was activated April 2007 for dental providers which requires enrollment of both billing and rendering providers. The edit is designed for services being billed by a group provider. It is not applicable for a billing provider. The edit was activated for dental providers in a group in April 2007. Prior to April 2007, dental claim forms did not allow for the Rendering/Billing format, so most dentists were enrolled as billing providers. However, once NPI was initiated and the claim forms were updated dentists were able to enroll using the rendering/billing process. Bulletin communications regarding these changes were sent to the provider community and dental providers updated their enrollments based on their businesses. NPI gives corporations a group NPI and rendering for individual dental providers. This part is considered closed.

As for the other type and specialties bypassing rendering logic indicated in the audit finding,

- Type 08/085 is no longer a valid value for providers to enroll.
- Type 13/130 Public Health Agency can be classified as a 1) billing or 2) a group with rendering providers linked; therefore, if the provider chooses to be a billing provider we would not edit for the rendering at the detail level of the claim.
- For provider type 29, Radiology, can be enrolled as a group or billing. If the provider is billing for the technical component of the x-ray, this service is typically performed by a radiology technician who would not have a rendering provider number; however, the reading of the x-ray would be performed by a radiologist which can be a rendering provider. Since the technician is employed by the radiology facility, the technical component cannot be billed by a rendering provider number; however, the reading and interpretation performed by the radiologist can be billed by a rendering. The AIM system cannot process the same provider number in 2 separate manners.
- The edit 1008 is for rendering providers. AIM will set the edit for a group billing provider when no rendering is on the claim. The edit will set for claims billed by a type 13 or 29 enrolled as a group but not if enrolled as a billing.

OMPP considers this finding to be closed.

FINDING 2005 - FSSA-12, DUPLICATE CLAIMS IDENTIFIED BY CONTRACTOR

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Controller, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Allowable Costs/Cost Principles
Internal Control:	Significant Deficiency

Finding:

The rate-setting contractor performs desk reviews of hospital cost reports and is also the Payment Integrity Program (PIP) contractor. During our audit period, the contractor finalized the desk reviews of the 2002 inpatient hospital cost reports. One of the desk review procedures performed during 2002 was the identification of duplicate hospital claims. From the rate-setting/PIP contractor, we were provided with a listing dated January 25, 2003, with $1,067,465.50 in identified duplicate payments from 50 different providers for claims paid between 1998 and 2002.

We inquired as to the collection of the identified duplicate hospital claims and requested all of the related documentation. OMPP determined that this was one of two duplicate claim recovery projects that had been performed. The rate-setting/PIP contractor was then to recover for those duplicate claims paid prior to January 1, 2000, and the fiscal agent was to recover the balance.

The rate-setting/PIP contractor provided the repayment spreadsheet which listed duplicate claims prior to January 1, 2000, and totaled $255,535.45. Check copies were not provided to substantiate the repayments listed on the spreadsheet. According to the listing, there are also accounts which have not been paid in full. Notes were also entered where overpayments were reduced in the appeals process. Documentation to support the reductions was also not provided. As these were not fully documented for our audit, the duplicate payments listed on the spreadsheet are considered questioned cost.

OMPP stated that the duplicate claims paid after January 1, 2000, were subject to a mass identification and recovery process that the fiscal agent contractor performed on March 14, 2003. We were provided with the mass adjustment and confirmed that accounts receivable were set up for $86,352.95 of the duplicate claims discovered. As of March 31, 2003, we were not provided with any documentation of any attempt to recover, or to adjust the expenditures for the balance of the duplicate claims identified which totaled $725,577.20. For a sample of the duplicate claims identified, payment recoveries were not located on the AIMS accounts receivable record nor were void/replaced check information located for the claims when searching the record by claim number.

As the payment of duplicate claims is not an allowed cost for the program, and adequate information documenting the recovery and accounting entries to adjust expenditures were not provided for audit, we consider the total of the spreadsheet list items, $255,535.45 plus those which were not recorded for adjustments or collections, of $725,577.20 to be questioned cost. The federal share of the total questioned costs of $981,112.65 may be required to be repaid to the federal government with State funds.

"If the administrator and a provider fail to enter into an agreement not more than sixty (60) days after the administrator's discovery of an overpayment, the administrator shall immediately certify the facts of the case to the Medicaid fraud control unit established under IC 4-6-10." (Indiana Code 12-15-23-5)

45 CFR §92.40 (a) states that: "Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity."

45 CFR §92.36 states: "(2) Grantees and subgrantees will maintain a contract administration system which ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders."

45 CFR §92.22 states that: "Grant funds may be used only for: "(1) the allowable costs of the grantees, subgrantees and cost-type Contractors . . ."

We recommended that FSSA ensure controls are in place for the timely identification and recovery of duplicate or other claims paid in error. Adequate documentation must be obtained and retained concerning the recovery process of identified overpayments. Those which have either not been recovered, or that have not been agreed to be repaid, must be certified to the Medicaid fraud control unit in accordance with Indiana Code 12-15-23-5.

Status of Finding as of September 2008:

CO803 has been implemented as of September 2007 and OMPP has recouped all identified overpayments. The documentation for these adjustments is complete.

Each duplicate audit has processing criteria set for each claim type. Each audit has a method of correction for suspect duplicate and exact duplicate; a suspect duplicate audit is different from an exact duplicate audit. Suspect duplicate logic checks for the same member, same date of service, and same claim type. The exact duplicate logic checks for same member, same date of service, same provider number, and same claim type.

SBOA's original audit finding was due to the EDS claims processor inappropriately forcing a claim identified by the suspect duplicate audit. OMPP Operations met with the claims unit to reiterate guidelines for correct claims processing.

OMPP believes that these actions resolved this finding and considers this item closed.

FINDING 2005 - FSSA-13, INPATIENT HOSPITAL DUPLICATES NOT DETECTED

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program, State Children's Health Insurance Program (SCHIP)
CFDA Number:	93.778, 93.767
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Controller, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Allowable Costs/Cost Principles
Internal Control:	Significant Deficiency

Finding:

We performed claims data analysis to identify possible duplicate inpatient hospital claims paid during the quarter ended June 30, 2005. Our analysis listed 156 pairs of claims paid with date of service conflicts for the same eligible recipient. Of the 38 pairs of claims tested, all except for 3 pairs were previously identified within the system and corrected by voiding the check, replacing the check, voluntary return of a check by provider, or an accounts receivable entry. The 3 pairs of duplicate claims we identified were not previously identified by the system as errors.

Of the 3 duplicate claim pairs identified, 2 were inpatient crossover claims and 1 was an inpatient claim. Each claim in each pair was submitted using a different provider number than the claim's duplicate. There were failures in the system edits used to identify duplicate claims.

For the 2 inpatient crossover duplicate claims, the fiscal agent identified the reason for paying the claims as an error in the system logic for the identification of this type of duplicate. The duplicate claim for each of the pairs was identified by the system for inpatient crossovers, but was automatically paid. The identified duplicate inpatient crossover claims were not subsequently reviewed after being paid and have not been reimbursed by the provider.

For the 1 inpatient duplicate claim, the system did not identify the duplicate to the other claim, the claims were not reviewed following payment, and the duplicate payment has not been recovered.

There is no process in place by the fiscal agent to report and review each duplicate inpatient hospital claim payment identified by system claim edits for review. The only way that inpatient claims may be reviewed is if they fall into the 2% to 5% review of all work performed in the department that is selected for supervisory quality control review.

42 CFR §447.45 states that a prepayment review must consist of ". . . (iii) Verification that the claim does not duplicate or conflict with one reviewed previously or currently being reviewed."

45 CFR §92.22 states that: "Grant funds may be used only for: (1) The allowable costs of the grantees, subgrantees and cost-type Contractors. . . ."

Under OMB Circular A-87, a cost must meet the following general criteria to be allowable under Federal awards: be necessary and reasonable for proper and efficient performance and administration of Federal awards and be authorized or not prohibited under State or local laws or regulations.

The duplicate claims found in our test totaled $6,009.63. Expenditures for duplicate claims are not allowed and are considered to be questioned costs. The federal share of the questioned costs may be required to be repaid to the federal government with State funds.

We recommended that FSSA ensure that system edits used in the identification of potential duplicate claims are reviewed for completeness and accuracy. We recommended the creation of a report of inpatient claims which have been paid with date of service conflicts for the same recipient. The reported claims should be reviewed for appropriateness. Reimbursement for questioned costs should be obtained. The balance of the fiscal year ended June 30, 2005, should be reviewed for possible duplicate claims which may have been paid in error. Reimbursement should also be obtained for duplicate claims identified from this process.

Status of Finding as of September 2008:

Upon approval of CR233, a change order (CO1042) was initiated and is awaiting resource assignment. This CO will create an edit to deny inpatient transfer claims from one unit of a hospital to another unit within the same facility that price by DRG should deny.

OMPP believes that this finding shall remain open until CO1042 is tested and implemented.

FINDING 2005 - FSSA-15, C&T PROCESS - MONITORING OF CONTRACTOR

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Controller, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions – Provider Health and Safety Standards
Internal Control:	Significant Deficiency

Finding:

OMPP has not performed on-site visits to their fiscal agent contractor since at least June 2004 to observe procedures and test documents to ensure that procedures are performed as detailed in the manual for the handling of Certification and Transmittal (C&T) documents. The Indiana State Department of

Health (ISDH) is responsible for the issuance of C&T documents. C&Ts inform the Medicaid fiscal agent whether or not facilities have met prescribed health and safety standards. OMPP reviews and approves revisions to the fiscal agent's Provider Enrollment Operations Manual. The manual addresses the handling of documents received from the OMPP and ISDH. Improper handling of C&Ts may result in payments to facilities which have not met the prescribed health and safety standards.

45 CFR §92.40 states that: "Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity."

42 CFR §442.12 states: "Provider agreement: General requirements. (a) Certification and recertification. Except as provided in paragraph (b) of this section, a Medicaid agency may not execute a provider agreement with a facility for nursing facility services nor make Medicaid payments to a facility for those services unless the Secretary or the State survey agency has certified the facility under this part to provide those services."

The Social Security Act §1919 (g)(2)(A)(iii)(I) states that: "Each nursing facility shall be subject to a standard survey not later than 15 months after the date of the previous standard survey conducted. . . ."

We recommended that FSSA perform on-site monitoring as it relates to C&Ts in accordance with federal requirements.

Status of Finding as of September 2008:

To ensure that processes are followed consistently, the OMPP Operations Unit and the Independent Quality Management Unit (IQMU) are both located at the contractor's site and share the responsibility for monitoring contractor activities to ensure consistent adherence to documented processes which are designed to comply with federal and state requirements.

IQMU:

- As an independent, non-biased partner, members of the IQMU will review and analyze provider enrollment functions performed by EDS and report their findings to the OMPP Director of Operations. Issues and discrepancies identified by the IQMU will be reported to OMPP and to EDS for corrective action.

- Reporting elements include, but are not limited to, error rate on enrollment/update completion and accuracy for enrollments. (See IQMU Plan, section 1.3 and 3.2.2)

OMPP Operations Unit:

- Monitor EDS compliance with contract responsibilities and monitor performance to ensure accurate and timely provision of services.

- Perform assessments of the provider enrollment process. (see OMPP Operations Unit Governance Plan, section 6.1.3)

IQMU, OMPP Operations Unit and EDS meet monthly to review any findings and determine appropriate corrective actions if warranted.

This finding remains unresolved.

FINDING 2005 - FSSA-16, TRACKING OF CERTIFICATION & TRANSMITTAL (C&T)

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Controller, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions – Provider Health and Safety Standards
Internal Control:	Significant Deficiency

Finding:

In order to be eligible to receive Medicaid payments, long-term care facilities must meet prescribed health and safety standards. The Indiana State Department of Health (ISDH) is responsible for the issuance of Certification & Transmittal (C&T) documents. Among other purposes, C&Ts inform the Medicaid fiscal agent whether or not facilities have met prescribed health and safety standards. EDS may receive several C&Ts for each facility in the course of a year. Not all of the C&Ts received will be for the purpose of recertification. Other than Intermediate Care Facilities for the Mentally Retarded (ICF/MR), EDS does not have a system in place to ensure that only those facilities certified by the Indiana State Department of Health as having met prescribed health and safety standards receive Medicaid payments.

There is a lack of controls in place to ensure that all providers being paid have a current and satisfactory C&T. Upon receipt, C&T documents are logged in the Document Tracking System at EDS and filed in hardcopy facility files. No information is entered into AIMS for long-term care facilities other than ICF/MR. The papers inside provider files are loose-leaf, not in any specific order, and are not indexed. There is no process in place to ensure that all required C&Ts are received and to follow-up on those that are missing. The lack of controls increases the risk of paying providers who do not have a current and satisfactory C&T.

42 CFR §442.12 states: "Provider agreement: General requirements. (a) Certification and recertification. Except as provided in paragraph (b) of this section, a Medicaid agency may not execute a provider agreement with a facility for nursing facility services nor make Medicaid payments to a facility for those services unless the Secretary or the State survey agency has certified the facility under this part to provide those services."

The Social Security Act §1919 (g)(2)(A)(iii)(I) states: "Each nursing facility shall be subject to a standard survey not later than 15 months after the date of the previous standard survey conducted . . ."

We recommended that FSSA ensure that a process is implemented to make certain that the most current C&T is in the provider files and to examine files for completeness. If a provider's file does not have a recent C&T, follow-up should be performed with ISDH. The communication process should be enhanced to ensure that C&Ts are received in a timely manner. A list of finished surveys from ISDH should be periodically obtained and compared to hardcopy provider files.

Status of Finding as of September 2008:

To ensure contractual requirements are met, EDS conducts a Quality Assurance Process of initial enrollments of a provider into Indiana *AIM* as well as all updates performed. This process consists of a detailed review and comparison of data stored in Indiana *AIM* and the electronic tracking tool against hard-copy documentation to ensure all three information sources reconcile. Total reconciliation equals a

100% accuracy rate. The Provider Enrollment department's contractual requirement for quality assurance is a minimum of a 95% accuracy rate recorded on a monthly basis. A random sample of processed documents is reviewed each month. Quality outcomes are reviewed and training needs and any issues that impact overall quality for the Provider Enrollment Unit are addressed. The QA specialist reports quality outcomes to OMPP in the *Monthly Status Report*. (See EDS Provider Enrollment Operating Procedures Manual, Section 5)

To ensure that the contractor's enrollment and quality processes are followed consistently, the OMPP Operations Unit and the Independent Quality Management Unit (IQMU) are both located on-site and share the responsibility for monitoring contractor activities to ensure consistent adherence to documented processes which are designed to comply with federal and state requirements.

IQMU:

- As an independent, non-biased partner, members of the IQMU will review and analyze provider enrollment functions performed by EDS and report their findings to the OMPP Director of Operations. Issues and discrepancies identified by the IQMU will be reported to OMPP and to EDS for corrective action.

- Reporting elements include, but are not limited to, error rate on enrollment/update completion and accuracy for enrollments. (See IQMU Plan, section 1.3 and 3.2.2)

OMPP Operations Unit:

- Monitor EDS compliance with contract responsibilities and monitor performance to ensure accurate and timely provision of services.

- Perform assessments of the provider enrollment process. (see OMPP Operations Unit Governance Plan, section 6.1.3)

IQMU, OMPP Operations Unit and EDS meet monthly to review any findings and determine appropriate corrective actions if warranted.

Steps have been taken to facilitate improved communication between entities for the limited situations when a provider number or name may be changed.

This finding remains unresolved.

FINDING 2005 - FSSA-17, CONTRACTOR MONTHLY STATUS REPORT STATISTICS

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Controller, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions – Provider Eligibility
Internal Control:	Significant Deficiency

Finding:

The contract between OMPP and EDS requires EDS to maintain controls to achieve results at agreed-upon standards. EDS submits a monthly electronic PDF file report outlining statistics and business activities to illustrate whether or not certain contract requirements have been met. The report is sent to several OMPP employees as well as other contractors who may require the information. EDS reports on the following business areas on a monthly basis: claims and encounters, member and provider relations, finance and third party liability, and systems.

OMPP management does not receive a complete package of detail documentation for review to support statistics presented. Depending on the area that each recipient of the report is responsible for, additional information may be available in the form of reports automatically received or available online. There is no requirement that the OMPP employees receiving the report review and confirm statistics or other information presented. This is an ineffective control over the operations of EDS in confirming that contract requirements are met.

In addition, the monthly report specifies several contract requirements with conclusions as to if the requirement was met or not met during the month reported. Items reported are identified by contract number and a brief description of the requirement. We found that the brief description of the contract requirement does not always coincide with the contract requirement number from the Scope of Work for the most recent contract. The most recent contract became effective January 1, 2004. This was not detected by OMPP despite approximately 20 employees and other contractors receiving this report each month.

There are provider enrollment unit data entry accuracy rate requirements in the EDS contract. EDS did not retain adequate documentation to support the originally reported calculations of statistics for the provider enrollment unit contained within their monthly status report. The information to support statistics and information presented for provider enrollment in this report was not requested, nor reviewed, by OMPP to ensure that the performance of the contractor is adequately monitored.

45 CFR §92.40 (a) states that: "Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity."

45 CFR §92.36 states: "(2) Grantees and subgrantees will maintain a contract administration system which ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders."

We recommended that FSSA develop written internal control procedures for monitoring contract performance which include identification of information monitored and the communication of monitoring results to OMPP management. OMPP should review the report format for consistency with contract requirements and ensure that OMPP has documented how the contractor is meeting, or not meeting, each of the current contract provisions.

Status of Finding as of September 2008:

OMPP Operations Governance includes reviews of statistics listed in the monthly status report provided by EDS. The OMPP Operations team reviews the reported statistics on a monthly basis and identifies specific stats to be reported in the agency's monthly financial review. The stats are graphed to quickly relay that unit's performance. Additionally, the operations unit reviews specific stats more frequently than the established monthly basis; provider enrollment is an example of this. From an operations perspective, the following stats are reviewed first:

- claims processing volume and turn around time for paper and electronic claims;
- provider enrollment volume, turn around time, and volume returned to the provider;
- third party liability, cost avoidance, and recoveries;
- issue resolution via the issue management tool; and
- provider relations outreach to the provider community.

Also, OMPP has contracted with First Data Group, Inc. as the Independent Quality Measure Unit (IQMU) to monitor the quality of end results of manual processes, automated processes, hybrids of both, and contractual requirements. The IQMU governance is attached to reflect the volume of inquires and validations being conducted. The IQMU unit submits monthly status reports to OMPP their findings; identifying areas of improvement as well as reflecting areas operating efficiently.

To reflect this review, attached are the following documents:

- OMPP Operations Governance
- IQMU Governance
- Additional Provider Enrollment stats
- Additional Claims Processing stats

OMPP's Contract Oversight staff continues to monitor the performance of the contract and review report formats for consistency.

The finding remains unresolved.

FINDING 2005 - FSSA-18, INACTIVE PROVIDER RECORDS

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Controller, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions – Provider Eligibility
Internal Control:	Significant Deficiency

Finding:

EDS, the Indiana Medicaid fiscal agent contractor, does not terminate the eligibility of inactive provider records. Terminating records would enable efficient database comparisons to license records, assist in cleaning up the database, provide a better estimate of the number of active providers, and may assist in preventing fraud perpetrated against the federal program. As an example, we located an active Medicaid-enrolled provider who has been in the program for nearly 19 years without ever having been paid or submitting any claims.

Contractor requirement PRC-87 of the January 1, 2004, Scope of Work of the EDS contract states: "Periodically purge inactive provider records on a schedule and using criteria specified by the state."

45 CFR §92.36 states: "(2) Grantees and subgrantees will maintain a contract administration system which ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders."

We recommended that FSSA establish a schedule for periodic archival of inactive provider records.

Status of Finding as of September 2008:

OMPP began this project outside of the change order process noted below. A data request has been made to the OMPP data unit to identify rendering and billing providers who have not submitted claims within one year. Shortly after the list is produced, it will be analyzed to identify the time frame to end date the providers in the system. Resources will be assigned to the project, target dates will be set, and a schedule for periodic archival of inactive provider records will be identified. The intention is to run the report quarterly as this information is necessary as OMPP establishes provider recruitment goals. The disenrollment process will include notifying the provider in advance of the action in accordance with provider termination processes.

This finding remains unresolved.

FINDING 2005 - FSSA-19, ONGOING OUT-OF-STATE LICENSE VERIFICATION

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Controller, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions – Provider Eligibility
Internal Control:	Significant Deficiency

Finding:

There is no consistent procedure to verify on an on-going basis that the licenses of out-of-state providers enrolled in the Indiana Medicaid program remain active. The process to verify in-state provider license numbers involves a monthly systematic interface with the Indiana Health Professions Bureau (now merged with the Indiana Professional Licensing Agency). The policy manual for provider enrollment states that out-of-state providers are to be end dated at the date of their license expiration date. Out-of-state providers were not consistently found to be end dated when their license came up for recertification. In these cases, there is no procedure to verify licensure other than at the time of initial enrollment. License expiration dates vary by state and medical specialty. License expiration dates for states contiguous to Indiana may be as long as three years between recertifications. In the three years between recertification, disciplinary actions or other events may occur which could render a physician's license invalid. Improper Medicaid payments may be made to providers which bill after this date.

There are several obstacles to the systematic verification for out-of-state licenses. Provider license numbers are not identified in AIMS by licensing state. License numbers were inconsistently entered in AIMS when the provider was enrolled. Some provider license numbers include letters within the license number (such as a postal abbreviation for the state or a specialty abbreviation) or special characters such as hyphens. Some of the entered license numbers are incorrect or incomplete. Therefore, if the numbers were systematically interfaced with another state's licensing data, there would be several exceptions for nonmatches even if the provider's license was active. This would require substantial manual follow-up procedures.

Contractor requirement PRC-9 of the January 1, 2004, Scope of Work of the EDS contract states: "Maintain regular communication with the applicable State agencies to perform certification and licensure verification. Verify certification in other states for out-of-state providers."

42 CFR §440.50 states that the services of physicians and dentists must be "(2) By or under the personal supervision of an individual licensed under State law to practice medicine or osteopathy."

42 CFR §447.45 states: "(f) Prepayment and postpayment claims review. (1) For all claims, the agency must conduct prepayment claims review consisting of--(i) Verification that the recipient was included in the eligibility file and that the provider was authorized to furnish the service at the time the service was furnished . . ."

We recommended that FSSA review the medical license verification process for completeness across all provider types and provide for on-going licensure reviews of out-of-state providers.

Status of Finding as of September 2008:

- As noted in the previous status update of this Finding, it is anticipated that implementation of NPI will provide a single identifier number which can be recognized consistently across all states.

- CO 939 was initiated to:

  - Modify the IndianaAIM System to capture and review for essential licensure and certification information for proper enrollment in the Indiana Health Coverage Programs.

  - Implementation of this new process will provide the ability to track licensure and certification in IndianaAIM and generate reports which can be used to identify providers who no longer meet the requirements of enrollment in Indiana Health Coverage Programs (IHCP).

  - CO 939 is on hold until such time as resources are available to be assigned.

- In order to foster consistency within the Provider Enrollment Unit, the procedures manual outlines the requirements for out-of-state provider types that are eligible to enroll with IHCP. (See Section 3 of the Provider Enrollment Operating Procedures Manual)

- It is a contractual responsibility of the EDS Provider Enrollment Unit to conduct a Quality Assessment which utilizes a random sampling of provider enrollments and updates to identify instances where staff failed to follow appropriate procedures. Instances of noncompliance with established policy/practice that are identified through this systematic review are documented and shared with appropriate staff to address corrections that may be needed as well as training to improve staff skills. (See Provider Enrollment Operating Procedures Manual, Section 5)

- To ensure that the contractor follows the approved processes outlined in the EDS Provider Enrollment Operating Procedures Manual, beginning July 1, 2008, the OMPP Operations Unit and the Independent Quality Management Unit (IQMU) are located at the contractor site full time and share responsibility for monitoring the contractor to ensure consistent adherence with these practices.

IQMU:

- As an independent, non-biased partner, members of IQMU will review and analyze provider enrollment functions performed by EDS and report their findings to the OMPP Director for Operations.

- Reporting elements include, but are not limited to, # of terminations by type by reason and the accuracy rate for enrollments. (see IQMU Plan, section 1.3 and 3.2.2)

OMPP Operations Unit:

- Monitor EDS compliance with contact responsibilities and monitor performance to ensure accurate and timely provision of services.

- Perform assessments of the provider enrollment process. (see OMPP Operations Unit Governance Plan, section 6.1.3)

IQMU, OMPP Operations Unit and EDS meet monthly to review any findings and determine appropriate actions if required.

This finding remains unresolved.

FINDING 2005 - FSSA-20, TIMELY FOLLOW-UP OF LICENSE TERMINATION

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program; State Children's Health Insurance Program (SCHIP)
CFDA Number:	93.778; 93.767
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Controller, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions – Provider Eligibility; Allowable Costs/Cost Principles
Internal Control:	Significant Deficiency

Finding:

AIMS does not provide a computer field to record the license termination date of providers. For providers with a license that is no longer valid, the end date of the license is not the end date used in AIMS. The end date used in AIMS is the date that the termination letter is sent out and may be several months after the date that the license became invalid.

As the system does not provide license termination dates, identification of services performed after a provider's license became invalid is not readily determinable. Manual processes are relied upon when making the determination as to whether the provider has performed services after the date that his or her license became invalid.

In our review of the license termination process, two providers were identified who received payments for services performed after the date which the provider's license became invalid. Action had not been initiated to recover the overpayments.

The first provider's eligibility was not terminated from AIMS until more than three months had passed after receiving an emergency suspension. The provider was identified in a newspaper article which stated that the provider was under a 90 day emergency suspension for committing possible fraud against Medicaid and private insurers. The emergency suspension has since been extended an additional 90 days. We are questioning claims which were paid for services performed after the date of the provider's emergency suspension in the amount of $2,356.14.

The second provider's eligibility was not terminated from AIMS until more than 16 months had passed after the date of the company's license expiration. The delays in terminating the eligibility of this provider in AIMS resulted in $298,604.37 paid for claims with dates of service subsequent to the license expiration.

42 CFR §440.50 states that the services of physicians and dentists must be "(2) By or under the personal supervision of an individual licensed under State law to practice medicine or osteopathy."

45 CFR §92.22 state that: "Grant funds may be used only for: (1) The allowable costs of the grantees, subgrantees and cost-type Contractors. . . ."

Under OMB Circular A-87, a cost must meet the following general criteria to be allowable under Federal awards: be necessary and reasonable for proper and efficient performance and administration of Federal awards and be authorized or not prohibited under State or local laws or regulations.

The total paid to these providers for services claimed beyond the date of license expiration or termination of $300,960.51 is considered a questioned cost. The federal share may be required to be repaid to the federal government with State funds.

We recommended that FSSA require that AIMS maintain the date on which a provider's license becomes invalid. FSSA should perform monitoring procedures to ensure that license changes are recorded in a timely manner. FSSA should also develop information and communication procedures to ensure timely AIMS eligibility terminations occur.

Status of Finding as of September 2008:

- It is standard operating procedure on a monthly basis to capture the licensure data sent by Indiana Professional Licensing Agency (IPLA), compare IPLA data against all EDS provider files.

- When a provider's license has been verified against the IPLA website and determined to have an end reason of emergency suspension, revoked or suspended, the provider's eligibility is end dated in Indiana AIM. A termination letter is sent to the provider with a copy of the IPLA license screen print.

- When the provider's eligibility involuntarily ends, claims data must be searched. All dates of service billed after the license or sanction date are prepared for recovery. (see Provider Enrollment Operating Procedures Manual page 6-17)

- A manual process is used to review for claims paid between date of license termination and date of Medicaid termination. (see Provider Enrollment Operating Procedures Manual page 6-21)

To ensure that this process is followed consistently, the OMPP Operations Unit and the Independent Quality Management Unit (IQMU) will share responsibility for monitoring the contractor to ensure consistent adherence with this practice.

This finding remains unresolved.

FINDING 2005 - FSSA-21, PROVIDER ENROLLMENT - CONTRACTOR MONITORING

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Controller, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions – Provider Eligibility
Internal Control:	Significant Deficiency

Finding:

Monitoring of the EDS provider enrollment function is inadequate. OMPP does not perform on-site reviews for a sample of provider files and does not perform on-site performance assessments of procedures. These monitoring activities would ensure for a sample of files that provider enrollment processes are performed by EDS as stated in their provider enrollment operations manual. On-site monitoring has not been performed since at least June 2004 due to the need to split staff responsibilities with claims processing.

45 CFR §92.40 (a) states that: "Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity."

We recommended that FSSA develop procedures in order to monitor the provider enrollment function.

Status of Finding as of September 2008:

To ensure that the contractor follows the approved processes outlined in the EDS Provider Enrollment Operating Procedures Manual, beginning July 1, 2008, the OMPP Operations Unit and the Independent Quality Management Unit (IQMU) are located at the contractor site full time and share responsibility for monitoring the contractor to ensure consistent adherence with these practices.

IQMU:

- As an independent, non-biased partner, members of IQMU will review and analyze provider enrollment functions performed by EDS and report their findings to the OMPP Director for Operations.

- Reporting elements include, but are not limited to, # of terminations by type by reason and the accuracy rate for enrollments. (see IQMU Plan, section 1.3 and 3.2.2)

OMPP Operations Unit:

- Monitor EDS compliance with contact responsibilities and monitor performance to ensure accurate and timely provision of services.

- Perform assessments of the provider enrollment process. (see OMPP Operations Unit Governance Plan, section 6.1.3)

IQMU, OMPP Operations Unit and EDS meet monthly to review any findings and determine appropriate actions if required.

This finding remains unresolved.

FINDING 2005 - FSSA-23, AIMS CONTRACTOR ACCESS ASSIGNMENTS AND CONTROLS NOT MONITORED

Federal Agency:	Department of Health and Human Services
Federal Program:	State Children's Health Insurance Program (SCHIP), Medical Assistance Program
CFDA Number:	93.767, 93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Controller, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions – ADP Risk Analysis and System Security Review
Internal Control:	Significant Deficiency

Finding:

During the fiscal year ended June 30, 2005, FSSA's OMPP did not monitor the access assignments and associated controls maintained by the contractor for the AIMS. The contractor operates the Medicaid and SCHIP programs for OMPP using AIMS. Monitoring of access assignments is necessary to ensure adequate controls are in operation for the proper segregation of duties and security of records.

"State agencies are responsible for the security of all ADP projects under development, and operational systems involved in the administration of HHS programs. State agencies shall determine the appropriate ADP security requirements based on recognized industry standards or standards governing security of Federal ADP systems and information processing." (45 CFR 95.621 (f) (1))

We recommended that FSSA develop a monitoring plan which would include regular review of the access assignments maintained by the AIMS contractor to ensure proper segregation of duties, and that controls are in operation to ensure that access is changed or terminated corresponding to changes in job positions or terminations, as applicable.

Status of Finding as of September 2008:

OMPP has hired additional staff to work in the privacy/security area and whose duties include monitoring access assignment to Indiana *AIM*. OMPP developed a plan to conduct regular Indiana *AIM* audits, to be completed quarterly. It is this staff person's responsibility to assist with ensuring the audit of Indiana *AIM* access is completed.

In addition, Change Order (CO) 701, Security Website Request, was implemented in June 2007. With the implementation of this CO the website has automated the security request process. The OMPP will develop procedures to utilize this automated process to monitor EDS' access to Indiana *AIM*.

This finding remains unresolved pending development and implementation of these procedures.

FINDING 2005 - FSSA-27, INCORRECT RATE APPLIED FOR MANAGED CARE

Federal Agency:	Department of Health and Human Services
Federal Program:	State Children's Health Insurance Program (SCHIP), Medical Assistance Program
CFDA Number:	93.767, 93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Controller, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Allowable Costs/Cost Principles
Internal Control:	Significant Deficiency

Finding:

Managed care contract rates are established based upon actuary study and acceptance by OMPP. In accordance with 42 CFR 438.6, the rates are then approved by the federal government (CMS) prior to use in the state contracts and submission to EDS for the AIMS computer managed care rate table change. We found that FSSA did not have a process in place to verify that the managed care rates were accurately recorded in the managed care contracts and in the AIMS computer system.

EDS issues payments to the managed care organizations on a monthly basis as calculated by the AIMS from information as to each recipient for each rate category and region. OMPP also did not adequately monitor the payments issued to the managed care organizations to ensure the rates applied were those approved by CMS. We found that OMPP does not review managed care payments, and calculations. While OMPP staff review summary level totals on the monthly financial reports that are prepared by EDS, these do not contain sufficient detail in order to verify the rates paid.

In December 2005, the actuary discovered that an incorrect rate was entered into the AIMS table that had been in effect since January 1, 2005. The rate was entered in the table, however, as it was submitted by OMPP. The rate was also listed incorrectly in all of the state contracts with the managed care organizations. The error found was in the rate for children ages 6 to 12 for the central region of the state. The contract rate paid was $82.57 per month per child, which was $10 over the approved rate calculated by the actuary.

The actuary calculated the total overpaid for the child rate category error, from January 1, 2005 thru December 31, 2005, as $ 202,805. The federal share of the overpaid amount is $150,068. This was calculated using the SCHIP cost share.

We compared all contract rates for 2004 and 2005 to the approved actuary rates and found two additional errors in the central region rates for 2005. The contract rate for newborns under age one, was eight cents over the approved rate and the rate for preschoolers, age one to five, was under the approved rate by three cents. Further analysis of the effect of these variances was not considered necessary.

"All payments under risk contracts and all risk-sharing mechanisms in contracts must be actuarially sound." 42 CFR 438.6 (c) (2)

The federal share of the excess payments issued is considered as questioned costs which may be required to be repaid to the federal government. The contract rates in error remained in effect at the time of our review in March 2006. Until such time as contracts are amended, or new rates are approved, further calculations of the amount overpaid will also be required.

We recommended that FSSA establish a control procedure whereby the state contract rates and the AIMS managed care rate tables are compared to the approved rates. FSSA should also establish controls to verify that the monthly payments to managed care organizations accurately reflect approved rates. Procedures performed should be documented, with results transmitted to management.

Status of Finding as of September 2008:

The OMPP Care Programs unit has developed a policy and procedure and tracking tool to ensure all steps in the process are followed and documented in a timely manner. The tracking tool which was developed July 2008 includes the Care Program Policy and Procedure and changes made to the MCO capitation payments. Listed below is the procedure and tracking tool.

Procedure:

Determine the Capitation Rates - Medicaid Director reviews the actuary rate setting document.

Draft the Capitation Rates Update Form - Upon directive of the Medicaid Director, an OMPP Managed Care staff completes a Capitation Rates Update Form, filling in the capitation information from the actuary source document for each MCO.

Complete and Second Party Review of the Capitation Rates Update Form - A different member of the Managed care staff verifies the capitation information on the Capitation Rates Update Form then sends it to fiscal agent's Managed Care Unit with the actuary source document attached.

Review figures entered into AIM and approve - Fiscal agent enters figures into Indiana AIM and sends screen prints or excel spread sheet back to OMPP's Managed Care staff to verify and give final approval. OMPP staff compares figures from Indiana AIM screen shots or excel spreadsheet to actuary source document. Following review, OMPP sends approval to EDS if no discrepancies were found. If a discrepancy was discovered, OMPP notifies EDS of the error in writing. EDS makes the correction and sends the screen prints to OMPP for review. OMPP reviews the changes against the actuary source document and sends approval to EDS if no discrepancies were found. If errors are found, the process is repeated.

Tracking:

OMPP will track all steps and communication regarding the Capitation Rate Update procedure using the Capitation Rate Update tool.

The Tracking Tool to ensure all validation steps in capitation rate updates are completed was fully implemented in July 2008. OMPP is currently devising, with the assistance of EDS, a reconciliation process to occur on a monthly basis to ensure monthly payments to MCO's accurately reflect approved rates.

This finding remains unresolved.

FINDING 2005 - FSSA-30, MEDICAID BANK RECONCILIATIONS

Federal Agency:	Department of Health and Human Services
Federal Program:	State Children's Health Insurance Program (SCHIP), Medical Assistance Program
CFDA Number:	93.767, 93.778
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Allowable Costs/Cost Principles
Internal Control:	Material Weakness

Finding:

Indiana has a contracted fiscal agent for the Medicaid and SCHIP programs, EDS Corporation. The fiscal agent operates the AIMS, adjudicates and pays claims to providers, and maintains a bank account. We reviewed the bank statements and reconciliations performed by EDS for the period March through June 2005. The reconciliations were only of the monthly transactions and were not complete reconciliations using the total general ledger balance, outstanding checks and showing reconciliation to the bank balance. As a result, while monthly transactions are shown as compared between source records and the bank, we cannot ascertain that the records in total are in balance with the bank, or what the variance would be.

We further found that there is no process in place for FSSA to compare the state accounting transaction records maintained for the Medicaid program to the bank statements.

Reviews of bank statements were performed by FSSA budget section, but were not formally documented. In March 2006, we were informed that the EDS bank statements and reconciliations had not been reviewed since July 2005.

There are no written procedures for the process of monitoring the EDS bank and financial reporting.

"A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost type contractors, must be sufficient to –

(1) Permit preparation of reports required by this part and the statutes authorizing the grant, and

(2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes." (45 CFR 92.20(a))

"In addition to supporting documentation required for the state accounting system, some agencies maintain additional subsidiary records. These records may be so extensive as to constitute the agency's accounting system, particularly for financial reporting requirements. The agency provision of an effective accounting system would entail internal control structure elements, as well as accurate and functional forms and reports. An agency's accounting system, forms, and records must be approved by the State Board of Accounts. It should be noted that the Auditor of State system and reports issued constitutes the official record of the budget, cash receipts and disbursements. As such, the agency's own accounting system should operate congruently with the state system with reconciliations of as much information as is practicable. At all times, the agency's manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank or Auditor's balance should agree . . ." (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

We recommended to FSSA that complete bank reconciliations be performed for the account maintained by the fiscal agent. Written procedures should be developed regarding the review of the bank statements and reconciliations which include timely performance, documenting such reviews, assuring that identified errors are corrected, and comparisons to state accounting records for the Medicaid program.

Status of Finding as of September 2008:

The bank reconciliation process is contracted. EDS prepares a summary document to verify payments made by the AIM system match the bank statement for total expenditures. FSSA reviews the bank statements and reconciliations to ensure balances in the bank account reconciles to the FIN-8000 financial control summary reports issued weekly by EDS.

EDS Medicaid bank statements delivered to FSSA are accompanied by a "sign-off" sheet signed by the EDS Medicaid Director of Finance stating that the bank reconciliation is accurate. Once review by FSSA staff along with the EDS accountant responsible for preparing the bank reconciliation, the reconciliation will be forwarded to the Director of Accounting Operations for approval by signature. The approval sheet will be maintained with the bank reconciliations. This finding remains open.

FINDING 2006 – FSSA-1, CONTRACTOR STAFF CREDENTIAL VERIFICATIONS

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program; State Children's Health Insurance Program (SCHIP)
CFDA Number:	93.778; 93.767
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Controller, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions 1 – Utilization Control and Program Integrity
Internal Control:	Significant Deficiency

Finding:

The FSSA Office of Medicaid Policy and Planning (OMPP) has contracted with Health Care Excel, Inc. (HCE) to provide services of developing and maintaining medical policy requirements that provide the basis for operating the Medicaid program; reviewing medical services to evaluate appropriateness and to determine and apply service limitations; and conducting utilization analyses to identify aberrant behavior as well as potential fraud and abuse.

A control system for the Medicaid program is the required utilization control and program integrity function. In our tests of the control environment attribute of HCE staff competence and specialties we obtain their staff listing for the Surveillance and Utilization Review function. In comparing to state license information, we found that an employee was listed as a certified pharmacy technician who had never held that license. Upon further review and inspection, we found that HCE had listed the credentials based upon the employee's application for hire. The application and resume also included apparent contradictions concerning education attainment, such as seeking a Masters degree when the undergraduate degree was not listed. In 2002, the applicant was hired for a pharmaceutical benefits position for prior authorizations. At that time, HCE did not verify application representations prior to hire. The employee transferred to the Surveillance and Utilization Review unit of HCE in 2003 and currently performs surveillance reviews on providers.

The state receives a greater federal funding participation rate for skilled professional medical personnel and direct supporting staff. HCE submits summary totals to FSSA finance for inclusion in this reimbursement. HCE provided us with the detail reports supporting the summary totals and verified that this employee was not included in the additional reimbursement for fiscal 2006.

Concerns with the misrepresentation of medical qualifications include the effects of reliance placed on those qualifications as to obtaining the position, performance judgments as to approval or denial of claims, program utilization, and levels of supervision required. High ethical standards should also be expected of staff assigned to detect fraud and abuse.

Section 27 of the contract between FSSA and HCE states, "The parties agree that Contractor and its employees and subcontractors shall comply with all applicable licensing standards, certification standards, accrediting standards and any other laws, rules or regulations governing services to be provided by the Contractor pursuant to this Contract. The State shall not be required to reimburse Contractor for services performed when Contractor or its employees or subcontractors are not in compliance with such applicable standards, laws, rules or regulations. If licensure, certification or accreditation expires or is revoked, Contractor shall notify State immediately and the State, at its option, may immediately terminate this Contract."

42 CFR §456.4(a) states that: "The agency must (1) Monitor the statewide utilization control program; (2) Take all necessary corrective action to ensure the effectiveness of the program; (3) Establish methods and procedures to implement this section; (4) Keep copies of these methods and procedures on file; and (5) Give copies of these methods and procedures to all staff involved in carrying out the utilization control program."

45 CFR §92.40 (a) states that: "Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity."

We recommended that the FSSA require contractors to maintain controls over personnel practices especially with respect to skilled professional medical personnel positions. This may include obtaining copies of licenses, and periodically verifying licensure status. We also recommended that FSSA monitor contractor practices, including personnel verifications and waivers of minimum requirements to ensure compliance with prudent business practices. We also recommended that FSSA work with contractors to determine the minimum qualifications acceptable for applicants to possess while providing for the effective administration of the Medicaid program. FSSA Finance should obtain further detail reports to support quarterly claims for higher federal financial participation rates.

Status of Finding as of September 2008:

OMPP has established a process whereby the contractor must submit a cover letter along with a resume of those individuals that are hired into key/professional positions. OMPP requires final approval authority of selected staffing positions. OMPP may also interview prospective candidates or request additional information. Additionally, a quarterly review of all the contracted staff will be conducted to ensure appropriate certification. Finally, OMPP staff will conduct site visits with the contractor and perform spot reviews of the contractor staff for credentials.

This finding remains unresolved.

FINDING 2006 - FSSA-2, C&Ts OF ACUTE CARE AND LONG-TERM CARE FACILITIES

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Controller, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions – Provider Health and Safety Standards
Internal Control:	Significant Deficiency

Finding:

In order to be eligible to receive Medicaid payments, acute care and long-term care facilities must meet prescribed health and safety standards. Compliance with the standards is determined by the Indiana State Department of Health (ISDH) based on a survey and documented by the issuance of a Certification & Transmittal (C&T) document. C&Ts, among other uses, inform EDS, the Medicaid fiscal agent contractor, whether or not facilities have met prescribed health and safety standards. EDS is responsible for making payments to providers, enrolling new providers, and maintaining provider data on behalf of the Office of Medicaid Policy and Planning (OMPP).

We examined seven active facility provider files at EDS as follows: one hospital, two intermediate care facilities for the mentally retarded (ICF/MRs), one rural health clinic, one home health agency, and two nursing homes. The provider files for the hospital, rural health clinic, and home health agency lacked any C&Ts. The files for the two nursing homes lacked current recertification C&Ts. Of the seven facility files tested, only the two ICF/MRs had current C&Ts in their respective provider files. There also was no indication of accreditation or state licensure located in any of the provider files.

Upon determining that current information was not available in the EDS provider files as needed, we reviewed the facility files at the ISDH to ensure that these facilities have met the health and safety standards with a survey performed in the acceptable time frame for the facility type. We found that these facilities had met the requirements.

The EDS *Provider Enrollment Provider Type and Specialty Matrix* document publicly available on the Indiana Health Coverage Programs website and the manual used by provider enrollment analysts requires an ISDH survey for the initial Medicaid enrollment of all of the facility types which we tested. C&Ts provide proof that facilities were surveyed and found in substantial compliance. Without a C&T on file, EDS cannot evidence that the facility has met the Health and Safety Standards which are necessary for payment. The matrix also states that EDS requires recertification for the hospitals, nursing homes, ICF/MR, and residential care facilities.

A letter was obtained from ISDH that was written by a former EDS Provider Enrollment Supervisor which provides an explanation as to why we did not locate current C&Ts in most acute care files. The letter is dated June 15, 2000, and involves acute care (non long- term care) facility documents which EDS would like to continue or discontinue receiving from ISDH. Concerning items which EDS would like to discontinue receipt of, the letter states in part: ". . . Currently, EDS receives letters that do not require a provider file change or disenrollment of a provider in the Indiana*AIM* system. Effective upon receipt of this letter, EDS would like to discontinue receiving the following documents: . . . C&T's for recertification of providers other than Group Home and IC[F]/MRs, C&Ts noting a survey took place, . . . EDS hopes that by reducing the number of documents which are needed, this will help save time, resources, copying and filing for both parties. . . ." This letter continues to be used by the clerk at ISDH who sends documents to EDS.

Another area of concern is that, according to the ISDH Acute Care Director, ISDH does not always receive notification from EDS when EDS changes acute care provider numbers. This has resulted in the surveyors relying upon Medicaid provider numbers obtained from the facility while on-site for a survey. If a facility number given to the ISDH is incorrect or outdated, then the C&T will have an incorrect file reference.

"Certification and recertification. Except as provided in paragraph (b) of this section, a Medicaid agency may not execute a provider agreement with a facility for nursing facility services [includes ICF/MR] nor make Medicaid payments to a facility for those services unless the Secretary or the State survey agency has certified the facility under this part to provide those services." (42 CFR 442.12(a))

Inpatient hospitals providing Medicaid services are required to be licensed by 42 CFR 440.10. Rural health clinics providing Medicaid services are required to be licensed by 42 CFR 440.20(b). Home health agencies providing Medicaid services are required to be licensed by 42 CFR 441.302. Medicaid provider agreements do not become effective until the requirements are met for entities which, as a basis for participation in Medicaid, are subject to survey and certification by CMS or the State survey agency, or meet federal requirements on the basis of an approved accreditation. (42 CFR 431.108(a)(b))

An Interagency Agreement between FSSA's OMPP and ISDH exists. The agreement exists to assist with "defining interrelationships and responsibilities as well as providing for coordination between the parties in the certification of nursing facilities and ICF/MR . . . home health and hospice service providers for participation in the Indiana Medical Assistance Program (Medicaid)." Further, section III(E) provides, "2. OMPP shall issue, renew, cancel, or terminate provider agreements in accordance with certification findings issued by Health (or in the case of a Medicare participating facility, the Department of Health and Human Services, hereinafter referred to as DHHS). 3. OMPP [or EDS as the fiscal agent] shall notify Health on a timely basis of all provider agreement issuances, assignments, amendments, expirations and denials."

We recommended that FSSA ensure that a process is implemented to make certain that the requirements for initial and continuing provider enrollment in the Medicaid program are met and that this documentation is retained as required by the respective regulations. The information and communication controls should be reviewed and modified in order to reflect these requirements and also to improve the notifications to ISDH for acute care facility provider number and/or name changes.

Status of Finding as of September 2008:

Section 7 of the EDS Provider Enrollment Operating Procedures Manual outlines the steps to be taken for receipt, processing and filing of C&Ts for hospitals and all extended care facilities. In each instance the required practice is to include a copy of the C&T in the provider's file.

After the passage of 405 IAC 1-19 and 405 IAC 1-20, there are a limited number of occasions when a hospital that is enrolled in the IHCP might experience a change of name or provider number. Steps have been taken to facilitate improved communication between entities for the limited situations when a provider number or name may be changed.

To ensure that established processes are followed consistently, the OMPP Operations Unit and the Independent Quality Management Unit (IQMU), which are both located at the contractor's site, will share the responsibility for monitoring the contractor to ensure consistent adherence with this practice.

IQMU:

- As an independent, non-biased partner, members of the IQMU will review and analyze provider enrollment functions performed by EDS and report their findings to the OMPP Director of Operations. Issues and discrepancies identified by the IQMU will be reported to OMPP and to EDS for corrective action.

- Reporting elements include, but are not limited to, error rate on enrollment/update completion and accuracy for enrollments. (See IQMU Plan, section 1.3 and 3.2.2)

OMPP Operations Unit:

- Monitor EDS compliance with contract responsibilities and monitor performance to ensure accurate and timely provision of services.

- Perform assessments of the provider enrollment process. (see OMPP Operations Unit Governance Plan, section 6.1.3)

IQMU, OMPP Operations Unit and EDS meet monthly to review any findings and determine appropriate corrective actions if warranted.

This finding remains unresolved.

FINDING 2006 - FSSA-3, PROVIDER ENROLLMENT ERRORS

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program; State Children's Health Insurance Program (SCHIP)
CFDA Number:	93.778; 93.767
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Controller, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions – Provider Eligibility; Allowable Costs/Cost Principles
Internal Control:	Significant Deficiency

Finding:

Several errors were noted during our testing of provider enrollments at EDS, the Medicaid fiscal agent contractor. Of 26 provider enrollment files tested, 8 contained one or more errors. The errors included an enrollment of a federally excluded provider, provider name and license number errors and an active provider number without a provider name. The errors were caused by inadequate procedures and oversight. The errors found are further described in the sections that follow:

Federal Exclusion Verifications

- We found one provider was enrolled as a rendering provider in a group despite his status as federally excluded from participation in the Medicaid program by the U.S. Office of the Inspector General. After the error was found by the Analyst, the provider's enrollment documents were sent back to the provider with no copy maintained by EDS. As federally excluded providers are strictly prohibited from enrollment, the attempt to enroll should be evidenced. The provider was physically enrolled from July 3, 2006 to July 10, 2006. However, the provider's eligibility was effective April 1, 2005. During the week that the provider was physically enrolled, his group could submit claims with dates of service dating back as far as April 1, 2005. We attempted to determine if any services had been billed by the group with this provider listed as rendering provider. We performed a query of claims detail for the group number for dates of service between April 1, 2005, and July 10, 2006. A total of $97,292.65 was paid for services recorded using only the group's provider number. The individual provider number who rendered the medical services was not included. The EDS Resolutions Manual states that system edit 1008 should have denied the claims. As we cannot determine that none of the services billed were performed by the excluded provider, we are questioning these costs. The federal share may be required to be repaid to the federal government with state funds.

- For another provider, the Analyst performed an inadequate query for federal exclusion prior to enrollment. The last name of the provider was misspelled on the query and all possible combinations of initials for the applicant's first name were not attempted when performing the query.

If names are queried improperly, a federal exclusion may be missed and may result in improper enrollment. The current method of identifying excluded provider applicants is inherently limited. EDS only queries the U.S. Office of the Inspector General's exclusions database for the name(s) furnished on the application. The application does not require that applicants provide his or her birth name, previous legal names, or aliases.

License Information

- In two files, provider license numbers were input into EDS's claim processing system, AIM incorrectly. For one of the files no signed provider agreement was located. As no provider agreement was found, EDS does not have support that all disclosure requirements were met for proper initial enrollment. We examined the claims history for both this provider's group and individual provider numbers for the period of his initial effective date of January 1, 2006 through June 30, 2006, and found no claims paid. However, the provider number remained active in AIM.

- In one group file, two providers with Indiana licenses are enrolled with the same license number. Both providers are individually licensed and otherwise eligible.

- The names of providers in two files were misspelled when input into AIM. For one provider, the last name and middle initial associated with the provider's license issued by the Indiana Professional Licensing Agency does not match the last name and middle initial in AIM. Documentation of a legal name change was not located on file at EDS to support that the licensee is the same as the provider. The first name of the other provider is misspelled in AIM when compared with the provider's license.

Improper Enrollment Creation Not Corrected

- A provider number effective on June 23, 2006, was created with no name entered. We were told that this was caused by the system timing out during the enrollment and that the enrollment was completed using a different provider number. The bad provider number was not end-dated upon determining the need for the creation of a different provider number. While no claims were submitted for the bad provider number, the number remained active with an end date specified of June 23, 2007. In March 2007, we found that while the end date reason was changed from recertification to duplicate enrollment, the end date was not changed.

The above errors were caused by inadequate procedures and a lack of oversight for the processing of enrollments. Quality Control is only performed on a random sample basis. EDS does not use checklists and staff cross checking to identify basic errors, such as incorrect license number or misspelled provider name.

The quantity and severity of errors found indicate EDS is at risk of performing inadequate automated license verifications, inefficient on-going license verifications, inadequate queries for federal exclusion, making improper claim payments, payments to ineligible providers, and/or creating duplicate enrollments which may result in inaccurate utilization analysis of providers.

42 CFR §1001.1901(b) states: "(1) Unless and until an individual or entity is reinstated into the Medicare, Medicaid and other Federal health care programs in accordance with subpart F of this part, no payment will be made by Medicare, Medicaid or any of the other Federal health care programs for any item or service furnished, on or after the effective date specified in the notice period, by an excluded individual or entity, or at the medical direction or on the prescription of a physician or other authorized individual who is excluded when the person furnishing such item or service knew or had reason to know of the exclusion. This section applies regardless of whether an individual or entity has obtained a program

provider number or equivalent, either as an individual or as a member of a group, prior to being reinstated. (2) . . . (3) An excluded individual or entity that submits, or causes to be submitted, claims for items or services furnished during the exclusion period is subject to civil money penalty liability under section 1128A(a)(1)(D) of the Act, and criminal liability under section 1128B(a)(3) of the Act and other provisions. In addition, submitting claims, or causing claims to be submitted or payments to be made for items or services furnished, ordered or prescribed, including administrative and management services or salary, may serve as the basis for denying reinstatement to the programs."

42 CFR § 455.105(a) states: "A Medicaid agency must enter into an agreement with each provider under which the provider agrees to furnish to it or to the Secretary on request, information related to business transactions in accordance with paragraph (b) of this section."

42 CFR § 455.104(c) states: "A Medicaid agency shall not approve a provider agreement or a contract with a fiscal agent, and must terminate an existing agreement or contract, if the provider or fiscal agent fails to disclose ownership or control information as required by this section."

405 IAC 5-4-1(a) states that "In order to receive reimbursement under the Indiana Medicaid program, a provider must be enrolled to participate as a Medicaid provider. A provider is enrolled to participate in Medicaid when all of the following conditions have been met: (1) The provider is duly licensed, registered, or certified by the appropriate professional regulatory agency pursuant to state or federal law, or otherwise authorized by the office. (2) The provider has submitted an application to participate in the Indiana Medicaid program and completed such forms as may be required by the department. (3) The provider has signed and returned a Medicaid provider agreement. (4) The provider has received a provider number from the Medicaid contractor."

45 CFR § 92.22 states that "Grant funds may be used only for: (1) The allowable costs of the grantees, subgrantees and cost-type Contractors . . ."

We recommended that the provider be contacted to provide the rendering provider number for the claims in question. We recommended that immediate action be taken to correct the errors identified and to ensure system edit 1008 is functioning. We recommended that the provider application require that applicants provide the birth name, previous legal names or aliases with which to perform complete searches of the federally excluded list. An audit trail of all verifications performed, all legal name change requests and supporting documents, and a narrative explaining anything unusual related to the provider's enrollment be retained with the provider's file. Attempts by federally excluded providers to enroll should be evidenced and communicated to the Indiana Medicaid Fraud Control Unit. We further recommended that the FSSA and EDS improve the control procedures and monitoring of the provider enrollment function. This could include use of staff checklists and cross checking by staff to identify basic errors, such as incorrect license number or misspelled provider name.

Status of Finding as of September 2008:

One of the contractual responsibilities of the EDS Provider Enrollment Unit is performance of a Quality Assessment Process which utilizes a random sampling of provider enrollments and updates to identify instances where staff failed to follow the documented procedures or errors have occurred. Findings that are identified through this systematic review are documented and shared with appropriate staff to address corrections that may be needed as well as training to improve staff skills. (See Provider Enrollment Operating Procedures Manual, Section 5)

To ensure that the contractor follows the approved processes outlined in the EDS Provider Enrollment Operating Procedures Manual, beginning July 1, 2008, the OMPP Operations Unit and the Independent Quality Management Unit (IQMU) are located at the contractor site full time and share responsibility for monitoring the contractor to ensure consistent adherence with these practices.

IQMU:

- As an independent, non-biased partner, members of IQMU will review and analyze provider enrollment functions performed by EDS and report their findings to the OMPP Director for Operations.

- Reporting elements include, but are not limited to, # of terminations by type by reason and the accuracy rate for enrollments. (see IQMU Plan, section 1.3 and 3.2.2)

OMPP Operations Unit:

- Monitor EDS compliance with contact responsibilities and monitor performance to ensure accurate and timely provision of services.

- Perform assessments of the provider enrollment process. (see OMPP Operations Unit Governance Plan, section 6.1.3)

IQMU, OMPP Operations Unit and EDS meet monthly to review any findings and determine appropriate actions if required.

This finding remains unresolved.

FINDING 2006 - FSSA-5, STATE OWNED INTERMEDIATE CARE FACILITY

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Controller, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Allowable Costs/ Cost Principles
Internal Control:	Significant Deficiency

Finding:

In April 2006, AIMS issued two checks for claim adjustments totaling $ 26,002,704.33 payable to the FSSA State Institutional Finance Division. This was for a retroactive rate increase granted to the Muscatatuck State Developmental Center to adjust Medicaid claims for state fiscal year 2005. The payments were for a rate increase of 257%, with daily rates increased from $839.36 to $2,994.31. The new daily rate was effective for the period of July 1, 2004, until the center closed in April 2005. Our tests found that the new daily rate was excessive.

We calculated that the grand total of original Muscatatuck Medicaid claims and the retroactive adjustments paid for the state fiscal year ended June 30, 2005, totaled $36,124,618. The annual financial report submitted for Muscatatuck for the fiscal year ended June 30, 2005, listed total expenses of $23,213,493. The claims paid in excess of expenses for the year then totaled $12,911,125.

"The Medicaid reimbursement system is based on recognition of the provider's allowable costs. All state-owned intermediate care facilities for the mentally retarded (ICFs/MR) will be reimbursed with a retrospective payment system. The annual financial reports filed by the state-owned ICFs/MR will be used to determine the actual cost per day for services. A retroactive settlement will be determined for the time period covered by the annual financial report. The total allowable costs will be divided by the actual client days to determine the actual per diem rate. The variance between the actual per diem rate and the interim per diem rates based on the projected budget and paid during the report period will be multiplied by the paid client days to arrive at the annual settlement." (405 Indiana Administrative Code 1-17-9)

We determined that the excessive daily rate approved and paid was largely caused by an under-reported number of actual client days. The reported amount of 7,615 total occupant days was used in the rate calculation without applying any verification procedure. We calculated that the actual total occupant days paid by Medicaid for the period were 12,072. We further inquired of the rate setting contractor and identified a reportable condition as there is no process for verification of the reported number of client days for any of the state owned Intermediate Care Facilities.

The excessive reimbursement was also not detected in the course of business as there were no controls applied to identify or question large increases or payments issued, or to otherwise compare the retroactive payments issued to the total costs claimed.

As the calculated rate is in error, we consider the total retroactive adjustment payments issued in 2006 for Muscatatuck State Developmental Center to be questioned costs. The total payments were $26,002,704.33 and the federal share was $16,376,503.

We recommended that OMPP require the cost reports and rate calculations to be corrected and to seek reimbursement of excess payments issued. The rate increases for other state owned centers should also be reviewed for similar errors. Controls over rate setting and retroactive payments should be improved by verifying reported occupant days, performing risk assessment and monitoring.

Status of Finding as of September 2008:

The cost report was finalized March 24, 2008. The adjusted per diem rate was established at $2,041.67 and the claims were mass adjusted in May 2008, with the ARs appearing on the RA for the first week in June 2008.

FSSA continues to investigate the reporting to determine if any additional corrections are needed. This finding remains unresolved.

FINDING 2006 - FSSA-6, MANAGED CARE PAYMENT VARIANCES

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program, State Children's Health Insurance Program
CFDA Number:	93.778, 93.767
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Controller, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Allowable Costs/Cost Principles
Internal Control:	Significant Deficiency

Finding:

Payments issued to managed care contractors are to be supported by capitation reports which list each eligible program participant, their assigned care provider, and the state contract rate paid. The grand total paid is listed on the summary page of the capitation report. We compared managed care contract payments to the capitation reports. We found that four payments were issued for amounts under that of the monthly capitation report. In October of 2005, check No. 901732788 was issued for $14,402,041 and check No. 901732784 was issued for $1,272,042. The total paid per the capitation reports was $14,840,668 and $1,380,901. This resulted in variances of $438,627 and $108,859, respectively. The two other variances were found for payments in April and May of 2006 and were each under $500. The cause of the variances have not been identified. As such, the accuracy of the payment process is in question for those payments that vary from the capitation report.

"To be allowable under federal awards, costs must meet the following general criteria . . . (j). Be adequately documented." (US OMB Circular A-87 (C) (1))

In accordance with 45 CFR 92.20 (b) (1): "Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant."

We recommended that OMPP require payments to be compared to the capitation payment listing summary on a monthly basis, with any variances investigated. The cause of the variances in October 2005 payments should be identified in order to ascertain that the capitation report and managed care payment process were accurate.

Status of Finding as of September 2008:

The Tracking Tool to ensure all validation steps in capitation rate updates are completed was fully implemented in July 2008. OMPP is currently devising, with the assistance of EDS, a reconciliation process to occur on a monthly basis to ensure monthly payments to MCO's accurately reflect approved rates.

This finding remains unresolved.

FINDING 2006 - FSSA-7, MEDICAID GRANT OVERSTATED EXPENDITURES REPORTED

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Reporting
Internal Control:	Material Weakness

Finding:

Quarterly reports of Medicaid program expenditures were overstated during the state fiscal year ended June 30, 2006, by total costs of $280,979,354, with the federal share overstated by $176,567,559. Of this, total costs were overstated by $276,926,058 with the federal share overstated by $174,014,793 for unnecessary quality assessment adjustments applied in reporting expenditures effective for the quarters ended September 30 and December 31, 2005, which were included in the quarterly reports for September 2005 thru March 2006. The error was caused by a misunderstanding of how the quality assessment fees for nursing and intermediate care facilities were included on reports prepared by the fiscal agent EDS. The EDS uses a Management and Administration Reporting Subsystem (MARS) to produce the CMS 64 report for the transactions it processed. Our prior finding 2005-FSSA-25, DETAIL ACCOUNTING NOT PRODUCED reports that the MARS reports only summary totals without detail. The assessment fees were approved by the federal government as a source of state funding to provide for increased rates for recognized quality measures. The assessment fees were newly implemented in July 2005, and were recorded as an account receivable through the EDS Advanced Information Management System (AIMS). FSSA Finance thought that the MARS reports were reduced by the quality assessment fees and that an adjustment was necessary to increase the costs to the gross amount paid. In fact, the MARS reports were already including the costs at the gross amount paid.

We identified the overstated expenditure reports through analytical procedures which then were further identified and confirmed by FSSA Finance and OMPP staff. We were told they had previously inquired into the matter when questions were raised by the Medicaid actuary. We also obtained a partial data set of underlying MARS report detail which showed that the costs were included at the gross claim payment amount without the reduction for the collection of the quality assessment fees.

The total report overstatement listed above also includes a finding of an error that duplicated a state cost as it was included inadvertently in both lines two and five of the CMS 64 report for the quarter ended June 30, 2006. This resulted in overstated total costs of $4,053,296, with the federal share of $2,552,766. This error could have been detected by FSSA verifying the compilation in the review process.

We were informed that the CMS report compilation has supervisory review. These reviews, however, were not documented. The report compilation is also inefficient in that the entire MARS reports must be hand entered into compilation spreadsheets as they are not provided in a useable electronic format.

As the reports were overstated by a total amount that is material to the Medicaid program, the associated internal control weaknesses are considered material weaknesses. The weaknesses include a lack of risk assessment and information and communication concerning the reporting structure for a new transaction type. There also was a lack of analytical review procedures by FSSA finance to compare the total costs and federal share reported to that of the state grant accounting records. The report compilation process also lacks documented supervisory reviews.

45 CFR 92.20 (b)(1) states: "Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant."

We recommended that the federal CMS reports be revised to correct the identified errors. The internal controls over federal reporting should be improved to provide formal risk assessment and information and communication to FSSA finance for new transaction types or other reporting modifications. FSSA finance should perform documented supervisory reviews of the report compilation process with analytical comparison of costs reported to the state grant accounting records. Consideration should be given to requiring EDS to provide their reports in a useable electronic format.

Status of Finding as of September 2008:

Quality Assessment Fees (QAF) for Medicaid participating nursing facilities are offset against claim payments processed through EDS, the fiscal agent. These offsets need to be reported in the State's financial records as an adjustment to correctly account for the federal funds. However the MAR reports from EDS reflect actual claim expenditures before non-claim specific adjustments. Procedures are now in place to accurately record QAF offsets in the State's financial records and on the CMS-64. Adjustments made on the CMS 64 in the quarters ending 9/30/07 and 3/31/08 corrected $269,169,856 ($169,138,368 federal) of the prior reporting errors from Finding 2006 - FSSA-7. $11,809,498 ($7,429,191 federal) of these reporting errors remains uncorrected.

The finding remains unresolved.

FINDING 2006 - FSSA-8, MEDICAID ADMINISTRATION GRANT - EXPENDITURES OVER AWARD

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Allowable Costs/Cost Principles, Reporting
Internal Control:	Significant Deficiency

Finding:

The federal share of disbursements for the Medicaid Administration Grant 5 05 05 IN 5048 exceeded the grant award by $29,213,333. The federal grant authorization report for grant 5 05 05 IN 5048 shows the award amount to be $105,945,961. The federal disbursements reported for this grant on the Schedules of Federal Financial Assistance for the fiscal years ended June 30, 2005 and 2006, totaled $135,159,294. The grant expired September 30, 2005, yet the overspent condition had not been identified by the time of our audit in February 2007. This indicates that awards are not monitored in order to recognize that the federal expenditures incurred and reported have exceeded the award authority. This may also be caused by insufficient communication or verification of changes in grant awards. The schedule of federal financial assistance report prepared by FSSA Finance also listed an incorrect award amount for this grant of $112,320,862.

The grant shortage appears to be an ongoing condition for this administration grant. The federal grant authorization report listed a decrease in the award of $28,650,708 in April, 2006. We found this was actually transferred to award 5 04 05 IN 5048 to cover the prior year's grant shortage. Had the $28 million not been transferred out, disbursements would only have exceeded the award amount by $562,624.61.

We consider the federal expenditures reported in excess of the grant award of $29,213,333 to be questioned costs which may be required to be repaid to the federal government.

"A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its sub grantees and cost-type contractors, must be sufficient to: 1) permit preparation of reports required by this part and the statutes authorizing the grant, and 2) permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes." (45 CFR 92.20)

"Each agency, department, institution or office has the following accounting responsibilities: 1. Operate within the confines of the established budget, 2. Maintain a control environment, 3. Maintain control procedures . . ." "The accounting system provides the basis for budgetary control. The operating budget should be viewed as a comprehensive planning and control device. Each agency must function within the budget limits." (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

We recommended that a grant award increase for Medicaid administration costs be sought in order to correct the condition which has occurred over time. We further recommended that FSSA Finance monitor the federal grant award amounts for each grant and the related disbursements closely to ensure they are not exceeding the award amount. This would include establishing procedures to ensure the accuracy of the award amounts listed in the fiscal records and requiring federal budget to actual information.

Status of Finding as of September 2008:

The federal Payment Management System does not allow entry of expenditures above the authorized grant amount. FSSA has implemented procedures whereas only expenditures posted during a federal fiscal year are drawn from that years grant. Supplemental Medicaid grant request for a current year grant award are submitted in lieu of using prior year grant funds which may still be authorized. These changes should allow a clear record of expenses charged to each Medicaid grant. In addition Accounting Operations, Federal Funding and the OMPP controller monitor Medicaid grant balances periodically and at year end. This finding is still open.

FINDING 2006 - FSSA-9, MEDICAID ADMINISTRATION GRANT - CMS 64 QUARTERLY REPORTS

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Reporting
Internal Control:	Significant Deficiency

Finding:

The CMS 64 Quarterly Reports for the Medicaid Administration grants reported $2,019,805.07 more total federal expenditures than the grant accounting records and the total reported in the Schedule of Federal Financial Assistance for state fiscal year 2006. No reconciliations were prepared to identify variances. The supporting work papers used to prepare the CMS 64 reports contained errors in summary totals and did not always agree with the CMS 64 reports. There were no documented reviews of the reports or supporting work papers.

"The State must submit Form CMS-64 to the central office not later than 30 days after the end of each quarter. This report is the State's accounting of actual recorded expenditures. The disposition of Federal funds may not be reported on the basis of estimates." (42 CFR 430.30)

"Each agency, department, institution or office has the following accounting responsibilities: . . . 5. Maintain an effective and accurate accounting system for supplementary records, 6. Maintain and make available for audit, documentation supporting the validity and accountability of monies received or disbursed . . ." (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

We recommended that the overstated reported expenditures be corrected or otherwise identified in reconciliations to the grant accounting records. FSSA Finance should develop internal controls for federal reporting that include regular reconciliations and documented reviews.

Status of Finding as of September 2008:

The federal expenditures on the CMS-64 will not equal the cash expenditures reported on the agency's grant schedule. CMS requires prior year claim adjustments to be reported as prior period adjustments reported at prior year FMAP rates. There is no requirement to adjust the FMAP rates on the current funding of these adjustments. In addition, expenditures may be reported on the CMS-64 for CMS review prior to drawing federal funds.

As part of the corrective action plan an executive summary reconciling all entries to the financial forms used to compile the CMS-64 was in put in place in the second quarter of SFY 2008. This summary along with work papers are reviewed by the Director or Deputy Director of Federal Funding to insure that the expenditures to be reported on the CMS-64 reconcile to the monthly financial reports for the quarter. The reconciliation is copied into the Narrative section of the CMS-64 submission. An e-mail approval of the reconciliation is sent to the Federal Funding Specialist prior to any submission of the CMS-64.

This finding remains open.

FINDING 2006 - FSSA-11, TANF ELIGIBILITY INCOME DETERMINATIONS

Federal Agency:	Department of Health and Human Services
Federal Program:	Temporary Assistance for Needy Families (TANF)
CFDA Number:	93.558
Auditee Contact Person:	James E. Dunn
Title of Contact Person:	TANF and Impact Director
Phone Number:	317-232-4240
Compliance Requirement:	Eligibility, Allowable Cost
Internal Control:	Significant Deficiency

Finding:

During our audit of FSSA, we tested 240 TANF cases that received payment in August 2005. We found that in 6 of the cases the recipient had income in excess above the Federal Poverty Level or had income in excess of initial eligibility limits as stated in the State plan. This was due to the caseworker not verifying the proper income limits.

The Indiana's State Plan for the Temporary Assistance for Needy Families Block Grant states: "The resource standard for initial eligibility is $1000. Once determined eligible, the case is subject to a resource standard of $1500."

We recommended that FSSA implement procedures to ensure that caseworkers follow the policies and procedures established as part of the State Plan for the Temporary Assistance for Needy Families Block Grant.

Status of Finding as of September 2008:

DFR is overhauling its eligibility determination process. On October 22, 2007, the IBM-led Coalition will take over data gathering and case processing operations in 11 counties. The Coalition is instituting call centers, case management software and other operational tools to centralize, systemize, and standardize the case processing process. These structural changes will ensure that eligibility policies will be implemented consistently across the state. Under the contract, the IBM-led Coalition is responsible for ensuring that case actions are taken correctly. DFR will closely monitor the Coalition's work to determine whether or not it is meeting the performance standards in the contract and impose fines if it fails to takes actions in a timely manner.

Additionally, in September 2008, DFR began a TANF quality control (QC) pilot project. The pilot will run through December 2008 and will review a sample of TANF cases from the Clark County Regions (Clark, Crawford, Dearborn, Floyd, Harrison, Jackson, Jefferson, Jennings, Lawrence, Martin, Ohio, Orange, Ripley, Scott, Switzerland, and Washington Counties). The plan is to review the pilot program's findings and implement a TANF QC program statewide by the end of FFY 2009. These QC reviews will focus on the correctness of eligibility determination.

This issue is unresolved as of June 30, 2008. FSSA paused the Modernization roll-out in June 2008. Roughly one third of the TANF caseload is in a modernized county. No timeframe has been given as to when the Modernization roll-out will resume but the assumption is that roll-out will be completed by the end of FFY 09.

<u>FINDING 2006 - FSSA-12, TANF ELIGIBILITY - DOCUMENTATION</u>

Federal Agency:	Department of Health and Human Services
Federal Program:	Temporary Assistance for Needy Families (TANF)
CFDA Number:	93.558
Auditee Contact Person:	James E. Dunn
Title of Contact Person:	TANF/Impact Manager
Phone Number:	317-232-4240
Compliance Requirement:	Eligibility
Internal Control:	Significant Deficiency

Finding:

During our audit of FSSA, we tested 240 TANF cases that received payment in August 2005. We could not find evidence supporting the following: in 28 individual case files to support the relationship of the child to the head of household, 14 cases in which there was no documentation indicating if the child was age 18 and a full-time student in secondary school, and 5 cases lacked verification if the head of household had received TANF benefits outside of the State of Indiana for 60 months since December 1996 when the head of household was identified as receiving TANF benefits from another state.

42 USC 608(a) (1) states: "No assistance for families without a minor child."

The State of Indiana uses the definition of minor child as described in 46 USC 619 as:

"The term "minor child" means an individual who—

(A) has not attained 18 years of age; or

(B) has not attained 19 years of age and is a full-time student in a secondary school (or in the equivalent level of vocational or technical training)."

42 USC 608(a)(7) reads in part: "A State to which a grant is made under section 603 of this title shall not use any part of the grant to provide assistance to a family that includes an adult who has received assistance under any State program funded under this part attributable to funds provided by the Federal Government, for 60 months (whether or not consecutive) after the date the State program funded under this part commences."

We recommended that FSSA ensure the inclusion of documentation supporting the age of the individuals, proof of relationship in the case files, and overall TANF payment history.

Status of Finding as of September 2008:

DFR is overhauling its eligibility determination process. On October 22, 2007, the IBM-led Coalition will take over data gathering and case processing operations in eleven counties. The Coalition is instituting call centers, case management software and other operational tools to centralize, systemize, and standardize the case processing process. These structural changes will ensure that eligibility policies will be implemented consistently across the State. Under the contract, the IBM-led Coalition is responsible for ensuring that case actions are taken correctly. DFR will closely monitor the Coalition's work to determine whether or not it is meeting the performance standards in the contract and impose fines if it fails to takes actions in a timely manner.

On October 22, 2007, the Coalition established a document imaging center that will scan all collateral and written material provided by an applicant or recipient. At first only cases in counties operating in the new system will use the document center, but all documents for all cases will be scanned once the Modernization roll-out has been completed. The scanned documents are attached to the electronic case file.

Indiana is a member of the Federal Public Assistance Reporting Information System (PARIS). Member states provide recipient data to a Federal database and the database compares that data with data submitted by other member states. Presently, 43 states and U.S. territories are members of PARIS including all of Indiana's neighboring states. The PARIS data provides quarterly TANF, Food Stamp and Medicaid eligibility for TANF families. Although the eligibility data is not specific to a month, it does inform us of past TANF eligibility to be investigated. FSSA and IBM-led Coalition are researching the best way to incorporate this information into the eligibility determination process.

The issue regarding documentation of overall TANF history has been resolved with the creation of the ICES out-of-state cash assistance screen. The use of PARIS would supplement the ICES screen.

Additionally, in September 2008, DFR began a TANF quality control (QC) pilot project. The pilot will run through December 2008 and will review a sample of TANF cases from the Clark County Regions (Clark, Crawford, Dearborn, Floyd, Harrison, Jackson, Jefferson, Jennings, Lawrence, Martin, Ohio, Orange, Ripley, Scott, Switzerland, and Washington Counties). The plan is to review the pilot program's findings and implement a TANF QC program statewide by the end of FFY 2009. These QC reviews will focus on the correctness of eligibility determination.

The overall documentation issue is unresolved as of June 30, 2008. FSSA paused the Modernization roll-out in June 2008. Roughly one third of the TANF caseload is in a Modernized county. No timeframe has been given as to when the Modernization roll-out will resume but the assumption is that roll-out will be completed by the end of FFY 09.

FINDING 2006 - FSSA-13, TANF ELIGIBILITY - VERIFICATION

Federal Agency:	Department of Health and Human Services
Federal Program:	Temporary Assistance for Needy Families (TANF)
CFDA Number:	93.558
Auditee Contact Person:	James E. Dunn
Title of Contact Person:	TANF/Impact Manager
Phone Number:	317-232-4240
Compliance Requirement:	Eligibility
Internal Control:	Significant Deficiency

Finding:

During our audit of FSSA, we tested 240 TANF cases that received payment in August 2005. We found that FSSA had no procedures in place to verify that an individual of a TANF recipient household has not been convicted of fraudulently misrepresenting their residence in order to receive assistance from more than one state. This lack of verification resulted in a 100% error rate for the sample. It was also noted that FSSA did not have any procedures in place to ensure that no member of the household is fleeing to avoid prosecution, custody or confinement after conviction, to attempt to commit a felony, or violating a condition of probation.

42 USC 608(a)(8) states: "A State to which a grant is made under section 603 of this title shall not use any part of the grant to provide cash assistance to an individual during the 10-year period that begins on the date the individual is convicted in Federal or State court of having made a fraudulent statement or representation with respect to the place of residence of the individual in order to receive assistance simultaneously from 2 or more States under programs that are funded under this subchapter, subchapter XIX of this chapter, or the Food Stamp Act of 1977 [7 U.S.C. 2011 et seq.], or benefits in 2 or more States under the supplemental security income program under subchapter XVI of this chapter. The preceding sentence shall not apply with respect to a conviction of an individual, for any month beginning after the President of the United States grants a pardon with respect to the conduct which was the subject of the conviction."

42 USC 608(a)(9)(A) states: "A State to which a grant is made under section 603 of this title shall not use any part of the grant to provide assistance to any individual who is-- (i) fleeing to avoid prosecution, or custody or confinement after conviction, under the laws of the place from which the individual flees, for a crime, or an attempt to commit a crime, which is a felony under the laws of the place from which the individual flees, or which, in the case of the State of New Jersey, is a high misdemeanor under the laws of such State; or (ii) violating a condition of probation or parole imposed under Federal or State law."

We recommended that FSSA implement procedures to verify that an individual of a TANF recipient household has not been convicted of fraudulently misrepresenting their residence in order to receive assistance from more than one state. We further recommended that FSSA implement procedures to ensure that no member of the household is fleeing to avoid prosecution, custody or confinement after conviction, to attempt to commit a felony, or violating a condition of probation.

Status of Finding as of September, 2008:

Until a national TANF database is developed to capture this specific information, there is no way for the state to determine if a recipient has been convicted of fraud in order to receive benefits simultaneously in two states and if so when the conviction occurred for calculating the ten year ineligibility period. Through FSSA Audit, DFR has access to conviction information from the Indiana Department of Corrections; however, even though this information is not specific enough to determine if the conviction was due to receiving benefits in multiple states or for some other reason, individuals convicted welfare fraud felony or misdemeanor are ineligible for TANF benefits. FSSA will modify the ICES system to collect data on welfare fraud convictions available from the DOC file. FSSA and IBM-led Coalition are researching the best way to incorporate this information into the eligibility determination process.

In regards to fleeing felons and probation violators, currently ICES is able to capture self-declared information regarding an individual's status as a fleeing felon or probation violator. FSSA is exploring methods of getting this information from the Indiana Department of Correction. FSSA and IBM-led Coalition are researching the best way to incorporate this information into the eligibility determination process. This issue is unresolved as of June 30, 2008.

FINDING 2006 - FSSA-14, TANF ALLOWABLE COST

Federal Agency:	Department of Health and Human Services
Federal Program:	Temporary Assistance for Needy Families (TANF)
CFDA Number:	93.558
Auditee Contact Person:	James E. Dunn
Title of Contact Person:	TANF/Impact Director
Phone Number:	317-232-4240
Compliance Requirement:	Eligibility, Allowable Cost
Internal Control:	Significant Deficiency

Finding:

During our audit of FSSA, we tested 240 TANF cases that received payment in August 2005. We found that in 22 of the cases the payments had not been correctly calculated. This was due to income being reported during the Income Eligibility and Verification System (IEVS) data exchange not being verified and used in the calculation of income, or recipients are not being placed on sanctions for not participating in IMPACT. This resulted in overpayments due to not reducing or eliminating payments due to increase in income. In one case the data exchange indicated a full year of income, but no reduction in benefits were made by the caseworker. These weaknesses resulted in an overpayment of $2,749 or 5.15% of actual amount disbursed to the recipients for the sample tested. This amount projected to the population for the month of August would be $463,647.

Per the ICES Program Policy Manual 2215.15.00 "Prompt action must be taken on all changes to determine if they affect eligibility. The case record must include the date the reported change was received, whether the change was reported by mail, telephone, or personal visit, the nature of change and any other appropriate information. The caseworker must take appropriate action on all reports of changed information promptly but no later than 10 days from the date of the receipt of the change."

We recommended that the caseworkers follow the policies and procedures established in the Family Social Services Administrative ICES Program Manual.

Status of Finding as of September, 2008:

DFR is overhauling its eligibility determination process. On October 22, 2007, the IBM-led Coalition will take over data gathering and case processing operations in eleven counties. The Coalition is instituting call centers, case management software and other operational tools to centralize, systemize, and standardize the case processing process. These structural changes will ensure that eligibility policies will be implemented consistently across the state. Under the contract, the IBM-led Coalition is responsible for ensuring that case actions are taken correctly. DFR will closely monitor the Coalition's work to determine whether or not it is meeting the performance standards in the contract and impose fines if it fails to takes actions in a timely manner.

Additionally, in September 2008, DFR began a TANF quality control (QC) pilot project. The pilot will run through December 2008 and will review a sample of TANF cases from the Clark County Regions (Clark, Crawford, Dearborn, Floyd, Harrison, Jackson, Jefferson, Jennings, Lawrence, Martin, Ohio, Orange, Ripley, Scott, Switzerland, and Washington Counties). The plan is to review the pilot program's findings and implement a TANF QC program statewide by the end of FFY 2009. These QC reviews will focus on the correctness of eligibility determination.

This issue is unresolved as of June 30, 2008. FSSA paused the Modernization roll-out in June 2008. Roughly one third of the TANF caseload is in a Modernized county. No timeframe has been given as to when the Modernization roll-out will resume but the assumption is that roll-out will be completed by the end of FFY 09.

FINDING 2007 - FSSA–1, MEDICAID GRANT REPORTING ERRORS

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Reporting
Internal Control:	Material Weakness

Finding:

We found the following material reporting errors in our testing of the federal expenditure reports, CMS 64 for the fiscal year ended June 30, 2007:

1. Quarterly reports of Medicaid program expenditures were overstated during the state fiscal year ended June 30, 2007, by total costs of $298,063,942.02, with the federal share overstated by $187,372,294.80. This overstatement was due to unnecessary quality assessment adjustments applied in reporting expenditures effective for the quarters ended September 30, 2006 and March 31, 2007, which were included in the quarterly reports for September 2006 and March 2007. The error was caused by a misunderstanding of how the quality assessment fees for nursing and intermediate care facilities were included on reports prepared by the fiscal agent, EDS, compounded by FSSA finance clerical errors. Our prior finding 2006-FSSA-7, MEDICAID GRANT OVERSTATED EXPENDITURES REPORTED disclosed this same error. The unnecessary adjustments causing the reporting error continued.

   The total overstated expenditures listed above also included clerical errors which duplicated the reported total costs by $98,338,940.82, with a federal share of $61,933,864.93. Some adjustments were included in both line 4B and line 3 of the CMS64 report. Other adjustments were included as both current period and prior period adjustments increasing claims. The clerical errors were all contained in the CMS64 report for the quarter ending September 30, 2006. This error could have been detected by FSSA verifying the compilation in the review process. We were informed that the CMS report compilation has supervisory review. These reviews, however, were not documented.

2. Disproportionate share hospital payments totaling $248,986,653, with a federal share of $155,938,105, were not separately reported within the federal expenditure report as is required. During fiscal 2007, the Medicaid contractor began to issue these as manual checks or system check adjustments at the request of FSSA. The reporting system had not been updated to properly classify these payments.

3. The CMS 64 quarterly reports for the Medicaid Administration grants reported $4,849,991 less in federal expenditures than the grant accounting records and the total reported in the Schedule of Federal Financial Assistance for the state fiscal year 2007. Reconciliations were not prepared. We could not determine the basis for the reports and whether adjustments were needed in the grant records to reduce the federal costs.

As the reports were overstated by a total amount that is material to the Medicaid program, the associated internal control weaknesses were considered material weaknesses. In addition to weaknesses reported previously, the control environment is considered lacking as the material concerns included in the prior report were not communicated and monitored for corrections. The weaknesses included in our prior report were a lack of risk assessment and information and communication concerning the reporting structure for a new transaction type. There also was a lack of analytical review procedures by FSSA finance to compare the total costs and federal share reported to that of the state grant accounting records. The report compilation process also lacked documented supervisory reviews.

45 CFR 92.20 (a) states: "A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to— (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes."

We recommended that FSSA ensure that the federal CMS reports be revised to correct the identified errors. The reports for the administration grant should be reviewed and reconciled to the grant accounting records with appropriate adjustments made. The internal controls over federal reporting should be improved to provide formal risk assessment and information and communication to FSSA finance for new transaction types or other reporting modifications. FSSA finance should perform documented supervisory reviews of the report compilation process with analytical comparison of program costs reported to the state grant accounting records. The costs reported for the Administration grant should be reconciled to the grant accounting records.

Status of Finding as of September, 2008:

1. On the CMS-64 for the QE 3/31/08, FSSA submitted a Line 10B prior period decreasing adjustment for FFY 2006 to line 4B, ICF/MR, in the amount of $192,015,568 and for FFY 2007 to line 3, Nursing Facility Services in the amount of $69,648,321 and to line 4B, ICF/MR, in the amount of $8,745,687. These adjustments made on the CMS 64 corrected $277,687,398 ($174,570,538 federal) of the reporting errors from finding 2007 - FSSA-1. $20,376,544 ($12,801,757 federal) remains uncorrected. The finding is still open.

2. FSSA made adjustments to the CMS-64 for the QE 3/31/08 removing expenditures from Line 1A and adding to Line 1B Inpatient Hospital Services. – DSH Adjustment Payments. A decreasing adjustment in the amount of $61,884,830, $38,746,092 federal was made for DSH payments reported on the QE 9/30/07 report. A decreasing adjustment in the amount of $79,921,665, $50,038,954 federal was made for DSH payments along with an increasing adjustment to the DSH line 1A of $127,560,000, $79,865,316 federal for checks issued in the amount of the federal share only in June 2007. An additional $90,000 adjustment was made on the QE 9/30/08 report for the transcription error between $127,650,000 and $127,560,000. A decreasing adjustment in the amount of $137,154,771, $86,380,075 federal was made for DSH payments reported on the QE 9/30/06 and 12/31/06 reports. This adjustment corrects the misreporting in SFY 2007. This part of the finding is considered resolved.

3. The federal expenditures on the CMS-64 will not necessarily equal the cash expenditures reported on the agency's grant schedule. Occasionally expenditures are added to the CMS-64 for CMS review prior to drawing federal funds. Prior quarter adjustments for expenses paid in prior periods may also be included. FSSA will review the CMS-64 submissions for SFY 2007 and compare to the agency's financial records to determine if any prior year adjustments or advance claims were made resulting in the difference between the grant records and the CMS-64.

This finding remains open.

FINDING 2007 – FSSA–2, INACCURATE GRANT ACCOUNTING RECORDS

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Allowable Costs/Cost Principles, Reporting
Internal Control:	Significant deficiency

Finding:

The grant accounting records maintained by FSSA Finance are entitled Federal Expends and Allotments. These spreadsheets contain columns which are used to classify state accounting transactions into the federal and state cost components, as well as the federal program grant award funding period. The federal expenses are periodically summarized and recorded into the Federal Expense Tracking System (FETS), which is utilized to draw federal funds and is the source of the Schedule of Federal Financial Assistance.

We found that the federal costs per the grant accounting records (expends/ allots) for the Medicaid program did not agree to those reported in the Schedule of Federal Financial Assistance for the fiscal year ended June 30, 2007. The total federal costs of the grant accounting records exceeded those of the Schedule of Federal financial assistance by $26.7 million. These were comprised of material variances between grant program years of funding as follows. Fiscal 2007 federal expenditures recorded in the detail records for the 2006 grant year exceeded that of the FETS and the Schedule of Federal Financial Assistance by $103.7 million. The federal expenditures recorded for the 2007 grant year were $77 million less than the FETS and Schedule of Federal Financial Assistance. We identified errors in the grant accounting records maintained for the Medicaid Indigent Care Trust fund/ center which occurred upon recording transfer transactions between state fund/centers. These are detailed as follows:

- The detail records overstated federal Medicaid costs (Program Year (PY) 2007) by $13.3 million when a prior fiscal year payment was again recorded as a grant expense upon transfer of the activity to the indigent trust fund.

- Another transfer between state accounts was also recorded in the detail records in error between different program years of funds which understated federal Medicaid costs (PY 2007) by $85.9 million and overstated federal PY 2006 by $86.4 million. The overstatement to PY 2006 for this transaction included an additional $507,473 in matching costs.

The detail accounting records (fed expends/ allots) had a remaining unaccounted for variance of $12.9 million federal costs which exceeded the FETS and the Schedule of Federal financial assistance.

Other inaccuracies and timing differences were also observed within the accounting records which could cause less federal share to have been claimed by the state.

FETS entries provided for audit were largely incomplete as certain grant records were omitted. However, we could ascertain from summary reports that the above errors were solely recorded within the underlying records.

Regular reconciliations between the supporting accounting records and the grant schedule were not done.

The conditions noted above result in a significant control deficiency.

"A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its sub grantees and cost-type contractors, must be sufficient to: 1) permit preparation of reports required by this part and the statutes authorizing the grant, and 2) permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes." (45 CFR 92.20)

We recommended that FSSA Finance reconcile and review supporting grant accounting records on a regular and timely basis during the fiscal year. We further recommended that FSSA Finance reconcile the balances in the detail accounting records as of June 30, 2007, to the Federal Expenditure Tracking System (FETS) to determine the cause of the $12.9 million variance.

Status of Finding as of September 2008:

FSSA reviewed and made adjustments to the SFY2007 Allot vs. Expends to better reflect federal expenditures recorded in FETS for Medicaid Assistance and the Medicaid Indigent Care Trust Fund. During this review it was discovered that entries were made into the federal allotment column whereas the entries should have been made to federal expenditures. These entries caused formulas to be modified resulting in the inability to trace expenditures to federal draws. Correcting entries were made to Allot vs. Expends to more accurately reflect federal balances and federal draw adjustments were made to correct identified differences.

Control procedures are being established to validate all entries into FETS to the detailed accounting records for each federal grant at the end of each month. A standardized Allot vs. Expends has been issued which is submitted monthly to the Federal Funding Department. Federal Expenditures reported on the Allot vs. Expends are reconciled to the expenditures in FETS for all federal fund centers.

This finding remains open.

FINDING 2007 - FSSA-3, QUALITY ASSESSMENT FEE REFUNDS

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Allowable Costs/Cost Principles
Internal Control:	Significant deficiency

Finding:

Nursing facilities pay the State of Indiana quality assessment fees (QAF) as part of a program approved by the federal government. These fees are a source of state funding to provide for increased rates for recognized quality measures. Most of these fees are collected as deductions from Medicaid payments issued. Upon recording Medicaid expenditures, the net payment amount is recorded in the agency's grant records. The following quarter the state records an adjustment to recognize the state fees collected and increase the federal share to that of the gross payments issued. The adjustment amount is taken from the total nursing facility QAF accounts receivable collected from a report issued by EDS, the Medicaid claims contractor. Another section of the report lists nursing facility QAF overpayments refunded by the State. EDS informed us that the refunds had not been deducted from the collections reported. As such, the total adjustment each quarter should include total nursing facility quality assessments less the nursing facility QAF overpayments refunded by the state. However, as of June 30, 2007, the QAF accounting adjustments had not been reduced by the amounts reported as QAF refunds. The total effect of not accounting for the refunds in the QAF adjustment entries, from the inception of the QAF program in the state fiscal year ended June 30, 2006 through June 30, 2007, is an overstatement of federal share of $5,193,387. This results in a significant control deficiency.

We consider the overstatement of $5,193,387 of federal expenditures to be questioned costs which may be required to be repaid to the federal government.

"To be allowable under Federal awards, costs must meet the following general criteria . . . (i). Be the net of all applicable credits." (US OMB Circular A-87 (C) (1))

We recommended that FSSA record the QAF adjustments net of the refunds issued.

Status of Finding as of September 2008:

Procedures were modified to reduce offsets by the QAF refund amounts each quarter including use of a template for entry of QAF assessment refunds. An adjustment was entered into PeopleSoft in the quarter ending September 30, 2008, but remains to be adjusted in the Excel accounting records. FSSA will make correcting adjustments reducing federal expenditure in the amount of $5,195,373.

This finding remains open.

FINDING 2007 - FSSA-4, REVIEW OF LONG-TERM CARE FACILITY AUDITS

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Controller, FSSA-OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions 2 – Inpatient Hospital and Long-Term Care Facility Audits
Internal Control:	Significant Deficiency

Finding:

FSSA-OMPP has a contractor that performs Medicaid-participating long-term care (LTC) facilities audits. These audit results may affect rates paid to LTC facilities. OMPP had a monitoring control in place that a copy of all completed LTC facility audit reports from the contractor are to be sent to OMPP's Compliance Division. OMPP Compliance is to consider the number and severity of adjustments indicated in the reports and use professional judgment to evaluate the continuing appropriateness of the internal risk level assigned to each facility. The assigned risk level is used to determine the timing of subsequent audits based on established rotation criteria.

We found that the OMPP had not reviewed all the LTC audit reports. The OMPP employee responsible for review estimated that 25% of audit reports received from June through December 2006 were reviewed but no audit reports were reviewed from January through June 2007. In a typical year, approximately 700 LTC audits were performed by the contractor.

The OMPP determined the audit risk level and timing based upon a spreadsheet prepared by the contractor listing the number, but not dollar amount, of adjustments. The spreadsheet did not include the number or severity of internal control findings, which could have impacted the risk assessment.

The conditions noted above result in a significant control deficiency.

42 CFR §447.253(g) states that: "The Medicaid agency must provide for periodic audits of the financial and statistical records of participating providers."

45 CFR §92.40(a) states that: "Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity."

We recommended that OMPP restore their review of audit reports. The amounts of adjustments identified in the audit reports, internal control findings, and severity of identified adjustments should be reviewed when re-evaluating risk assessments. Indication of review of audit reports should be marked on a permanent record to demonstrate: that all facility risk levels have been reviewed and evaluated; when the last audit report was received; when the last update to the risk level was made; and who updated the record.

Status of Finding as of September 2008:

The contract for LTC audit reviews has been awarded to Myers and Stauffer starting January 1, 2009. As part of the transition OMPP and Myers and Stauffer established risk assessment criteria. Using these risk assessment criteria Myer and Stauffer will develop an audit plan of which OMPP will have it reviewed by a task force team and approve/disapprove each proposed audit. OMPP will restore the review of audit reports from Myers and Stauffer with a focus on internal controls findings and severity of identified adjustments when re-evaluating risk assessments.

This finding remains open.

FINDING 2007 - FSSA-5, ON-GOING PROVIDER FEDERAL EXCLUSION VERIFICATIONS

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Controller, FSSA-OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions 4 - Provider Eligibility, Activities Allowed or Unallowed
Internal Control:	Significant Deficiency

Finding:

Controls are inadequate to ensure that each current active provider and the specific individuals and entities which the provider are required to disclose, had not attained federal exclusion status after the date of the most recent documented verification. The potential effect of continued active enrollment is improper payment to a provider after any disclosed individual or entity acquires federal exclusion status.

The EDS (Medicaid claims contractor) Provider Enrollment unit enrolls providers and maintains provider files. Providers are required to make disclosures of specific individuals and entities on the provider application. None of the individuals or entities required to be disclosed may be federally excluded. Prior to active enrollment of the provider, staff queries the federal Office of the Inspector General (OIG) exclusion database for all disclosed individuals and entities to make this eligibility determination and retains evidence in the provider's hardcopy file. Subsequent to initial enrollment, the federal exclusion verification procedure is only performed when a provider file update is necessary. Among other things, an update is necessary if an additional location is added, ownership changes, or recertification procedures are required due to the provider type or state of licensure. Evidence of verifications performed for provider file updates were not retained.

When notifications of federal exclusions are received by the EDS Provider Enrollment unit, the name is queried in the AIMS, the Medicaid claims processing system, to identify if there was a match and, if found, to then begin the termination process. However, there were no comparisons made to OIG's full list of federal exclusions.

Additionally, disclosure information on the provider application was not entered electronically. This decreased the potential capability for systematic identification of affected providers upon learning of a federal exclusion of a disclosed individual or entity.

The conditions noted above result in a significant control deficiency.

42 CFR §1002.211(a) states: "Except as provided for in Sec. 1001.1901(c)(3), (c)(4) and (c)(5)(i) of this chapter, no payment may be made by the State agency for any item or service furnished on or after the effective date specified in the notice by an excluded individual or entity . . ."

We recommended that FSSA-OMPP strengthen procedures in place to ensure that no OIG excluded providers and those individuals and entities which the provider is required to disclose are actively enrolled in the Indiana Medicaid program. Sufficient evidence of all OIG federal exclusion verifications should be retained in the hardcopy provider file. We further recommended that individuals disclosed on the provider application be captured electronically for systematic identification of all interests for which a federally excluded individual or entity may have in providers actively enrolled in the Indiana Medicaid program.

Status of Finding as of September 2008:

CO 473 was initiated to modify the Indiana AIM System to systematically hold and maintain provider information such as Organizational Structure, Disclosure and Change of Ownership for monitoring and maintenance. The CO has been completed and was implemented May 19, 2008. The Business Process was written to outline the procedure used to capture disclosure information in AIM (see CO 473 Disclosure Business Process).
CO 245 was initiated to:

- Create an interface with the OIG exclusion list to receive the files systematically and create a report of providers who need to be terminated per the OIG.
- Provider Enrollment will terminate identified providers who are verified to match the OIG exclusion list.
- CO 245 is on hold until such time as resources are available to be assigned.
- Until CO 245 can be implemented, there is a manual process which can monitor the OIG Exclusion list to determine which providers match with the Indiana AIM System. (See Provider Enrollment Operating Procedures Manual, Section 6)

OIG verification screen prints are being saved (since March 2008). This information is currently being saved in a separate electronic folder which can be accessed when information is needed.

To ensure that the contractor follows the approved processes outlined in the EDS Provider Enrollment Operating Procedures Manual, beginning July 1, 2008, the OMPP Operations Unit and the Independent Quality Management Unit (IQMU) are located at the contractor site full time and share responsibility for monitoring the contractor to ensure consistent adherence with these practices.

IQMU:

- As an independent, non-biased partner, members of IQMU will review and analyze provider enrollment functions performed by EDS and report their findings to the OMPP Director for Operations.
- Reporting elements include, but are not limited to, # of terminations by type by reason and the accuracy rate for enrollments. (see IQMU Plan, section 1.3 and 3.2.2)

OMPP Operations Unit:

- Monitor EDS compliance with contact responsibilities and monitor performance to ensure accurate and timely provision of services.
- Perform assessments of the provider enrollment process. (see OMPP Operations Unit Governance Plan, section 6.1.3)

IQMU, OMPP Operations Unit and EDS meet monthly to review any findings and determine appropriate actions if required.

This finding remains open until CO 245 is implemented. Once CO 245 is implemented this finding can be closed.

FINDING 2007 - FSSA-6, FACULTY PHYSICIAN ACCESS TO CARE ADJUSTMENTS

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Controller, FSSA-OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Allowable Costs/Cost Principles
Internal Control:	Significant deficiency

Finding:

FSSA-OMPP is authorized by the approved state plan to make adjustments to payments for services provided by faculty physicians to Medicaid recipients. These payments are made in order to maintain adequate access to such care, and in recognition of additional costs incurred in providing faculty physician services to Medicaid patients. There are two physician groups that were identified as qualified to receive these payments as faculty of the School of Medicine.

The approved state plan, attachment 4.19B part V, 1.a. specifies the calculation method as follows:

> ". . . adjustments to payments for faculty physician services will be made quarterly by the office in an amount not to exceed the lesser of billed charges or an amount equal to the difference between:
>
> i. The amounts paid for services rendered to Medicaid recipients pursuant to the RBRVs fee schedule and
>
> ii. The amounts that are the usual charges as defined in c. below, for the same services."

Usual charges are defined for calendar years beginning after December 31, 2003, as "an amount equal to the amount of the immediately preceding calendar year's usual charges, increased by an amount that is equal to the applicable Medicare Sustainable Growth Factor as calculated pursuant to the formula at 42 USCS 1395w-4(f)(2)."

The plan further provides that results of an annual review will be applied to the quarterly payments for the following calendar year. Examples were given which indicate that payment reductions would occur if performance levels are not met.

Payments issued for the faculty physician access to care adjustments for calendar 2006 and 2007 were based upon estimates. The estimated payments for 2006 were the 2005 payments multiplied by the percentage change between 2004 and 2005. The estimated payments for 2007 were the 2006 estimate multiplied by the same percentage change between 2004 and 2005. The two faculty physician groups experienced rates of change between 2004 and 2005 of 17% increase and 15.5% decrease, respectively.

There also were no state contracts with the provider entities even though the payment adjustments were only based upon estimates, and as such could result in amounts owed back to the program.

During fiscal 2007, a total of $41,666,667 was paid for 2006 and 2007 estimated faculty physician access to care adjustments. The federal share of these costs was $26,087,500. By February 2008, the actual payments owed for these periods had not yet been calculated, nor had the effect of the performance measures been applied. Due to the use of the estimates only, we were unable to determine the accuracy of the payments issued. As a result, we consider the federal share of the amounts paid to be questioned costs which may be required to be repaid to the federal government.

The conditions noted above result in a significant control deficiency.

"The plan must describe the policy and the methods to be used in setting payment rates for each type of service included in the State's Medicaid program." 42 CFR 447.201 (b)

Indiana Code 4-13-2-14.2 requires that state agency contracts be in writing. Indiana Code 4-13-2-1-20 generally prohibits advance payments without the approval of the State Budget Agency.

We recommended that FSSA ensure that the faculty physician service adjustments be calculated in accordance with the approved state plan provisions. The amounts calculated for 2006 and 2007 should then be compared to the payments that were issued, with collection sought for any excess payments issued. Written state contracts should be issued to the faculty physician groups to specify the terms of the access to care adjustment payments and to document the performance attributes referred to in the plan.

Status of Finding as of September 2008:

OMPP believes that using estimates for the quarterly payments is reasonable based on the language in the state plan. Page 1c of section 4.19 B of the Indiana Medicaid State Plan indicates that the adjustments, "will be made quarterly in an amount *not to exceed* the lesser of billed charges or an amount equal to the difference between . . ." [Emphasis added] The State Plan does not require that the amounts equal the calculation described, but that the quarterly payments do not exceed those amounts. If at any point, information becomes available which indicates that the interim payments exceeded the limit described in the State Plan, the provider is required to return the amount, in accordance with the Indiana State Plan and their provider agreement.

The faculty physician access to care adjustments are to be calculated annually based on incurred claims (claims for dates of service within the specified calendar year). Since providers have up to one year from the date of service to file claims, the annual reconciliations are necessarily delayed until the claims filing period has ended. As the reconciliation process is time intensive and the claims filing limit can cause a lag in calculating exact payments, estimation of the interim payments has been used to ensure timely quarterly payments to the providers.

The performance measures were applied in the calculation of the CY 2005 year-end reconciliation. Since the CY 2006 and CY 2007 interim payments were trended based on the CY 2005 payment amount, they would implicitly include the performance measures used for 2005. The final reconciliation will reflect the performance measures for the payment year.

OMPP does not maintain typical payment-specific state contracts with any provider. Other Indiana statutes control the type of agreement the agency maintains with a provider. In order to participate in Medicaid, providers enter into provider agreements as required by federal law (42 CFR 431.107) and state law (IC 12-15-11). Payments are governed by the state plan and rules, not terms in a contract such as would be applicable to a typical state-vendor relationship. It would be impossible to continually renew contracts yearly (or even every other year) for all Medicaid providers (approximately 36,000) and it would be impossible to project "do not exceed" amounts to insert into each contract. Many of the terms that one would find in a typical contract (amount of payment, methodology for payment) are found in state statute, rule or the state plan. There is no requirement in state law that Medicaid providers enter into separate contracts with the agency. With respect to refund of any overpayments, the provider agreement addresses this in paragraphs 19, 20 and 22, imposing a requirement on the provider to repay any over-payments or federal disallowances. Both providers receiving faculty physician access to care payments have entered into provider agreements with OMPP and are subject to the provisions of the agreement discussed above.

The Physician Faculty interim payments made quarterly are not advance payments. They are quarterly payments, made in accordance with the approved State Plan, during or after the quarter in which services are provided. As explained above, the payment amount is an amount "not to exceed" the limit described in the State Plan. If at any point, information becomes available which indicates that the interim payments exceeded the limit described in the State Plan, the provider is required to return the amount, in accordance with the Indiana State Plan and their provider agreement. Medicaid is required by CMS to make payments in accordance with the approved State Plan.

Since the estimated quarterly payments are calculated not to exceed the final reconciliation amount and, if an overpayment were to occur, the provider is required by their provider agreement to return any amount over the reconciled payment amount, OMPP does not believe that the federal share of these payments should be returned at this time.

During SFY 2008, a total of $21,000,000 was paid for estimated faculty physician access to care adjustments for CY 2007 (quarters 3 and 4) and CY 2008 (quarter 1). The federal share of these costs was $13,159,860. The estimated payment issued to one provider (IUMG-SC) in April 2008 for the quarter ended March 31, 2008, was an increase of 50% over the 2007 calendar quarters due to the preliminary calculation of the CY 2006 year-end settlement. The quarterly payment amounts are calculated based on the most recently calculated year-end settlement. As a result of the preliminary CY 2006 settlement calculation, received in early 2008, the quarterly payment to IUMG-SC was increased and the quarterly payment to IUMG-PC was reduced.

The CY 2006 reconciliation was completed with settlements occurring in August 2008. In the final settlement, one provider (IUMG-SC) was owed an additional $7,724,312 and the other provider (IUMG-PC) repaid $591,928.

Since the CY 2006 year-end settlement was not completed until August 2008, this finding remains unresolved.

<u>FINDING 2007 - IDOE–1, SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE - REPORTING ERRORS</u>

Federal Agency:	U.S. Department of Agriculture
Federal Program:	Child Nutrition Cluster
CFDA Number:	10.553, 10.555, 10.556, 10.559
Auditee Contact Person:	Yvette Hauser
Title of Contact Person:	Director of Accounting
Phone Number:	317-234-0511
Compliance Requirement:	Reporting
Internal Control:	Significant Deficiency

Finding:

During our audit of the Department of Education (DOE), we found that disbursements on the Schedule of Federal Financial Assistance (Schedule) for the Child Nutrition Cluster was understated by $84,218. The Schedule did not agree with the agency's supporting records. There was no review process in place to ensure that the Schedule was correct. This is a significant control deficiency.

45 CFR 92.20 states: "(a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to— (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes."

We recommended that DOE implement adequate controls to ensure accurate and complete disclosure of financial information on the Schedule.

Status of Finding as of September 2008:

This finding has been corrected. The understatement of disbursements was caused by a misunderstanding as to what transactions should be included in the totals of the Schedule.

With the assistance of the State Board of Accounts Examiner, a corrected Financial Assistance Schedule for fiscal 2007 was filed. DOE developed procedures to ensure that future filings are in compliance with State Board of Accounts instructions for the Schedule.

FINDING 2007 - IDWD-1, INACCURATE REPORTING

Federal Agency:	U.S. Department of Labor
Federal Program:	Workforce Investment Act (WIA) Cluster
CFDA Number:	17.258, 17.259, 17.260
Auditee Contact Person:	Scott Sanders
Title of Contact Person:	Chief Financial Officer
Phone Number:	317-232-7472
Compliance Requirement:	Reporting
Internal Control:	Significant Deficiency

Finding:

During our audit of the Indiana Department of Workforce Development (DWD) WIA Cluster grant we found that ETA-9076-A Statewide Activities - Financial Status Reports (FSR) and ETA-9076-C Local Administration - FSRs had inaccurate amounts reported. The amounts for the ETA-9076-A reports are obtained from the GA-17 Report - Project Summary which is generated by DWD's accounting system. The ETA-9076-C report amounts are obtained from the GA-17 and from the local Regional Workforce Boards (RWB) aggregate submission of local activities expenditures on an Accrued Expenditure Report (AER).

Reporting errors were found on three of the FSRs for the tested quarters ending September 30, 2006, and June 30, 2007. Two of the FSRs with errors were in the quarter ending September 30, 2006, for WIA Local Youth Program Activities for funding years FY04 and FY06. Our review of the ETA-9076-C Local Administration - FSR for WIA Local Youth Program Activities for funding year FY04 found that the amount reported for Total Federal Outlays was over reported by $126,222. The review of the FY06 ETA-9076-C Local Administration - FSR for WIA Local Youth Program Activities found that Total Federal Outlays were under reported by $767,297. The AERs for each RWB which are the supporting documentation for the FSR did not include the AER for the Indianapolis Private Industry Council RWB. The net effect of these errors for the quarter ending September 30, 2006 resulted in expenditures being under reported by $641,075.

The third report which was incorrect was the WIA Statewide Rapid Response report for funding year FY04 for the quarter ending June 30, 2007. Total Federal Outlays were under reported by $150,875.

While DWD's Federal Grant Accounting division had controls in place to review the FSRs prior to submission to the US Department of Labor they were not sufficient enough to prevent inaccurate reporting. This is a significant control deficiency.

28 CFR 66.20 provides that a State's financial management system must maintain accurate, current and complete disclosure of the financial results of financially assisted activities Additionally, effective control and accountability must be maintained for all grant assets.

We recommended that the DWD implement additional internal control procedures to ensure the accurate preparation, approval and submission of the ETA-9076-A and ETA-9076-C FSR's.

Status of Finding as of September 2008:

Identification of Problems Leading to Findings

DWD has followed up on each of the three issues addressed in this report.

1. Our research on the finding on ETA-9076-C Local Administration – FSR for WIA F04 Local Youth Program Activities for funding year F04 Total Federal Outlays being over reported by $126,222 showed that this was actually due to our policy of FIFO'ing funds. The problem was that we did not have the FIFO'ing entries in PeopleSoft at the time of the report.

2. F06 ETA-9076-C Local Administration – FSR for WIA F06 Local Youth Program Activities found that Total Federal Outlays were under reported by $767,297. The AER's for each Regional Workforce Board (RWB) which are the supporting documentation for the FSR did not include the AER for the Indianapolis Private Industry Council (IPIC) WIB. We have discovered that, due to the requirement to split the Youth funding between In-school and Out-of-school Youth on the FSR, we had to arrive at these totals via a manual report and IPIC was over-looked in this process.

3. An error was also found on the WIA Statewide Rapid Response report for funding year FY04 for the quarter ending June 30, 2007. The Federal Outlays were under reported by $150,875. This is another issue of where our FIFO entries were not made in a timely manner. The total on the FSR was the total allowed for this program under our Grant. Expenditures that could have been charged to the FY05 period, and were subsequently moved to the FY05 grant had not been moved at the time of the June 2007 reports.

Corrective Action Taken

DWD has implemented the following changes to our procedures:

A. The reports are now completed by the Grant Accounting staff and reviewed by the Grant Accounting Supervisor for accuracy prior to being input into the Federal system. Copies of, and justification for, adjustments that need to be made to the information in PeopleSoft are printed and attached to a file copy of the report that will be made available for review. These adjustments will be entered into PeopleSoft when they are received. With the month end close date on PeopleSoft the 5th working day of the following month, they may not be reflected until the month the federal report was completed to ensure we have the most accurate figures possible.

B. PeopleSoft has been updated to report the split between the In-School Youth and the Out-of-School Youth, giving the staff doing the report, as well as the Supervisor reviewing the report, a cross check to ensure accuracy. Random reviews will be done by the Director of Analysis and Reconciliation, or her Staff, during Internal Audits to assure the process is working as planned.

C. DWD has assigned a staff person to review and update FIFO entries as part of our regular monthly close activities. Final FIFO adjustments will be made as soon as we have final expenditures on obligations for a year's funding. Any adjustments to reports that are needed as a result of FIFO activities will follow the adjustment procedures listed above.

FINDING 2007 - IDHS-1, REPORTING

Federal Agency:	U.S. Department of Homeland Security
Federal Program:	Homeland Security Cluster
CFDA Number:	97.067, 97.004
Auditee Contact Person:	Nancy Stevens
Title of Contact Person:	Controller, IDHS
Phone Number:	317-232-6199
Compliance Requirement:	Reporting
Internal Control:	Material Weakness

Finding:

During our audit of the Indiana Department of Homeland Security (IDHS), we could not reconcile the quarterly federal Financial Status Reports (SF 269A) and the Schedule of Federal Financial Assistance (Schedule) to the agency's grant ledger. The net total over reported on the SF 269A was $1,791,704.85. In addition, we found $2,064,896 of disbursements on the Schedule that could not be verified to the correct grant year. There was no review process in place to ensure that postings to the grant ledger were correct. There were no reconciliations of the federal financial reports to supporting accounting records. In addition, there was no review and approval process by a responsible official before filing. This is a material weakness.

28 CFR 66.20 provides that a State's financial management systems must maintain accurate, current, and complete disclosure of the financial results of financially assisted activities. Additionally, effective control and accountability must be maintained for all grant assets.

We recommended that IDHS implement adequate controls to ensure accurate and complete disclosure of financial information on both the SF 269A and the Schedule.

Status of Finding as of September 2008:

Finding 1 pertained to the federal Financial Status Reports (SF 269A). This finding noted that the grant spreadsheets had been altered after the completion of the SF269 thus preventing an adequate reconciliation between it and the quarterly federal financial status reports. The finding also noted that there was no review and approval process in place prior to filing of these reports. Since the audit findings indicated a staffing shortfall, IDHS sought and gained approval to add an Accountant 3 position in Accounts Payable to report to the Accounts Payable Manager. Heidi Greathouse was hired in October 2008 as an Accountant III and made primarily responsible for maintenance and balancing of the ODP Grant Payments spreadsheet in Excel. In response to the finding, beginning in January 2008, the spreadsheets are now printed quarterly and attached to the SF 269 to verify the amount reported and the information used to document the report. An electronic copy of the spreadsheet is prepared quarterly and kept on file.

This finding is unresolved.

FINDING 2007 - IDHS-2, CASH MANAGEMENT CONTROLS

Federal Agency:	U.S. Department of Homeland Security
Federal Program:	Homeland Security Cluster
CFDA Number:	97.067, 97.004
Auditee Contact Person:	Nancy Stevens
Title of Contact Person:	Controller, IDHS
Phone Number:	317-232-6199
Compliance Requirement:	Cash Management
Internal Control:	Significant Deficiency

Finding:

During our audit of the Indiana Department of Homeland Security (IDHS), IDHS could not provide adequate documentation to reconcile federal drawdowns to the supporting disbursements in the agency's grant ledger. This incomplete audit trail was due to incomplete grant ledger records. Thus, we could not verify whether IDHS received any advance federal funding which would result in interest due the federal government. This is a significant control deficiency.

28 CFR 66.20(a) states: "A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to— (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes."

We recommended that IDHS maintain accurate grant ledger records to ensure that federal drawdowns are correct.

Status of Finding as of September 2008:

Finding 2 pertained to IDHS Cash Management Controls. The Grant spreadsheets had been altered after federal draws had been completed which made it impossible to reconcile the amount of funds drawn. To address this finding, the grant spreadsheet is now printed for each draw down which verifies the amount of the funds needed to be drawn. The new IDHS Accountant 3, Heidi Greathouse was hired in October 2008. She comes to IDHS with 10 years of accounting experience. She has already started maintaining and balancing the grant spreadsheets. Beginning in January 2008, the Office of Domestic Preparedness (ODP) spreadsheets have been balanced with the Auditor of State. In December 2008, Ms. Greathouse started making the federal draws, with guidance from Nancy Stevens. January 2009 will be the first quarterly report upon which Heidi will be able to prepare the SF 269A. By January 2009, she will also be preparing the bi-weekly drawdown reports to expedite the federal reimbursement process.

This finding is unresolved.

STATE OF INDIANA
SECTION II CORRECTIVE ACTIONS

The following are the corrective actions for Section II Findings.

AUDITOR OF STATE

Tim Berry

Telephone (317)232-3300
Facsimile (317)232-6097
http://www.in.gov/auditor

April 1, 2009

Ms. Jennifer Marshall, CPA
Indiana State Board of Accounts (SBoA)
302 W. Washington Street
Indiana Government Center South, Suite E418
Indianapolis, IN 46204

Dear Ms. Marshall:

This letter provides our official response to the internal control related matters communicated regarding the State of Indiana's financial statements audit for the fiscal year ended June 30, 2008.

A. Internal Control – Significant Deficiencies

1. **Loans Receivable** – Controls are not in place to age or analyze the potential collectability of loan balances that are reported in the general ledger (GL) and reported as receivable for external financial reporting. Agencies do not always report loans to the Auditor of State's office for removal from the GL when they determine balances are no longer collectible. These conditions result in loans receivable potentially not being reported at net realizable value.

   Official Response:

   Five of the six loans receivable identified by the SBoA as uncollectible were written off the State's accounting system upon obtaining agency and/or Attorney General's office approvals. The remaining loan receivable is planned to be reviewed, researched, and an appropriate disposition made for it by April 30, 2009.

   Subsequent to the audit, the Auditor of State's office identified loans whose balances had remained unchanged from June 30, 2007 through December 31, 2008. Agencies responsible for these loans were queried to review and research them and to report their status as to whether they remained viable, if they should be referred to the AG's office for collection efforts, or written off as a bad loan. The follow-up on these loans which involve a handful of agencies is ongoing and has resulted in the correction of certain of these loan balances for errors, referral to the AG's office for write-off permission, or notices that the loans remain viable.

   The Auditor's office will send a listing of loans receivable to agencies to review annually. Agencies will be required to respond for each loan listed whether it remains active or if it should be removed because it is no longer collectible.

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2. **OPEB Reporting** – The State provides post-employment health care benefits to its retirees through a defined contribution other post-employment benefit (OPEB) plan. The plan is not accounted for as a trust fund, since an irrevocable trust has not been established for the plan. Contributions to this plan were made in full for the fiscal year in amounts required per the actuarial study. However, since these monies have not been placed in trust, they cannot be considered plan assets in accordance with the standards established by the Governmental Accounting Standards Board. Those standards require that actuarially required contributions be reported as a liability for external financial reporting if contributions have not been placed in trust for the plan. No liability was reported for the required contributions that were not placed in trust. This condition represents a lack of internal control over the reporting of post-employment benefits for external financial reporting.

   Official Response:

   The State Budget Agency is working with the Indiana General Assembly on the retiree health care benefits plan passed in SEA 501 (2007). The State Budget Agency has drafted language for inclusion in HB 1001 that would establish an irrevocable trust for the plan no later than June 30, 2009. The State Budget Agency actuarially funded this plan in fiscal year 2008, and plans to do the same in fiscal year 2009.

B. Internal Control – Material Weaknesses

1. **Capital Assets** – State agencies do not consistently comply with established procedures to send timely updates to the Auditor of State's office for all purchases of land, equipment, buildings and related improvements, and retirement or sale of assets. Additionally, annual physical inventories are not routinely conducted of all of the State's owned assets. This results in a lack of internal control over the State's capital assets and a lack of control over the State's financial reporting of those assets. This condition remains from prior audits.

   Official Response:

   The Auditor of State is responsible for maintaining records of capital assets, including purchases and retirements that are $20,000 or more, as reported by the state agencies making the purchase or retirement. In addition, individual state agencies are responsible for maintaining their own records of all capital assets, physically tagging assets, conducting an annual physical inventory of assets, and comparing the results of such inventory to the Auditor of State's most recent records. The current procedure of reporting by state agencies to the Auditor of State was maintained during fiscal year 2008 and will continue to be maintained until the implementation of the PeopleSoft financial system (hereinafter

ENCOMPASS) so that reportable assets of $20,000 or more can be entered into the present accounting system.

The State of Indiana is in the process of implementing ENCOMPASS which includes an asset management module. This module will allow the State to track all capital assets on a single capital asset system, thereby eliminating the need to periodically report purchases and retirements. The asset management module will be interfaced with the procurement module allowing capital assets to be capitalized at the time of purchase, thereby reducing the likelihood that assets will not be accounted for properly.

ENCOMPASS was originally planned to be implemented on July 1, 2008, but has not yet been fully implemented as data conversion and training of state agencies' staff remains in process. ENCOMPASS implementation is now scheduled for sometime during the first quarter of fiscal year 2010.

2. **Lease Reporting** – The Department of Administration maintains a database of lease activity. Procedures in place to update the lease database do not ensure that all of the State's operating and capital leases are entered into the lease database. The lack of a complete record of the State's leases results in a lack of control over the State's financial reporting related to its leased assets. We proposed adjustments that were posted by staff during the course of the audit to fairly present the State's leased assets. This condition remains from prior audit reports.

   Official Response:

   The existing process will continue for the fiscal year 2009 CAFR. The ENCOMPASS implementation that is in process and planned for go live during the first quarter of fiscal year 2010 is expected to greatly improve lease reporting and control. Within ENCOMPASS, a business process has been designed to ensure that all leases are recorded by including a required step in the purchasing process for the requestor to identify if a transaction is a lease or not before the transaction can progress further towards acquisition. By having the lease designation recorded for each transaction in ENCOMPASS, this will allow for the compilation of reports from a common system, rather than relying on the current manual process.

3. **Grant Reporting** – Current procedures require that each agency that receives federal funding prepare a schedule of federal financial assistance that reflects fiscal year grant activity. In addition to reporting federal grant award activity in the Single Audit Report, these schedules are also used to prepare the accruals for the financial statements for grants receivable and deferred revenue at year end. We found various errors in the agency-prepared grant schedules. These

errors if left uncorrected would have resulted in the misstatement of the accruals for grants receivable and deferred revenue at year end as well as incorrect grant schedule reporting in the Single Audit Report. These errors are the result of a largely manual process that exists for the preparation of the schedules by agencies. Additionally, internal controls are not in place to provide a centralized review of the agency prepared schedules nor is there a centralized compilation of the various schedules into a comprehensive schedule for the State. This condition remains from the prior audit report.

Official Response:

The existing process will remain in place for the fiscal year 2009 CAFR. The ENCOMPASS implementation currently in process and planned for a go live date during the first quarter of fiscal year 2010 is expected to greatly improve grant reporting. Information for all federal funds will be required to be recorded in the Projects Module of ENCOMPASS. This will allow for the compilation of grant schedules, such as federal financial assistance, from a common system, rather than relying on the current manual process. In addition, budgets will be created at the grant level that will enable improved agency management and OMB oversight of federal awards.

4. **Construction in Progress** – The Department of Administration and the Department of Transportation both maintain databases that record the State's construction in progress detailed activity and balances. Our testing of construction in progress revealed errors in the amounts presented to us for audit for both agencies' balances. Amounts had to be recalculated and resubmitted to the Auditor of State's office for both agencies' balances. Additionally, the errors in the Department of Administration's balances resulted in a prior period adjustment to the State's beginning construction in progress figures due to errors that existed at June 30, 2007. This condition represents a lack of internal control over the reporting of the State's construction in progress assets for external financial reporting.

Official Response:

Staff of the Department of Administration (IDOA), Auditor of State's Office, ENCOMPASS team, and the State Board of Accounts have met and discussed the reporting that will be necessary from ENCOMPASS when it is implemented to ensure accurate and timely reporting of IDOA's work-in-progress. IDOA's staff is planning to utilize ENCOMPASS to provide their work-in-progress report to the Auditor of State's Office for the fiscal year ended June 30, 2009 and will do their best to verify the accuracy of this report.

Auditor of State staff requested that INDOT staff review the circumstances surrounding the revision to their right of way work-in-progress total presented for audit. INDOT staff traced the error to the use of an incorrect value on their land acquisition worksheet used for calculating right of way, expenses, and work-in-progress. INDOT staff reported that this issue is not systemic within their reporting system used in the modified approach under GASB # 34. INDOT staff reported that the likelihood for such an error to occur in the future will be reduced through more careful internal reviews prior to submitting their infrastructure assets and as they become more accustomed to reporting using source material from ENCOMPASS.

5. **Contingencies** – Procedures in place to review for possible contingency situations which may require accrual and/or disclosure in the financial statements and notes do not ensure that contingencies other than litigation are considered as required. An assessment of litigation in which the State is a defendant is made; however, review for other situations which may require accrual and/or disclosure is not made. During our audit, we found that the federal government has issued three Office of Inspector General audit reports dated April 2007 through October 2008 on Indiana's Medicaid Assistance Program which seek repayment from the State for a total of $124 million. These audit reports were brought to the attention of management for consideration of reporting requirements under SFAS 5, Accounting for Contingencies, and disclosure was made. This condition results in a lack of internal control over reporting the State's contingencies for external financial reporting.

   Official Response:

   The Auditor of State's office will incorporate an annual survey of state agencies to report situations involving potential liabilities they are cognizant of, such as questioned costs in federal audit reports, to be evaluated for possible accrual and/or disclosure in the State of Indiana's CAFR. The Auditor of State's office will start this annual survey process for the fiscal year ended June 30, 2009.

6. **Medicaid** – Adequate procedures were not in place to report the Medicaid Assistance Fund transactions made by the Medicaid fiscal agent for accrual recognition or to display quality assessment fees as revenue. The state accounting records only post the net disbursement issued to fund the Medicaid checking account. As a result, the accounts payable were materially understated and the quality assessment fees were not shown for external financial reporting. We proposed adjustments to correct the accounts payable accrual as well as other adjustments to properly adjust current year revenue, expense and related receivable amounts. This resulted in a prior period adjustment to restate beginning balances for the fund. This condition represents a lack of internal control over the reporting of the Medicaid Fund for external financial reporting.

Official Response:

The Auditor of State and State Budget Agency will meet with the Family and Social Services Agency's staff responsible for Medicaid financial reporting to ensure that appropriate and timely procedures are established to enable correct reporting of accounts payable, revenue, expense, and receivables for the CAFR. These procedures will entail that other adjustments be made either prior to a fiscal year end or within a reasonable period subsequent to fiscal year end.

7. **Local Option Income Tax** – The State Budget Agency and the Department of Revenue maintain and provide information essential to the establishment of individual Trust Balance History Reports. These reports track each county's beginning and ending Local Option Income Tax (LOIT) balances, collections, distributions, and interest earned. These individual reports are provided to the State Board of Accounts to be compiled and audited for external financial reporting. In compiling and auditing LOIT, we found erroneous transactions totaling over $683 million in overpayments that although most were corrected by the State, they were not caught prior to payment due to the lack of adequate payment approval controls of the State, but rather were reported by the counties upon receiving the excess payments. Additionally, the State does not have a reconciliation process in place for LOIT. These conditions result in a lack of internal control over the State's LOIT.

Official Response:

The Auditor of State's office will now process the local option income tax payments, and will submit them to the State Budget Agency for review. The State Budget Agency controller or his/her staff will review the distributions for accuracy prior to payment. The Auditor of State will not process these payments without State Budget Agency approval.

With respect to a reconciliation process, the State Budget Agency has scheduled a meeting to create a process that ensures adequate controls.

If you have any questions or require further information, please contact Mike Frick, Deputy Auditor of State for Operations, at 233-9817 or via email at mfrick@auditor.in.gov.

Sincerely,

Tim Berry
Auditor of State
State of Indiana

Ryan Kitchell
Director
Office of Management and Budget

"People helping people help themselves"

Mitchell E. Daniels, Jr., Governor
State of Indiana

Indiana Family and Social Services Administration
402 W. WASHINGTON STREET, P.O. BOX 7083
INDIANAPOLIS, IN 46207-7083

Anne Waltermann Murphy, Secretary

June 11, 2009

State Board of Accounts
302 Washington St., Room E418
Indianapolis, Indiana 46204-2765

The attached summarizes the responses of the Family and Social Services Administration (FSSA) to the findings from the audit of the A-133 financial report for the State fiscal year 2008. These were communicated to FSSA a week ago.

Root causes and internal control deficiencies are still being investigated and Corrective Action Plans (CAP) will be devised upon the completion of these in-depth reviews. But full development and implementation of the CAPs will have to wait until we have had operating experience with the new statewide accounting system (ENCOMPASS), which is scheduled for "go-live" on September 16, 2009.

Because of the impending implementation of the new statewide accounting system, please consider the status of each finding as our current CAP.

Sincerely,

John B. Parks
Chief Financial Officer

FINDING 2008 – FSSA–1, MEDICAID ADMINISTRATION GRANT – PERIOD OF AVAILABILITY

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Allowable Costs/ Cost Principles, Period of Availability, Reporting
Internal Control:	Significant Deficiency

Status of Finding June 2009:

FSSA had received notification from the Federal government that the grant award amounts had changed and the transactions noted in the audit finding had been recognized appropriately. FSSA plans to reevaluate the Medicaid Administration claiming methodology and transactions that have occurred during this audit period as well as the Federal reports that support the grant. FSSA will also make certain that all grant award notifications, which are often received elsewhere in the agency, will be maintained within the Federal Funds unit and available for audit. Additionally, FSSA will continue to work towards greater training for all related staff and more detailed, supporting documentation for each transaction.

FINDING 2008 – FSSA–2, MEDICAID PROGRAM GRANT ACCOUNTING RECORDS

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Allowable Costs/ Cost Principles; Cash Management; Reporting
Internal Control:	Material Weakness

Status of Finding June 2009:

FSSA management had reviewed these situations and most correcting adjustments were made during the Federal fiscal year 2008, after the end of the State fiscal year. The only item remaining to be fully investigated relates to the transfer of Federal funds to SCHIP, which is also linked to the finding for SCHIP duplicate expenses (2008-FSSA-3). FSSA plans to reevaluate the Medicaid Assistance claiming methodology and transactions that have occurred during this audit period as well as the Federal reports that support the grant. Additionally, FSSA will continue to work towards greater training for all related staff and more detailed, supporting documentation for each transaction.

FINDING 2008 - FSSA–3, SCHIP DUPLICATE EXPENSE

Federal Agency:	Department of Health and Human Services
Federal Program:	State Children's Health Insurance Program
CFDA Number:	93.767
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Allowable Costs/ Cost Principles; Reporting

Internal Control:	Material Weakness

Status of Finding June 2009:

The SCHIP reporting process was not designed adequately from the outset with ICES not being programmed to segregate one of the two SCHIP aid categories (Package A-those below 150% FPL). Therefore, the State's fiscal agent (EDS) did not have the capability to provide standardized and timely reporting for Package A. This has led to inconsistent reporting of SCHIP expenditures. Therefore, FSSA plans to reevaluate the SCHIP claiming methodology and transactions that have occurred during this audit period as well as the Federal reports that support the grant. Additionally, FSSA will continue to work towards greater training for all related staff and more detailed, supporting documentation for each transaction.

FINDING 2008 - FSSA-4, GRANT ERRORS IN MEDICAID ADMINISTRATION AND SCHIP

Federal Agency:	Department of Health and Human Services
Federal Program:	Medicaid Assistance Program; State Children's Health Insurance Program
CFDA Number:	93. 778, 93.767
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Allowable Costs/ Cost Principles; Reporting
Internal Control:	Significant Deficiency

Status of Finding June 2009:

After briefly reviewing State Board of Account working papers throughout the audit process, FSSA found that it had already corrected the identified errors. FSSA needs to tie the financial records to claiming records to Federal fiscal records to the Federal program reports. Therefore, FSSA plans to reevaluate the Medicaid Administration and SCHIP claiming methodology and transactions that have occurred during this audit period as well as the Federal reports that support the grant. Additionally, FSSA will continue to work towards greater training for all related staff and more detailed, supporting documentation for each transaction.

FINDING 2008 – FSSA–5, GRANT ACCOUNTING INTERNAL CONTROL ENVIRONMENT

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program; SCHIP
CFDA Number:	93.778
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Allowable Costs/ Cost Principles; Reporting
Internal Control:	Material Weakness

Status of Finding June 2009:

FSSA agrees that it has not had appropriate internal controls in place to prevent misstatements of adjusting entries and reconciliations between systems. During this grant period, FSSA accounting staff should have been reconciling four State accounting systems-GEAC records (official State book of record), PeopleSoft Financials, FETS (Federal Expense Tracking System), and allots vs. expends files- to at least two Federal ones-PMS (Payment Management System) and the quarterly Medicaid reports (CMS64). Because of the amount of transactions being run through GEAC and the lack of transactional detail from EDS, FSSA did not adequately document, monitor, or control all grant accounting entries. Additionally, lack of documentation for journal entries, receipts of funding, and payments from the State have been rampant in this area for some time. FSSA management is committed to improving the preparation, review, and sign off of all transactions that have the appropriate amount of documentation necessary to support the proper claiming of expenses.

In late 2008, FSSA put in place a more rigorous reconciliation process among these systems, and required staff to match these monthly. However, given the management turnover, continual changing of processes within PeopleSoft Financials, and lack of appropriately qualified personnel, FSSA is not confident that this new process will monitor the grant accounting adequately given the myriad of current systems utilized. The long-anticipated implementation of ENCOMPASS will greatly reduce the complexity of reconciliations, allowing time and effort to be directed to assuring the validity of the incurred expenses and their eligibility for federal match, and the audit trail from claimed expense (reported quarterly on the CMS64) back to the initial invoice.

Given the additional impetus of this finding, FSSA will define in greater detail roles and responsibilities and appropriately staff the grant accounting area for Medicaid with a sufficient number of qualified Accountants with the appropriate skill set for the type of detailed, analytical work involved. Additionally, FSSA management will spend an increased amount of time preparing, implementing, and reviewing process documentation for grant accounting and updating these documents as needed.

FINDING 2008 - FSSA-6, OVERPAID CAPITATION RATE

Federal Agency:	FSSA/OMPP
Federal Program:	Medical Assistance Program/State Children's Health Insurance Program (SCHIP)
CFD Number:	93.778, 93.767
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Director of Finance, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Allowable Costs/Cost Principles
Internal Control:	Significant Deficiency

Status of Finding June 2009:

OMPP has developed internal controls over the capitation rate payments to ensure effective, efficient operations and reliable financial reporting. In late 2008, OMPP developed, implemented and maintained a properly authorized written policy and process to ensure achievement of internal controls over capitation payments.

As a preventative control, OMPP management authorization is obtained prior to changing capitation rates within EDS. In addition, only authorized personnel are allowed to edit rate changes for the fiscal agent.

The department has worked collaboratively with its fiscal agent, EDS, to ensure amounts generated from the managed care reports and the financial report FIN 6006 are in balance. Due to timing difference in run times, the reports were not always consistently balancing which resulted in the aforementioned finding. The reports are now run simultaneously in order to determine variances. OMPP performs a verification review of the rates paid per the capitation report on a monthly basis. This review is designed to detect and correct overpayment prior to financial misstatement.

FINDING 2008 - FSSA-7, SURVEILLANCE AND UTILIZATION REVIEW AUDIT FILES

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Director of Finance, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions 1 – Utilization Control and Program Integrity
Internal Control:	Significant Deficiency

Status of Finding June 2009:

OMPP acknowledges the importance of surveillance and utilization reviews to identify aberrant behavior to detect fraud, waste and abuse within the Medicaid Program. As part of the commitment to the SUR program, in 2008, OMPP sought out new leadership within the Program Integrity Department by obtaining a certified public accountant for department oversight. The new leadership identified the aforementioned audit findings, worked with the contractor to implement additional controls, and communicated findings to the State Board of Accounts.
The department is in the process of developing and documenting a work plan to implement preventative, detective and corrective controls related to surveillance and utilization review functions. As part of the work plan, the department is currently evaluating the advantages of in-house operations compared to outsourcing.

FINDING 2008-FSSA-8, DUPLICATE HOSPITAL PROVIDER RECORDS

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Director of Finance, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions 4 – Provider Eligibility, Allowable Costs/Cost Principles
Internal Control:	Significant Deficiency

Status of Finding June 2009:

OMPP terminated the provider number for hospital location B with an effective date of 4/22/09. The department is in the process of validating appropriate claim payments were made to the hospital by performing an analysis of payments made to the provider for location B and D, and that of the north hospital. Once the analysis has been completed, OMPP will consider updating the termination date of location B to December 17, 2007 as recommended by SBOA.
In the interim, the department has obtained new enrollment forms from the north hospital The OMPP Operations Manager will review the forms for completion and compare the newly submitted form to the previous enrollment form, noting any changes in information. At the request and oversight of the Operations Manager, EDS validated the relationship of the network hospital structure and found a consistent structure was present.
The department will work collaboratively with EDS to develop a process to detect providers with multiple provider numbers for a single location.

FINDING 2008 - FSSA-9, PHARMACY FACILITY PERMITS

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Director of Finance, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions 4 – Provider Eligibility, Allowable Costs and Cost Principles
Internal Control:	Significant Deficiency

Status of Finding June 2009:

OMPP has met with EDS and reiterated the State's expectation that AIM data for pharmacies is compared monthly with IPLA permit data in order to detect errors in recording AIM information and identify unlicensed facilities. As a corrective control, the Operations Manager will monitor the monthly reconciliation between the systems. The results of the reconciliation will be used to correct inaccuracies in AIM.

The department is researching closed pharmacies to identify inappropriate payments for dates of services after a license or permit is no longer active. The department will recoup such payments. All documentation related to this effort will be retained and available for audit.

FINDING 2008 - FSSA-10, OMPP AIM ACCESS, TRAINING AND CONTROLS

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Director of Finance, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions – ADP Risk Analysis and System Security Review
Internal Control:	Significant Deficiency

Status of Finding June 2009:

OMPP Finance Department acknowledges the importance of implementing, maintaining and establishing proper controls over HIPAA Security Policy and Procedures. OMPP Finance Department will officially be designated as the agency ADP Security Manager for the Medicaid program in accordance with 45 CFR 95.621. As a CPA and former auditor, the OMPP Finance Director has adequate experience and qualifications in assessing risk and demonstrating proper program oversight.

In order to ensure proper HIPAA training and security access, reconciliation will be performed of all privacy/security training completed with requested AIM access authorization. The AIM access form will be reviewed for completion. If the form is deemed incomplete, additional supportive documentation will be obtained prior to granting AIM access. Adequate supportive documentation such as supervisor emails and confidentiality policy agreements will be maintained in a centralized electronic location to ensure the demonstration of completion and proper authorization to AIM.

OMPP Finance will collaborate with state departments and contractors to obtain a list of management personnel. As part of the completion review mentioned above, the list of authorization management personnel will be cross referenced to the AIM request form.

The preventative controls outlined above will detect and prevent improper access to AIM and ensure system users are properly trained in HIPAA compliance.

INDIANA DEPARTMENT OF CHILD SERVICES

Mitchell E. Daniels, Jr., Governor
James W. Payne, Director

Indiana Department of Child Services
Administrative Services
Room W364 – MS48
402 W. Washington Street
Indianapolis, Indiana 46204-2739

317-234-4494
FAX: 317-234-5960

www.in.gov/dcs

Child Support Hotline: 800-840-8757
Child Abuse and Neglect Hotline: 800-800-5556

June 22, 2009

Re: Corrective Action Plan

Bruce Hartman
State Examiner
Indiana State Board of Accounts

Dear Mr. Hartman:

Enclosed please find our Corrective Action Plan in response to A-133 Audit of the Department of Child Services for State Fiscal Year 2008.

If you have any questions, please contact Donna Sobecki at 317 234-5686

Sincerely,

Douglas J. Weinberg
Chief Financial Officer
Department of Child Services

Protecting our children, families and future

DCS Audit Findings as of 6/15/09

Finding 1996-FSSA-33 Fund Balances- Child Support Enforcement Fund

Federal Agency:	Department of Health and Human Services
Federal Programs:	Child Support Enforcement Program (IV-D)
CFDA Numbers:	93.563
Auditee Contact Person	Peggy Boggs
Title of Contact Person:	Financial Manager, Department of Child Services
Phone Number:	317-232-3450
Compliance Requirement:	
Internal Control:	

Status of Finding as of June 15, 2009

The balance in account 3510-150200 as of 6/12/2009 is $3,664.21. The slight increase from 9/30/08 is due to repayment money coming in to this fund account. As we identify which fund account this money needs to be moved to, we will be transferring the money out of the 3510-150200 fund account.

The Child Support Bureau's Reconciliation Unit will continue the reconciliation process in an effort to bring this balance to zero. Processes and procedures are now in place to ensure that accounts performing similar purposes are reconciled periodically with the State's official accounting system. This finding remains open.

Finding 99-FSSA-7 ISETS Information Technology (IT) Controls

Federal Agency:	Department of Health and Human Services
Federal Programs:	Child Support Enforcement
CFDA Numbers:	93.563
Auditee Contact Person	Peggy Boggs
Title of Contact Person:	Financial Manager, Department of Child Services
Phone Number:	317-232-3450
Compliance Requirement:	Special Tests and Provisions
Internal Control:	Significant Deficiency, Material Weakness

Status of Finding as of June 15, 2009

Accounting Procedures and Controls

The Child Support Bureau has put manual processes in place to balance and reconcile child support receipts and disbursements processed at the State level. This is completed on a daily and monthly basis. Additionally, CSB has directed County offices to correct the inaccuracies of sub account balance, as required by Cooperative Agreements between CSB and the County offices.

Inaccurate tax intercept processing has been corrected by ISETS system edits that prevent duplication of files.

This aspect of the finding remains open because of inaccurate sub accounts balances on some of the county's cases. CSB staff will continue to work closely with the County offices on this issue by communicating with the counties via the field consultants, user meetings, newsletters and policy letters.

Cash Receipts Handling

Manual processes are in place to balance the cash accounts on a daily basis. Through the use of existing reports, funds that posted and disbursed using the ISETS system are reconciled to deposits and disbursements recorded in the State Auditor's accounts. System queries are used to regularly review financial transactions for accuracy. Discrepancies are researched, corrected and documented manually.

Manual processes are also used to reconcile accounts with the Auditor's fund accounts monthly. This aspect of the finding remains open until CSB reconciles the balance in the 3510-150200 account in order to bring the balance down to zero. The CSB Accountant continues to work on the reconciliation of this account.

Security

Heidi Jordan is the DCS IT Information Security Manager.

The Child Support Bureau is responsible for assessing the security risks of ISETS yearly or when we complete major system changes or projects that modify our existing security setup.

This aspect of the finding remains open as it is perceived that some State users have more access than they need in various county systems. CSB will continue to review and monitor user IDs and profiles in the counties in order to limit access.

Child Support Data Supplied to the Welfare System

Transfer of referenced child support data to the welfare system has been corrected. The disbursement date is now used to pass data back to ICES, and this data is now displayed on the DECB screen in the system for the case. Considered closed.

Verification of Social Security Numbers

A verification process for SSNs with the Social Security Administration was completed in December 2000. On an automated basis, all child support participants are submitted for SSN verification to SSA. When ISETS receives the verification from SSA, the SSN is automatically coded in ISETS as VSSA (verified SSA). Considered closed.

Finding 2000-FSSA-1 Lack of and Improper Supporting Documentation

Federal Agency:	Department of Health and Human Services
Federal Programs:	Adoption Assistance Program
CFDA Numbers:	93.659
Auditee Contact Person	Donna Sobecki
Title of Contact Person:	Assistant Deputy Director, CEU and Cash Management
Phone Number:	317-234-5686
Compliance Requirement:	Eligibility
Internal Control:	Significant Deficiency

Status of Finding as of June 15, 2009

An interim policy and new forms were published on the DCS Website in December, 2008. New processes were outlined and a Computer Assisted Training program was developed. The Central Eligibility Unit (CEU) is responsible for determining if a child is eligible for a IV-E adoption subsidy or the state's new subsidy program. A new form with the results of the final eligibility determination is forwarded to the FCM who discusses the findings with the adoptive family. If the family is eligible for a subsidy, CEU completes the appropriate adoption assistance agreement (IV-E or State) and sends this agreement with the final eligibility agreement.

New CEU procedures for adoption have been developed which outline this procedure in detail.

The Centralized Eligibility Unit completes the Adoption Assistance Agreement and sends to the field to be signed by the adoptive parent. CEU now has files that contain the adoption agreement, copies of the adoption decree and other relevant information to begin adoption subsidies. This finding remains open.

Finding 2000-FSSA (DCS)-2 Overpayment of Adoption Assistance Subsidies

Federal Agency:	Department of Health and Human Services
Federal Programs:	Adoption Assistance Program
CFDA Numbers:	93.659
Auditee Contact Person	Donna Sobecki
Title of Contact Person:	Assistant Deputy Director, CEU and Cash Management

Phone Number:	317-234-5686
Compliance Requirement:	Activities Allowed or Unallowed
Internal Control:	Significant Deficiency

Status of Finding as of June 15, 2009:

The State made a decision in May, 2009 to completely halt the ICWIS redesign and rewrite all ICWIS modules in their entirety. A project plan is currently being developed to encompass all redesign efforts previously developed for ICWIS. The new system being developed is called "Management Gateway for Indiana's Kids" –MaGIK. The expected completion date for this project is June, 2011. DCS intends to incorporate all redesign changes previously developed for ICWIS. A new policy has been put into place that allows for a negotiated subsidy up to 75% of the standard foster care per diem (18.75) even if they were receiving a higher amount while in foster care. CEU insures that the subsidy agreement does not reflect anything more than 75% of the standard foster care per diem (18.75). CEU staff complete the adoption assistance agreements when they complete the final eligibility determination when the child has been determined eligible. The only time this would be different is if an appeal was filed and the 75% of the standard foster care period was overturned to a higher amount. This is expected to be extremely rare.

A system to review to detect payments in excess of limitations is currently being designed (KidTraks).

Payment to the adoptive parent cannot be reduced unless all parties are in agreement through an amendment to the subsidy. This finding remains open.

Finding 2000-FSSA (DCS)-3 Foster Care Provider Licensure

Federal Agency:	Department of Health and Human Services
Federal Programs:	Foster Care Program
CFDA Numbers:	93.658
Auditee Contact Person	Donna Sobecki
Title of Contact Person:	Assistant Deputy Director, CEU and Cash Management
Phone Number:	317-234-5686
Compliance Requirement:	Eligibility
Internal Control:	Significant Deficiency, Material Weakness

Status of Finding as of June 15, 2009

As noted above, DCS is now designing a new software system to replace the current ICWIS system. This will be replaced by MaGIK.. The licensing status will be clearly identifiable throughout MaGIK through the changes made within this new system. DCS will be implementing some new changes in the fall of 2009, and the entire new system will be operational by 2011.

One of the functional requirements in this new build would send to the payment system the child's eligibility which would reflect any licensing or placement changes. The correct amount, account and sub account code would be selected by the system based on the FCM selecting the program the child is in relating to their placement and the child's eligibility. If the foster home of facility is not licensed, the system will change the child's eligibility and the payment system would be required to pay out of a non-eligible account and sub account code thus not allowing federal reimbursement for the payment when and if made. This finding remains open.

Finding 2000-FSSA (DCS)-5 Child Support Enforcement Program Federal

Federal Agency:	Department of Health and Human Services
Federal Programs:	Child Support Enforcement Program (IV-D)
CFDA Numbers:	93.563
Auditee Contact Person	Peggy Boggs
Title of Contact Person:	Financial Manager, Department of Child Services
Phone Number:	317-234-5686
Compliance Requirement:	Reporting
Internal Control	Significant Deficiency, Material Weakness

Status of Finding as of June 15, 2009

A number of the programming changes necessary to strengthen the accounting procedures and controls to ensure accurate and reliable federal reporting were put into production in July, 2004.

Manual processes are used to balance the accounts on a daily basis. The accounts are also manually reconciled on a monthly basis. Reports and database queries are used for these processes.

A file is received monthly from the State Auditor's office and is used to update the status of warrants on ISETS. Manual processes are also used to reconcile both outstanding and stale-dated state warrants to the ISETS database on an annual basis.

The corrections recommended in connection with theWEAAC224 report have not been completed because of the extensive nature of the ISETS enhancements required. DCS will need to modernize or replace the ISETS system in the next several years, and has chosen not to invest in this set of enhancements at this time because of these types of deficiencies in the system will be addressed through the modernization/ replacement of ISETS. This finding remains open.

Finding 2003-FSSA (DCS)-1 Foster Care Payments

Federal Agency:	Department of Health and Human Services
Federal Programs:	Foster Care Program
CFDA Numbers:	93.658
Auditee Contact Person	Donna Sobecki
Title of Contact Person:	Assistant Deputy Director, CEU and Cash Management
Phone Number:	317-234-5686
Compliance Requirement:	Activities Allowed or Unallowed, Reporting
Internal Control	Reportable Condition

Status of Finding as of June 15, 2009

Beginning January 1, 2009 DCS began processing foster care claims through the new KidTraks system. The foster parent must submit a monthly invoice in order to be paid. The county bookkeeper reviews invoices and approves for payment. Once approved the payment is made via KidTraks. Parameters are in place in KidTraks to prevent duplicate payments. There are also parameters established in KidTraks to insure proper coding so that expenditures are reimbursed from the appropriate programs. Information from KidTraks is reported on federal reports.

Finding 2005-FSSA (DCS)-4 PSC 272 Quarterly Reports

Federal Agency:	Department of Health and Human Services
Federal Programs:	Medicaid, Title IV-D
CFDA Numbers:	93.778, 93.563
Auditee Contact Person	Donna Sobecki
Title of Contact Person:	Assistant Deputy Director, CEU and Cash Management
Phone Number:	317-234-5686
Compliance Requirement:	Reporting
Internal Control	Significant Deficiency

Status of Finding as of June 15, 2009

FSSA
The PSC 272 Quarterly Federal Cash Transaction Report for 2008 was manually completed based on selected reports from the FSSA Federal Expenditure Tracking System (FETS). A written procedure for preparing the 2008 PSC 272 was developed. The net federal share disbursements reported were reconciled monthly by Cash Management to Financial Accountant prepared "Expends vs. Allotment" spreadsheets developed by Fund and Center and balanced to Auditor of State (AOS). The development within PeopleSoft of Project reporting in the future will create transaction queries or reports that will be utilized to drive both deposits and expends. Formal procedures will be developed based on PeopleSoft Project implementation. This finding

remains open pending the PeopleSoft implementation of the ENCOMPASS project with AOS.

DCS

The PSC 272 reports were completed based on a new report in the FETS system identified as the "FETS-Schedule of Federal Financial Assistance". The report can be run utilizing date ranges and captures data included in the FETS transaction processing. The report breaks out Federal Assistance reporting by Grantor Agency/ Pin? CFDA#/ Grant number/ Start Balance/ Deposits/ Draws/ Expends/End Balance/ Account (fund center) with totals by Grantor Agency. The development within PeopleSoft of Project reporting in the future will create transaction queries or reports that will be utilized to drive both deposits and expends that will be invoiced in PeopleSoft and tracked utilizing PeopleSoft Account Receivable Module. The current reconciliation process is at the fund center level utilizing the Cash Management Accountants prepared reconciliation to the "Expends vs. Allots" spreadsheets maintained and submitted by the Fiscal Account Managers by fund center. These spreadsheets are reconciled to the balances in FETS system by transaction type and various federal system PIN number balances on a monthly basis. The Cash Management reconciliation is reviewed by the Assistant Deputy Director of Cash Management. The Assistant Controller completes a summary reconciliation of AOS, the Allot vs. Expends report and FETS. This reconciliation is done monthly for all the fund centers. This reconciliation is reviewed by the Controller. This finding will remain open pending the PeopleSoft implementation in the ENCOMPASS project with AOS.

Finding 2005-FSSA (DCS)-5 Schedule of Federal Financial Assistance – Reporting Errors

Federal Agency:	Department of Health and Human Services
Federal Programs:	Medical Assistance Program, Child Care Cluster, Social Services Block Grant, Temporary Assistance to Needy Families
CFDA Numbers:	93.778, 93.575, 93.596, 93.667, 93.558
Auditee Contact Person	David Nelson
Title of Contact Person:	Director of Finance, FSSA
Phone Number:	317-234-5686
Compliance Requirement:	Reporting
Internal Control	Significant Deficiency, Material Weakness

Status of Finding as of June 15, 2009

The A-133 Schedule of Federal Financial Assistance report for 2008 was manually completed based on selected reports from the FSSA Federal Expenditure Tracking System (FETS) and inputs from Financial Accountants for non-FETS tracked awards. A written procedure for preparing the 2008 A-133 was developed. Control totals were developed within the A-133 schedule for review and reconciliation of the recorded data to FETS and non-FETS balances. The development within PeopleSoft Project reporting in the future will create transaction queries or reports that will be utilized to drive both deposits and expenditures. Formal procedures will be developed based on PeopleSoft Project implementation. This finding remains open pending the PeopleSoft implementation of the ENCOMPASS project with AOS.

Finding 2008-DCS-1, INADEQUATE DOCUMENTATION

Federal Agency:	Department of Health and Human Services-ACF
Federal Programs:	Child Support Enforcement Program (IV-D),
CFDA Number:	93.563
Auditee Contact Person	Mary Edmonds/ Anita Sallee
Title of Contact Person:	Deputy Director, Department of Child Services
Phone Number:	317-232-4758
Compliance Requirement:	Activities Allowed or Unaallowed
Internal Control	Control Deficiency

During our audit of Department of Child Services (DCS) Child Support Program, we found multiple disbursements to County Clerks and County Prosecutors that had no supporting source documentation such as paid bills. Furthermore, although DCS has an agreement with the County Clerks and County Prosecutors requiring the subgrantees to submit source documentation, DCS was not enforcing it. As a result, we could not trace funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes. This is a control deficiency.

45 CFR 92.20(a) states: "A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as it subgrantees and cost-type contractors, must be sufficient to --...(2)Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes."
45 CFR 92.20 (b) states: "The financial management systems of other grantees and sugrantees must meet the following standards: (6) Source Documentation. Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc."

We recommend that DCS accounting procedures be sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes by enforcing the submission of proper source documentation by County Clerks and County Prosecutors to support disbursements. We further recommended that claims from subgrantees without the proper source documentation not be paid.

Status of finding as of June 15, 2009:

The federal government allows supporting documentation to reside with the other government agencies. The agreement between DCS and the local offices indicates that they do not have to supply the receipts, payroll records, etc. to DCS. The exception is that they must submit documentation for travel reimbursement and capital outlay expenses. DCS will require documentation for all travel reimbursements and capital outlay expenses.

Mitchell E. Daniels, Jr.
Governor

Judith A. Monroe, M.D.
State Health Commissioner

Indiana State Department of Health

An Equal Opportunity Employer

June 5, 2009

TO: Bruce Hartman, State Examiner
State Board of Accounts

FROM: Judith Monroe, M.D.
State Health Commissioner Michael R. Kistler 6/15/09

SUBJECT: Official Response to the State Board Accounts Audit
for July 1, 2007 to June 30, 2008

In connection with the review and subsequent finding relating of the State Board of Accounts A-133 audit, please find the Indiana State Department of Health's (ISDH) response:

Schedule of Federal Financial Assistance

The Department of Health has taken steps to strengthen the preparation and review of the Schedule of Federal Financial Assistance report by implementing a process to have one accounting person (Accountant or Controller) prepare the report and another accounting person (either another Controller or the Director of Finance) review sub-recipient vs. vendor determinations and figures before the report is submitted.

INDIANA
WORKFORCE
DEVELOPMENT

June 12, 2009

Bruce Hartman, State Examiner
State Board of Accounts
302 West Washington Street
4th Floor, Room E418
Indianapolis, IN 46204

Re: **OFFICIAL REPONSE**
Audit Period: **Federal Programs: 07/01/07 through 06/30/08**

Dear Mr. Hartman:

Please find attached the Department of Workforce Development's response to the audit findings in the SBOA report issued June 4, 2009. We believe this response, and the actions described within, resolves these findings. We appreciate the professional and cooperative manner in which your auditors performed their duties and the assistance they provide in completing this audit.

Please contact me directly at 232-7472 if you have additional comments or questions regarding this response.

Regards,

Scott B. Sanders
Deputy Commissioner/CFO

Attachment

Mitchell E. Daniels, Jr., *Governor*
Teresa L. Voors, *Commissioner*

10 North Senate Avenue
Indianapolis, IN 46204-2277
www.workforce.IN.gov

Phone: 317.232.7670
Fax: 317.233.4793

An Economic Development Partner

FINDING 2008 – DWD-1, CASH MANAGEMENT – TRADE ADJUSTMENT ASSISANCE

Federal Agency:	Department of Labor
Federal Program:	Trade Adjustment Assistance
CFDA Number:	17.245
Auditee Contact Person:	Scott Sanders
Title of Contact Person:	Chief Financial Officer
Phone Number:	317-232-7472
Compliance Requirement:	Reporting
Internal Control:	Control Deficiency

During our audit of the Department of Workforce Development (DWD), we found that DWD maintained federal funds drawn down for the Trade Adjustment Assistance grant for an excessive period of time prior to expending those funds. The funds were maintained at the agency for an average of 20 days before they were expended.

31 CFR 205.11 (a) states: "A State and a Federal Program Agency must minimize the time elapsing between the transfer of funds from the United States Treasury and the State's payout of funds for Federal assistance program purposes, whether the transfer occurs before or after the payout of funds."

We recommend that DWD minimize the time elapsing between the draw down of federal funds and the payout of those funds by drawing down funds after the State pays out the funds.

STATUS OF FINDING:

In our follow-up on this issue, DWD found that the Trade Adjustment Assistance (TAA) programmatic funds were erroneously drawn to cover TAA administrative expenses. The TAA program funds are booked in Auditor of State AOS fund/center f/c 6000/182400 when they are received, while the admin expenses and funds are booked in AOS f/c 6710/151000. Once this was identified, DWD took action to correct the issue and put in place controls to prevent this from occurring in the future.

In an attempt to further improve Cash Management efforts, DWD implemented a new Cash Management Plan effective January 2009. This revised plan includes linking cash draws to GL entries that adjust expenses between funding sources as well as FIFO'ing expenses between grants.

> "**Other Draws**
> Monthly, the amounts charged to projects by JV, ID Bill, GL Adjustments and Allocations should be reviewed to determine totals by Project. Once a month these totals can also be processed through the Federal System, if needed, to adjust the amounts draw for each program. (Source of information to be determined, Ex: Budget, Les Williams & ARU)"

With this monthly review, adjusted draws are made in a regular timely manner, as needed. In addition to the above change, the Accounts Reconciliation Unit has changed its review of cash balances to include the AOS f/c as well as the funding source. We will continue to monitor this process and follow the established Cash Management Plan.

FINDING 2008 – DWD-2, CASH MANAGEMENT – CAREER AND TECHNICAL EDUCATION

Federal Agency:	Department of Education
Federal Program:	Career and Technical Education – Basic Grants to States
CFDA Number:	84.048
Auditee Contact Person:	Scott Sanders
Title of Contact Person:	Chief Financial Officer
Phone Number:	317-232-7472
Compliance Requirement:	Reporting
Internal Control:	Control Deficiency

During our audit of the Department of Workforce Development (DWD), we found that DWD maintained federal funds drawn down for the Career and Technical Education – Basic Grants to States grant for an excessive period of time prior to expending those funds. The funds were maintained at the agency for an average of 116 days before they were expended.

31 CFR 205.11 (a) states: "A State and a Federal Program Agency must minimize the time elapsing between the transfer of funds from the United States Treasury and the State's payout of funds for Federal assistance program purposes, whether the transfer occurs before or after the payout of funds."

We recommend that DWD minimize the time elapsing between the draw down of federal funds and the payout of those funds by drawing down funds after the State pays out the funds.

STATUS OF FINDING:

In our follow-up on this issue, DWD found that the excess cash draw in this instance was a result of the Grant Close-out process. When closing out a grant, DWD uses the FIFO (First In First Out) method of accounting which moves expenses from current year funds to the oldest available grant funds. When expenses were FIFO'ed to the expiring grant, the related cash that had been drawn when the expenditures were initially made, was not adjusted to match the change in the expenditures.

To finalize the close-out of a grant you must balance your cash draws and expenditures reported in the grant. At that time, all funds reported as expended must be drawn. When the funds were drawn to close out the grant, an adjusting entry should have been made in the GAP system (the federal system from which DOE funds are drawn) which would have returned the current year funding that had previously been drawn.

A review of our system reflected that we did not have a link between General Ledger (GL) entries, such as FIFO'ing expenses, and our cash draw process. This omission in our procedures was identified by our internal audit procedures in November of 2008 and corrected prior to the SBOA finding.

In an attempt to further improve our Cash Management efforts, DWD implemented a new Cash Management Plan effective January 2009. This revised plan includes linking cash draws to GL entries that adjust expenses between funding sources as well as FIFO'ing expenses between grants.

"**Other Draws**

Monthly, the amounts charged to projects by JV, ID Bill, GL Adjustments and Allocations should be reviewed to determine totals by Project. Once a month these totals can also be processed through the Federal System, if needed, to adjust the amounts draw for each program. (Source of information to be determined, Ex: Budget, Les Williams & ARU)"

With this monthly review, adjusted draws are made in a regular, timely manner, as needed. We will continue to monitor this process and follow the established Cash Management Plan.

MITCHELL E. DANIELS, Jr., Governor
STATE OF INDIANA

DEPARTMENT OF HOMELAND SECURITY Joseph E. Wainscott, Jr. EXECUTIVE DIRECTOR

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302 West Washington Street
Indianapolis, IN 46204
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May 21, 2009

Michelle Cunningham, Field Examiner
Indiana State Board of Accounts,
302 W. Washington St. Room E418
Indianapolis, IN 46204-2765

Re: Audit of IDHS Homeland Security Grant Program FY08

Dear Ms. Cunningham,

This letter is in response to the findings in the audit of US DHS Homeland Security Grant Programs, July 1, 2007 to June 30, 2008.

Although the findings were officially provided to IDHS at an audit exit conference on May 12, 2009, corrective actions to address the findings began in January 2008.

Finding 1 pertained to the federal Financial Status Reports (SF 269A) and the Schedule of Federal Financial Assistance (Schedule) to the agency's grant ledger reconciliation. This finding noted differences between SBOA's calculation and IDHS's grant ledger of the amounts reported on the SF269A and an inability of SBOA to verify disbursements on the Schedule to the correct grant year. Also noted were the lack of a review process to ensure that postings to the grant ledger were correct and the lack of a reconciliation of the federal financial reports to supporting accounting records. In addition, the finding noted that no review or approval process by a responsible official was occurring before filing the SF269A and Schedule.

To address the differences noted by SBOA on the SF269A and to verify disbursements on the Schedule to the correct grant year, IDHS internal reviews were conducted and a significant portion of the differences noted in the audit were identified. IDHS sought and gained approval to add an Accountant III position in Accounts Payable to report to the Accounts Payable Manager. The Accountant III was hired in October, 2008 and made primarily responsible for maintaining and reconciling the grant ledger. Beginning in January 2008, the grant ledger has been balanced with the Auditor of State. Starting in January, 2009, the Accountant III began preparing the SF 269A with the Controller providing review and approval of the reconciliations and reports on behalf of IDHS. IDHS's grant ledger is currently being reviewed to improve the reconciliation template for balancing and audit purposes and procedures are currently being documented for the preparation, review and approval of the SF269A and the Schedule.

Finding 2 pertained to inadequate documentation to allow SBOA to reconcile federal draw-downs to the supporting disbursements in the agency's grant ledger and incomplete grant ledger records. This prevented SBOA from verifying any advancement of federal funding.

The grant ledger had been inadvertently modified by various temporary employees that were utilized to address the inadequate staffing situation in the Accounts Payable Section. Copies of the grant ledger had also not been maintained with historical information, in order to resolve the reconciliation issues that had been created. An Accountant III was hired in October, 2008 and made primarily responsible for maintaining and reconciling the grant ledger which is utilized to reconcile federal draw-downs to the agency's disbursement activity. Beginning in January 2008, the grant ledger has been balanced with the Auditor of State. In December, 2008, the Accountant III started making the federal draws, with guidance from the Controller. To ensure adequate support is maintained for the draw downs, all disbursement activity is recorded on the grant ledger and the draw down payment history is printed from the PARS website. Both items are verified with the Auditor of State's records for verification prior to processing draws. Controls have been implemented to ensure updates to the grant ledger are not destroying historical data. The federal grant ledger is printed and attached to the SF 269 to verify the amount reported and the information used to document the report. An electronic copy of the spreadsheet is prepared quarterly and kept on file. IDHS's grant ledger is currently being reviewed to improve the reconciliation template for balancing and audit purposes and procedures are currently being documented for the preparation, review and approval of the grant ledger.

Thank you for the assistance of the State Board of Accounts audit team in connection with these issues. We are grateful for your assistance in helping IDHS to bring these areas into compliance with the Code of Federal Regulations and with State accounting standards.

Please feel free to call me at 232-3497 should you have any questions or continuing concerns.

Sincerely,

Joe Wainscott
Executive Director
Indiana Department of Homeland Security

cc: Jason Hutchens
Caitlin Intermill
Nancy Stevens
Rhonda Evans Barnsbee
Heather Greathouse
Andy Zirkle
Sy Walden-James