B34833

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

REVIEW REPORT

OF

SECRETARY OF STATE

STATE OF INDIANA

June 1, 2006 to May 31, 2008

FILED

09/22/2009

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AGENCY OFFICIALS

Office	Official	Term
Secretary of State	Todd Rokita	01-01-03 to 12-31-10

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AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE SECRETARY OF STATE

We have reviewed the receipts, disbursements, and assets of the Secretary of State for the period of June 1, 2006 to May 31, 2008. The Secretary of State's management is responsible for the receipts, disbursements, and assets.

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

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

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

STATE BOARD OF ACCOUNTS

August 27, 2008

SECRETARY OF STATE
REVIEW COMMENTS
MAY 31, 2008

ELECTION DIVISION

Our review of the Election Division of the Secretary of State is included in a separate report.

ATTENDANCE REPORTS

As stated in our prior Report B28394, attendance reports of the Secretary of State's office were frequently not signed and dated by employees, supervisors, or both. Additionally, the date signed by the supervisor was frequently before the date signed by the employee.

After being completed by the employee, the attendance report should be reviewed, signed, and dated by the immediate supervisor of the employee, or by another designated individual who has knowledge of the employee's attendance. The review should be done prior to submission of payroll to the Auditor's Office. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 9)

SPECIAL DISBURSING OFFICER (SDO) ADVANCES

SDO Fund Reconciliations

As stated in our prior two Reports B21633 and B28394, the Secretary of State's office has not performed bank or advance reconciliations of its SDO advances.

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

SDO Advances

The Secretary of State's office two SDO advances were not turned over, or reimbursed completely, for several months.

Whenever a SDO fund is established, money is removed from a Treasurer of State bank account and thus is not being invested. Therefore, consideration should be given to the size of the SDO fund. If you are not using your total SDO advance within one or two months then your SDO advance is too large and should be reduced. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 7)

SDO Fund

The Secretary of State's office two SDO advances did not reconcile to the amounts advanced. Currently, the funds are $2,136.43 less than the amount needed to balance to the advances.

At all times, the unreimbursed disbursements plus the cash on hand must equal the local purchase advance. The Special Disbursing Officer is accountable at all times for all sums advanced and is personally liable to the state for any amounts expended in any manner not in accordance with the authorization. Accordingly, the SDO officer may be held personally responsible for the amount needed to balance the fund or for amounts improperly expended. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 7)

PENALTIES AND INTEREST PAID

The Secretary of State's office paid penalties and interest totaling $8,852.42 for unpaid unemployment tax benefit charges posted from May 2005 to December 2007.

Officials and employees have the duty to pay claims, remit taxes, etc., in a timely fashion. Any penalties, interest or other charges paid by the governmental unit may be the obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 5)

SECRETARY OF STATE
EXIT CONFERENCE

The contents of this report were discussed on October 22, 2008, with Matt Tusing, Deputy Secretary of State and Chief of Staff. The official response has been made a part of this report and may be found on pages 7 through 9.

SECRETARY OF STATE
STATE OF INDIANA

Todd Rokita
Secretary of State

November 12, 2008

Mr. Bruce Hartman
State Examiner
Indiana State Board of Accounts
302 W. Washington Street, Room E-418

Re: 2008 Audit – Agency response to review comments dated May 31, 2008

Dear Mr. Hartman:

On behalf of Indiana Secretary of State Todd Rokita, I would like to thank you and the State Board of Accounts staff for the professional and thorough review conducted earlier this year. It is our agency's mission to operate as effectively and efficiently as possible. The independent bi-annual audit of the State Board of Accounts is an essential component of our effort to maintain high standards of quality control and accountability.

In addition to dedicated service as the State's Chief Elections Officer, the Secretary of State, provides a myriad of services to Indiana citizens utilizing 87 full time employees in three divisions, annual revenues of over 11 million dollars and an annual budget of less than 4.4 million dollars. In view of the range and depth of the agency's services to taxpayers we believe that our high standards for service, value and accountability have been achieved.

In response to the examiner's review comments the agency would provide the following responses:

Attendance Reports

The State House, Room 201, Indianapolis, Indiana 46204, (317) 232-6531, FAX (317) 233-3283
email: aa@sos.IN.gov www.sos.IN.gov

It is the agency's position that the vast majority of employee attendance reports are completed accurately and properly reviewed, signed and dated by the appropriate immediate supervisors. Since the completion of the 2008 examination the agency has implemented two additional procedures to assure that attendance reporting by the agency complies fully with State Accounting and Uniform Compliance Guidelines for State Agencies. 1) The agency will no longer request or accept attendance reports prior to the end of a pay period. For example, in the past, the agency would, on occasion, allow employees to submit attendance reports at the end of the last Friday of a pay period, even though the pay period ended on the following Saturday – when state offices are closed. On occasion, this practice would lead to innocent errors on the dates of the attendance reports. 2) The agency payroll clerk is responsible for reviewing all attendance reports for accuracy but now, ***may not accept, process or submit*** an attendance report with an inaccurate date or that evidences that a supervisor has reviewed the report before the employee has signed and dated the report. Any incorrect attendance report will be returned to the employee, unprocessed. The attendance report will not be accepted or processed until it has been corrected and been reviewed by the employees immediate supervisor. An attendance report that is not accurate and correctly reviewed and signed by the immediate supervisor, and submitted between the hours of 8:00 am and Noon on the Monday following the end of a pay period will not be processed and submitted to the Auditor's office with the payroll for that pay period. The 2009 edition of the agency employee's handbook, is being revised to include these new policies.

Special Disbursement Officer (SDO) Advances

Special Disbursement Officers employed by the agency prior to 2004 failed to reconcile disbursements with expense reports in the amount of approximately $2,136.00. It is the agency's position that these disbursements were for appropriate, authorized expenses, but were not documented in an appropriate and timely manner. By carefully searching old files for misplaced paperwork, agency staff have recovered the missing expense documentation which will be submitted to the Auditor's office no later than November 30th 2008. No later than December 31st 2008 the reconciliation of the agency's two SDO accounts will be completed. Because the agency has experienced little need for SDO account funds in recent years, no later than December 31st 2008 the agency will release $5,000.00 SDO funds to the Auditor, reducing its SDO account funds from $6,000.00 to $1,000.00 and will close one of its two SDO accounts entirely. Current SDO account officers for the agency are aware that pursuant to Accounting Uniform Compliance Guidelines for State Agencies, they may be held personally responsible for funds needed to balance the SDO accounts or for amounts improperly expended.

Penalties and Interest Paid

The agency acknowledges that it was charged (by another state agency) penalties and interest for unpaid unemployment tax benefit charges. Between 2005 and 2007 an employee of the agency responsible for executing the payments did not fulfill their responsibilities, misinformed officers of the agency and was himself misinformed with respect to the consequences. When agency officers discovered that the payments had not been made the employee was promptly terminated. An investigation conducted by the agency revealed that the employee was of the mistaken belief that one state agency would not enforce penalty and interest fees against another agency. It is the position of the agency that though a penalty and interest payment ($8,852.42) was charged against the agency by another state agency, the effective result was a reallocation of these funds from one state agency to another without a loss to taxpayers. Agency staff responsible for executing payments on behalf of the agency have received additional training covering the requirements of Accounting and Uniform Compliance Guidelines for State Agencies.

I am satisfied with our agency's actions in response to the review comments and would note that most issues had been discovered and addressed through internal control policies well before the commencement of the review. As always, and as indicated above, the Office of the Secretary of State appreciates the work of the State Board of Accounts within our agency and our continued partnership on behalf of the people of Indiana.

Truly yours,

Jerold A. Bonnet, General Counsel
Office of the Indiana Secretary of State