

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

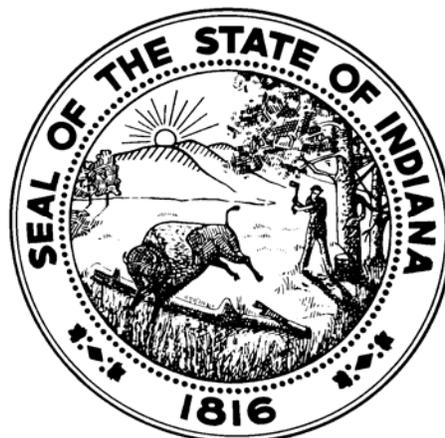
REVIEW REPORT

OF

STATE BOARD OF ACCOUNTS

STATE OF INDIANA

May 1, 2003 to June 30, 2006



FILED

01/16/2007

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AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
State Examiner	Charles Johnson, III Marilyn S. Rudolph (Interim) Bruce A. Hartman	03-01-97 to 05-31-05 06-01-05 to 10-06-05 10-07-05 to 10-06-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE STATE BOARD OF ACCOUNTS

We have reviewed the receipts, disbursements and assets of the State Board of Accounts for the period of May 1, 2003 to June 30, 2006. The State Board of Accounts' 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 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 State Board of Accounts are not, in all material respects, in conformity with the criteria set forth in the Accounting and Uniform Compliance Guidelines Manual for State Agencies, and applicable laws and regulations, except as stated in the review comments.

STATE BOARD OF ACCOUNTS

August 10, 2006

STATE BOARD OF ACCOUNTS
REVIEW COMMENTS
June 30, 2006

AGED ACCOUNTS RECEIVABLE

As stated in our prior two reports, the agency does not have a formal billing and collection policy for audit costs that are over 120 days outstanding.

Of the \$1.5 million in receivable balances at June 30, 2006, 37% were over 120 days. This was an increase of 7% over the previous review period.

Each agency, department, institution or office should have internal controls in effect, which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are part of an internal control system. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

INTERNAL CONTROL OVER REVENUE COLLECTIONS

The State Board of Accounts does not maintain a cash book to record collections of revenue. Also, checks were not restrictively endorsed immediately upon receipt.

Indiana Code 5-13-5-1 provides that every public officer who receives or distributes public funds shall keep a cashbook into which the public officer shall enter daily, by item, all receipts of public funds, and balance the cashbook daily to show funds on hand at the close of each day.

Checks should be restrictively endorsed with an endorsement stamp, immediately upon receipt. This should occur upon opening the mail or otherwise receiving the instrument. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 3)

S.D.O. FUND RECONCILIATIONS

The Special Disbursing Officer (SDO) funds have not been reconciled to the amounts advanced.

Each month the check register must be balanced to the total SDO advance and formally documented. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 7)

STATE BOARD OF ACCOUNTS
REVIEW COMMENTS
June 30, 2006
(Continued)

S.D.O. FUND ADVANCE

The Special Disbursing Officer Fund (SDO) advance for the State Board of Accounts Typing Fund has not been used since March 2005. We recommended that the \$2,500 typing fund advance be returned to the Treasurer of State.

If a SDO advance is not used within one or two months then the SDO advance is too large and should be reduced. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 7)

OUTSTANDING CHECKS

The Special Disbursing Officer Fund account had five checks which have been outstanding for a period in excess of the statutory requirement.

Indiana Code 4-10-10-1 provides that State warrants and checks issued by state agencies that are outstanding and unpaid for a period of two or more years, as of the last day of December of each year, shall be declared canceled.

Indiana Code 4-10-10-6 provides that such outstanding checks shall be entered as a receipt into the fund or account from which the original advance was made.

STATE BOARD OF ACCOUNTS
EXIT CONFERENCE

The contents of this report were discussed on November 28, 2006, with Bruce A. Hartman, State Examiner; Charles Johnson, III, former State Examiner; Marilyn S. Rudolph, former Interim State Examiner; and Michael Bozyski and Paul Joyce, Deputy State Examiners. The official response to the review comments has been made a part of this report and may be found on page 7.



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MEMORANDUM

Date: January 10, 2007

To: John Rihm, CPA
Field Examiner

From: Bruce Hartman, CPA
State Examiner

BH

Re: Audit Response

We appreciate the recommendations you have made from your review and have provided our official response to each of them as follows:

AGED ACCOUNTS RECEIVABLE

Our previous attorney had begun work on developing a formal billing and collection policy for audit costs over 120 days outstanding. He left our agency in July, but we recently hired another full-time attorney. His duties will include reviewing our current policies and procedures in order to finalize a formal billing and collection policy for these outstanding audit costs.

INTERNAL CONTROL OVER REVENUE COLLECTIONS

A small amount of revenue is collected by our receptionist for copies of reports and manuals. She issues a receipt and restrictively endorses all checks. A report of collections is prepared each day to deposit the funds. We will begin using a cash book or similar form at our front desk for these collections.

S.D.O. FUND RECONCILIATIONS

Both check registers are now balanced to the total SDO advance on a monthly basis.

S.D.O. FUND ADVANCE

This fund was used in prior years to pay contract proofists to review our reports. That function was brought in-house during 2005. We will assess our future needs and adjust the fund accordingly.

OUTSTANDING CHECKS

These five checks have been receipted back into the appropriate account.