

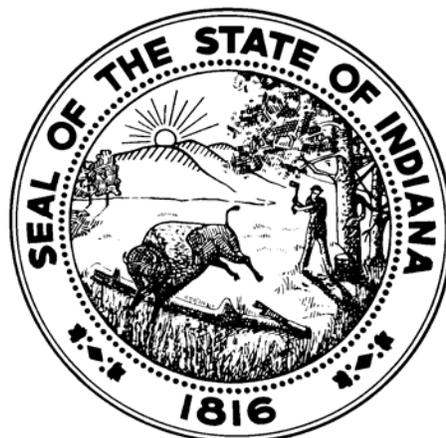
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

REVIEW REPORT

OF

INDIANA DEPARTMENT OF TRANSPORTATION

July 1, 2003 to June 30, 2006



FILED

01/25/2007

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AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Commissioner	J. Bryan Nicol Thomas O. Sharp Karl B. Browning	09-10-01 to 01-09-05 01-10-05 to 12-01-06 12-03-06 to 01-11-09



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE INDIANA DEPARTMENT OF TRANSPORTATION

We have reviewed the receipts, disbursements, and assets of the Indiana Department of Transportation for the period of July 1, 2003 to June 30, 2006. The Indiana Department of Transportation's management is responsible for the receipts, disbursements, and assets.

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

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

Based on our review, nothing came to our attention that caused us to believe that the receipts, disbursements, and assets of the Indiana Department of Transportation 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

September 26, 2006

INDIANA DEPARTMENT OF TRANSPORTATION
REVIEW COMMENTS
June 30, 2006

ATTENDANCE REPORTS

We observed that employee attendance reports were frequently signed and dated by the employee and approving supervisor prior to the last day worked.

Employee attendance reports should not be signed, dated or approved prior to the last day worked in a pay period. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 9)

OUTSTANDING SDO CHECKS

The Indiana Department of Transportation's SDO fund as of March 31, 2006, had 32 checks which have been outstanding in excess of 2 years at December 31, 2005.

Indiana Code 4-10-10 provides that checks which have been outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year shall be declared cancelled. Such outstanding checks should be receipted into the fund or account from which they were originally drawn.

PERSONAL LONG DISTANCE TELEPHONE CALLS

As stated in our prior Report B23769, it has been the practice of the Indiana Department of Transportation to allow employees to make personal long distance telephone calls on the agency's telephones. Each month, employees are to review telephone bills, identify their personal calls, and present a check or cash to the agency for payment.

Personal long distance calls are not allowed to be charged to the State or placed over the State's telephone network. Such calls should be charged to the employee's home phone, personal calling card, or placed collect. Agencies should review monthly telephone billings for indication of charges for personal calls. If an agency discovers that personal calls have been placed, reimbursement must be sought for the charges incurred and the employee should be instructed not to charge additional long distance calls on the State's network. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 5)

INTERNAL CONTROL

As stated in our prior Report B23769, the Indiana Department of Transportation's Policy and Procedure Manual has not been rewritten since a new accounting system was installed. This results in a weakness in internal controls over the disbursing, recording, and accounting for financial activities.

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. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

INDIANA DEPARTMENT OF TRANSPORTATION
REVIEW COMMENTS
June 30, 2006
(Continued)

ACCOUNTS RECEIVABLE

As stated in our prior Report B23769, the Indiana Department of Transportation (INDOT) has accounts receivable from Local Public Agencies (LPAs) that are older than sixty days. These totaled \$4,636,584 as of September 1, 2006.

Indiana Code 8-14-1-9 gives INDOT the authority to create a mandatory transfer of funds from the delinquent party's allocation from the Motor Vehicles Highway Account. INDOT's State – Local Public Agency Agreement also includes the following; "If the LPA has not paid the full amount due within sixty days past the due date, the STATE shall be authorized to proceed in accordance with IC 8-14-1-9 to compel the Auditor of the State of Indiana to make a mandatory transfer of funds from the LPA's allocation of the Motor Vehicle Highway Account to the Indiana Department of Transportation's account." INDOT has not caused the collection of these overdue balances from the Motor Vehicle Highway Account as provided in Indiana Code 8-14-1-9. INDOT stated that a request to the Auditor of State was made to transfer those funds, however; due to confusion, the transfer was not completed.

SPECIAL DISBURSING OFFICER – SPLIT INVOICES

As stated in our prior two Reports B19277 and B23769, we noted instances where the Indiana Department of Transportation Special Disbursing Officers "split" invoices in order to circumvent prescribed purchase procedures.

Purchases or payments can not be artificially divided to circumvent the SDO limit or purchasing procedures. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 3)

INDIANA DEPARTMENT OF TRANSPORTATION
EXIT CONFERENCE

The contents of this report were discussed on January 11, 2007, with Bernard Seel, Deputy Commissioner, Finance; Gilbert Viets, Chief of Staff; Tony Hedge, Director of Accounting; and Joy Koester, Fiscal Analysis and Reporting Manager. The officials concurred with our findings.