

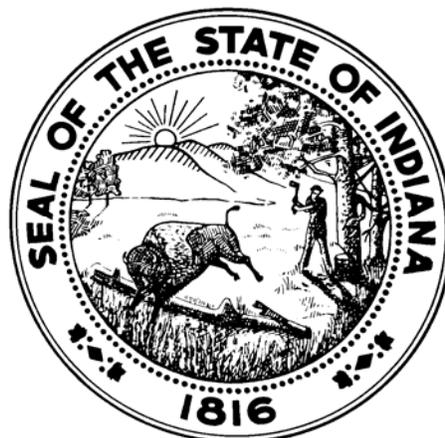
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

REVIEW REPORT

OF

INDIANA STATE POLICE

March 1, 2005 to February 28, 2007



FILED

09/28/2007

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AGENCY OFFICIALS

Office

Official

Term

Superintendent

Paul E. Whitesell, Ph.D.

01-10-05 to 01-11-09



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE INDIANA STATE POLICE

We have reviewed the receipts, disbursements, and assets of the Indiana State Police for the period of March 1, 2005 to February 28, 2007. The Indiana State Police'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 State Police 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

July 23, 2007

INDIANA STATE POLICE
REVIEW COMMENTS
February 28, 2007

INTERNAL CONTROLS OVER HEALTH INSURANCE FUND

We noted the following concerning the controls over fees paid for the administration of the State Police Health Insurance Fund (Fund):

Administrative fees are based on the number of State Police employees enrolled in the plan each pay period. While reviewing the administrative fees paid to the third-party administrator of the Fund, we found that the agency paid duplicate fees for some current employees. We also found that fees were paid for some former employees who left the agency and are no longer enrolled in the plan.

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, safeguarding controls over cash and all other assets and all forms of information processing are part of an internal control system. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

SDO FUND

Lack of Reconciliations

As stated in our three prior reports (most recently B16982 and B25455), the Indiana State Police has not performed reconciliations of its Special Disbursing Officer (SDO) advance in a timely manner. As of May 3, 2007, the most recently completed reconciliation was for December 2006 and at the end of our field work on July 23, 2007, the advance had been reconciled through March 2007.

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

Outstanding SDO Checks

The Indiana State Police SDO account has eight checks totaling \$272.98 which have been outstanding for over two years.

Indiana Code 4-10-10-1 provides that all checks authorized by law to be issued from funds in custody of any state agency which have been outstanding and unpaid for a period of two or more years as the last day of December of each year shall be declared canceled.

Indiana Codes 4-10-10-6 requires that the amounts of such outstanding checks shall be entered as a receipt into the fund or account from which they were originally drawn and be removed from the record of outstanding checks.

INDIANA STATE POLICE
REVIEW COMMENTS
February 28, 2007
(Continued)

SDO FUND (continued)

SDO Advance

The SDO advance for the Indiana State Police was not turned over or reimbursed completely for several months.

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 and Quasi Agencies, Chapter 7)

Internal Controls Over Credit Card Purchases

We noted the following concerning the controls over the use of credit cards for SDO purchases:

The latest Indiana State Police Standard Operating Procedure FIN-001, effective May 12, 2006, requires a statement of justification for purchases totaling \$500 or more from a single vender during a 30 day period. We noted several purchases totaled more than \$500 from a single vender in a 30 day period with no statement of justification for these purchases.

Each agency, department, quasi, institution or office also has the responsibility to comply with their own internal policies and guidelines. These internal policies and guidelines cannot conflict with state or federal laws, state policies or procedures (including those in this manual) or other policies established by Department of Administration, Department of Personnel or through the Financial Management Circulars. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

ATTENDANCE REPORTS

As stated in our three prior reports (most recently B16982 and B25455), we observed instances where Indiana State Police employee attendance reports were not properly signed and dated or were signed and dated prior to the last day worked.

The attendance report is to be completed accurately, signed, and dated by the employee. However, the reports should not be signed, dated or approved prior to the last day worked in a pay period. 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. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 9)

DAILY DEPOSITS

As stated in our seven prior reports (most recently B16982 and B25455), the Indiana State Police did not consistently deposit collections for firearm permits within the following business day after receipt of the funds. However, the time these funds have been held before being deposited has decreased from several weeks to several days.

Indiana Code 5-13-6-1(b) states in part: ". . . all public funds . . . shall be deposited with the treasurer of state, or an approved depository selected by the treasurer of state not later than the business day following the receipt of the funds."

INDIANA STATE POLICE
EXIT CONFERENCE

The contents of this report were discussed on August 27, 2007, with Paul E. Whitesell, Ph.D., Superintendent; Richard Weigand, Colonel; and Mickey James, Comptroller. The official response has been made a part of this report and may be found on pages 7 and 8.

INDIANA STATE POLICE

INDIANA GOVERNMENT CENTER NORTH
100 NORTH SENATE AVENUE

INDIANAPOLIS, INDIANA 46204-2259

www.state.in.us/isp

August 30, 2007

To: Bruce A. Hartman, State Examiner
State Board of Accounts

From: Paul E. Whitesell, Ph.D.
Superintendent

Subject: **OFFICIAL RESPONSE**

The following is the Indiana State Police (ISP) official response to our most recent audit review for the period of March 01, 2005 through February 28, 2007.

Internal Controls Over Health Insurance Fund

ISP Response: Concur

Action Taken: The Human Resources Division will perform spot follow-up on Anthem billings to ensure that terminated employees are not included in the per-capita fees.

SDO Fund

Lack of Reconciliations

ISP Response: Concur

Action Taken: As of August 30, 2007, the ISP Special Disbursing Officer advance has been reconciled through July 2007.

Outstanding SDO Checks

ISP Response: Concur

Action Taken: During the July 2007 reconciliation process, all outstanding and unpaid checks for a period of two or more years as of the last day of December 2006 were canceled and entered as a receipt into the SDO account, and removed from the record of outstanding checks.

SDO Fund (continued)

SDO Advance

ISP Response: Concur

Action Taken: ISP will conduct a review of monthly expenditures and reimbursements to determine if the current amount of the SDO fund should be reduced.

Internal Controls Over Credit Card Purchases

ISP Response: Concur

Action Taken: ISP SOP-FIN-001 will be reviewed and revised.

Attendance Reports

ISP Response: Concur

Action Taken: On August 15, 2007, Lieutenant Colonel Larkin addressed these issues with a strongly worded directive. This directive required compliance with the concerns noted in the audit review comments.

Daily Deposits

ISP Response: Concur

Action Taken: The Firearms Section has implemented changes to route all license requests through the lock box banking system. If any checks associated with firearms requests are delivered to ISP, they will be transported to the bank daily. The requirement to deposit within 24 hours has been re-emphasized to all Firearms Section staff.

Sincerely,



Paul E. Whitesell, Ph.D.
Superintendent

PEW/mjj