

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

REVIEW REPORT  
OF  
DEPARTMENT OF LABOR  
STATE OF INDIANA  
July 1, 2006 to May 31, 2008



**FILED**  
09/02/2008



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AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Commissioner	Miguel Rivera	01-10-05 to 10-06-06
	Tim Grogg (Special Assistant)	10-07-06 to 10-17-06
	Lori A. Torres	10-18-06 to 01-11-09



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE DEPARTMENT OF LABOR

We have reviewed the receipts, disbursements, and assets of the Department of Labor for the period of July 1, 2006 to May 31, 2008. The Department of Labor'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 Department of Labor 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 10, 2008

DEPARTMENT OF LABOR  
REVIEW COMMENTS  
May 31, 2008

INTERNAL CONTROLS OVER DISBURSEMENTS

During our review of the Department of Labor (DOL), we found several payments totaling \$908.68 for travel expenses paid to a vendor for Occupational Safety and Health Administration (OSHA) training without having a contract. The DOL also made multiple under and over payments to several vendors for OSHA training that did not match the training fee rate per person as stipulated in the contract's terms and conditions. We also found that several payments were made for OSHA training prior to the contract being fully approved. This is an internal control weakness.

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)

Each agency, department, institution or office is responsible for compliance with applicable statutes, regulations, contract provisions, state policies, and federal requirements. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

Agencies that enter into contracts which provide for specific reimbursement of travel expenses must specify in the contract that travel reimbursement to persons under contract will be consistent with this Circular. (Financial Management Circular 2003-1, Section 2-7 (A))

INTERNAL CONTROLS OVER PAYROLL DEDUCTIONS AND OTHER EARNINGS

During our review of the Department of Labor (DOL), we found that payroll deductions and other earnings were approved by agency staff without reviewing the supporting documentation for accuracy. We also found that the DOL did not maintain the supporting documentation at the agency to provide an audit trail. This is an internal control weakness.

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. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 3)

DEPARTMENT OF LABOR  
REVIEW COMMENTS  
May 31, 2008  
(Continued)

SUPPLEMENTATION OF APPROPRIATION

The Department of Labor (DOL) deposited several refunds for previous fiscal year expenditures as current year refunds. By recording these as refunds of current year expenditures, the DOL is supplementing its State appropriations by the amount deposited. In addition, we found several additional refunds of expenditure that did not contain sufficient supporting documentation to determine the year of the original expenditure.

A refund of expenditure can only be used if the original disbursement and the refund or collection are within the same fiscal year. If the collection is not received within the same fiscal year as the related expenditure, then the collection must be recorded as miscellaneous revenue. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 3)

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. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 3)

SDO ADVANCE

The Special Disbursing Officer Fund (SDO) advance for LP# 3420 & LP# 3422 at the Department of Labor 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)

DAILY DEPOSITS

The Department of Labor did not consistently deposit receipts for Miner's licenses and other receipts within the following business day.

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."

DEPARTMENT OF LABOR  
EXIT CONFERENCE

The contents of this report were discussed on August 4, 2008, with Lori Torres, Commissioner; Ambat Babu, Controller; and Yalonda McTush, Executive Director of Operations Division. The official response has been made a part of this report and may be found on pages 7 and 8.



Advancing the safety, health and prosperity of Hoosiers in the workplace.

MITCHELL E. DANIELS, Jr., GOVERNOR  
Lori A. Torres, Commissioner

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August 11, 2008

Mr. Bruce Hartman, State Examiner  
Indiana State Board of Accounts  
302 West Washington Street, Room E 418  
Indianapolis, Indiana 46204

In Re: Response to audit of IDOL July 1, 2006 to May 31, 2008

Dear Mr. Hartman,

The Indiana Department of Labor agrees with your findings and files its individual responses to each finding.

Internal Controls Over Disbursements

IDOL agrees that with respect to newly instituted scholarship grants to safety vendors, overpayments and underpayments were made to several vendors that did not match the training rate fee per person as stipulated in the contract term, that several payments were made prior to the contract being fully approved by all State agencies, and that some travel expenses were paid by a vendor that were not specified by the contract. New internal controls have been implemented to assure that terms of the contract are not modified verbally, but rather amended in writing with all necessary approvals. Furthermore, while the gross amount paid pursuant to the contract was in conformity, IDOL agrees that progress payments were mutually modified by those parties, without fully documenting such amendments in writing.

Internal Controls Over Payroll Deductions and Other Earnings

IDOL agrees that attaching supporting documentation for the earning and payout of comp time furthers both the supervisors' review as well as the auditors' review to track accurate payments. IDOL has modified its processes in this regard.

Supplementation of Appropriation

IDOL has taken steps to ensure that all refunds for previous fiscal year expenditures are properly characterized moving forward, and that supporting documentation is available to determine the year of the original expenditure when a refund is later received. One refund of \$23.00 was identified as being mischaracterized as current year revenue rather than prior year revenue. No refund will be characterized as current revenue if the collection of the refund is not received within the same fiscal year as the related expenditure.

SDO Advance

IDOL has reviewed the amount of its three SDO accounts and agrees with the audit findings that two of the SDO advances are too large, and are being reduced to \$2,000.00 each to more appropriately utilize State assets.

Mr. Bruce Hartman  
August 11, 2008  
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Daily Deposits

IDOL has addressed the failure to consistently deposit receipts from miner's licenses and other receipts the following business day by opening an agency account in Vincennes, Indiana, where the Bureau of Mines is located. All subsequent deposits have been made no later than the following business day of receipt.

The IDOL has now implemented all of the recommended guidelines set forth in the report and appreciates the work of the State Board of Accounts in improving our accounting procedures and controls.

Very truly yours,



Lori A. Torres  
Commissioner

LAT/clw