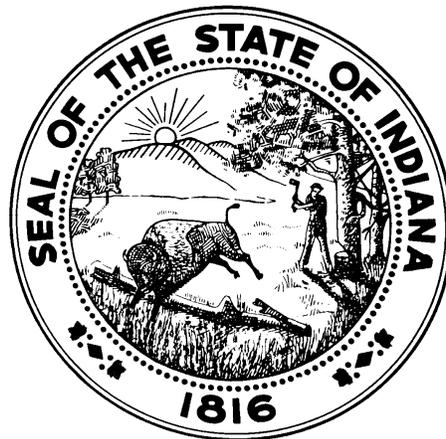


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

REVIEW REPORT  
OF

INDIANA DEPARTMENT OF  
WORKFORCE DEVELOPMENT  
STATE OF INDIANA

February 1, 2007 to February 28, 2009



**FILED**  
08/25/2009



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AGENCY OFFICIALS

Office

Official

Term

Commissioner

Andrew Penca  
Teresa Voors

10-13-06 to 09-20-07  
09-21-07 to 01-13-13



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE INDIANA DEPARTMENT OF WORKFORCE DEVELOPMENT

We have reviewed the receipts, disbursements, and assets of the Indiana Department of Workforce Development for the period of February 1, 2007 to February 28, 2009. The Indiana Department of Workforce Development'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 Workforce Development 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

June 17, 2009

INDIANA DEPARTMENT OF WORKFORCE DEVELOPMENT  
REVIEW COMMENTS  
February 28, 2009

FIXED ASSET INVENTORY

The fixed asset inventory of the Indiana Department of Workforce Development is not complete as to additions and assets have not been consistently tagged upon receipt.

Each state agency is required to report to the Auditor of State all additions and retirements of assets with a cost of \$20,000 or more. Assets costing more than \$500 but less than \$20,000 must be maintained on an asset control system at the agency. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 10)

Assets at the minimum level of \$500 must be tagged. Assets should be tagged upon receipt. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 10)

SDO FUND ADVANCE

The Indiana Department of Workforce Development (IDWD) maintains a Special Disbursing Officer (SDO) advance. IDWD maintains three sub-ledgers for the one SDO advance, one for Administrative expenses, one for Executive expenses, and one for Travel Advances. The ledgers do not properly reconcile to the total SDO advance. Adjustments are made to the ledgers in order to reconcile the advance amount. Several of these adjustments are more than three years old. The Administrative ledger adjustments, totaling \$3,006.55, the Executive ledger adjustments, totaling \$277.80, and the Travel Advance ledger adjustments, totaling \$11,666.71, are primarily due to the timing of converting IDWD to Encompass. In 2007, IDWD started maintaining its SDO ledgers on Encompass. When this occurred, the ledger balances were improperly entered into Encompass. Many of the adjustments have never been posted to Encompass. The adjustments must be properly posted to Encompass prior to its go live date in order for the advance to properly reconcile.

At all times, the unreimbursed disbursements plus any advances to office cash or subsidiary checking accounts plus the SDO checking account balance must equal the local purchase advance. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 7)

The Special Disbursing Officer is accountable at all times for all sums advanced. The SDO officer may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 7)

SDO ADVANCE TURNOVER

The Special Disbursing Officer Fund (SDO) local purchase advance of the Indiana Department of Workforce Development was not turned over 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)

INDIANA DEPARTMENT OF WORKFORCE DEVELOPMENT  
REVIEW COMMENTS  
February 28, 2009  
(Continued)

SDO OUTSTANDING CHECKS

During our review of the Special Disbursing Officer (SDO) bank accounts for the Indiana Department of Workforce Development, we found four checks totaling \$489.08 outstanding in excess of two years.

Per IC 4-10-10, checks "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." The amount of these checks should be deposited as miscellaneous revenue into the fund from which they came. The checks should then be removed from the outstanding checklist.

ATTENDANCE REPORTS

As stated in our two prior reports (B29849 and B24675), we observed that employees were signing their time reports prior to the day worked. The Indiana Department of Workforce Development uses the PeopleSoft Time and Labor module for employees to report their time worked. We observed that employee time reports were frequently submitted for approval prior to the day worked. When an employee submits their time in PeopleSoft it is considered an electronic signature for that employee. Therefore, we consider that employees were signing their time reports prior to the 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)

UNEMPLOYMENT INSURANCE

The Indiana Department of Workforce Development (IDWD) is the responsible agency for the collection of unemployment taxes and the payment of unemployment benefits. When the tax is collected by IDWD from an Indiana employer, IDWD receipts the monies into the state's records and then transfers the funds to the US Department of the Treasury. The US Department of the Treasury maintains the funds in a trust fund. When an individual is eligible to receive unemployment compensation, IDWD must draw down the funds from the US Department of the Treasury to pay those claims. These funds are drawn down on a daily basis. In February 2007, IDWD no longer issued checks to claimants, but began issuing the unemployment compensation via a debit card. At that same time, IDWD ceased reporting the drawdowns and the payment of unemployment benefits in the Auditor of State's records. The Unemployment Compensation Fund is the responsibility of the State of Indiana and is reported in the State's Comprehensive Annual Financial Report (CAFR) as a proprietary fund. However, since IDWD does not record the drawdowns from the US Department of the Treasury and expenditures for the unemployment benefits with the Auditor of State, the State must make large adjustments in order to materially report the Unemployment Compensation Fund within the CAFR. IDWD did not receive approval from either the Auditor of State or Budget Agency to cease reporting these monies within the Auditor of State's records.

The Auditor of State system and reports issued constitutes the official record of the budget, cash receipts and disbursements. As such, the agency's own accounting system should operate congruently with the State system with reconciliations of as much information as is practicable. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

INDIANA DEPARTMENT OF WORKFORCE DEVELOPMENT  
REVIEW COMMENTS  
February 28, 2009  
(Continued)

The accounting system structure is defined as the methods and records (established by the Auditor of State) to identify, analyze, classify, record, and report the State of Indiana's transactions and to maintain accountability for the related assets and liabilities. The account structure for the state provides for the preparation of Indiana's comprehensive annual financial report in conformity with generally accepted accounting principles, as prescribed by Governmental Accounting Standards Board pronouncements. The Governmental Accounting Standards Board is the authoritative accounting and financial reporting standard setting body for governmental entities throughout the United States. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 2)

INDIANA DEPARTMENT OF WORKFORCE DEVELOPMENT  
EXIT CONFERENCE

The contents of this report were discussed on July 30, 2009, with Scott Sanders, Chief Financial Officer. The official response has been made a part of this report and may be found on pages 8 through 15.



INDIANA  
**WORKFORCE**  
DEVELOPMENT

August 17, 2009

Bruce Hartman, State Examiner  
State Board of Accounts  
302 West Washington Street  
4<sup>th</sup> Floor, Room E418  
Indianapolis, IN 46204

Re: **OFFICIAL REPOSE**

**Audit Period: Compliance Audit 02/01/07 through 02/28/09**

Dear Mr. Hartman:

Please find attached the Department of Workforce Development's response to the audit findings in the SBOA report issued July 23, 2009. We believe this response, and the actions described within, resolves these findings. We appreciate the professional and cooperative manner in which your auditors performed their duties and the assistance they provided in completing this audit.

Please contact me directly at 232-7472 if you have additional comments or questions regarding this response.

Regards,

Scott B. Sanders  
Chief Financial Officer and Deputy Commissioner

Attachment

**STATE OF INDIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FINDING COMPLIANCE AUDIT 02/01/07-02/28/09 – DWD-1, FIXED ASSETS INVENTORY**

The fixed asset inventory of the Department of Workforce Development is not complete as to additions and assets have not been consistently tagged upon receipt.

Each state agency is required to report to the Auditor of State all additions and retirements of assets with a cost of \$20,000 or more. Assets costing more than \$500 but less than \$20,000 must be maintained on an asset control system at the agency. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 10).

**STATUS OF FINDING:**

There were three issues identified in this finding. The Indiana Department of Workforce Development's Management Services Unit has reviewed the specifics of this finding and researched the incidents. The Indiana Department of Workforce Development has taken the following steps to ensure future compliance.

1. The Management Service Director is an Approver of new requisitions in Encompass and will verify proper coding of fixed assets when requisitions are in process. Additionally, the Fiscal approvers of requisitions have been trained in what should be coded as a fixed asset.
2. Procurement buyers have been directed to forward copies of all Purchase Orders for purchases over \$500.00 (including intangible assets) to Management Services for review and tag assignment, if applicable.
3. Tag numbers will be entered into Encompass when the tag is sent to the requesting supervisor.
4. The Property Officer will routinely run two (2) Encompass queries, one that lists all assets that are not tagged and another one that lists all Purchase Orders for assets. This will serve as a check and balance of all processes.

**FINDING COMPLIANCE AUDIT 02/01/07-02/28/09 – DWD-2, SDO FUND ADVANCE**

The Indiana Department of Workforce Development (IDWD) maintains a Special Disbursing Officer (SDO) advance. IDWD maintains three sub-ledgers for the one SDO Advance: one for Administrative Expense, one for Executive expenses and one for Travel Advances. The ledgers do not properly reconcile to the total SDO advance. Adjustments are made to the ledgers in order to reconcile the advance amount. Several of these adjustments are more than three years old. The Administrative Advance ledger adjustments, totaling \$3,006.55, the Executive ledger adjustments totaling \$277.80, and the Travel Advance ledger adjustment totaling \$11,666.71 are primarily due to the timing of converting IDWD to Encompass. In 2007 IDWD started maintaining its SDO ledgers on Encompass. When this occurred, the ledger balances were improperly entered into Encompass. Many of the adjustments have never been posted to Encompass. The adjustments must be properly posted to Encompass prior to its go live date in order for the advance to properly reconcile.

At times, the unreimbursed disbursements plus any advances to office cash or subsidiary checking accounts plus the SDA checking account balance must equal the local purchase advance. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 7).

The Special Disbursing Officer is accountable at all times for all sums advanced. The SDO officer may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 7).

**STATUS OF FINDING:**

All three SDO Fund Advance bank accounts are reconciled monthly with the bank statements as well as with the amount advanced by the Auditor of State. There are individual reconciling items that are all identified. A check register balance is derived each month for these accounts based on actual transactions. This derived balance does reconcile back to the bank statements as well as to the Auditor of State and is located in the various folders for each account. The reconciliations are done in Excel and not in the PeopleSoft System due to unresolved system issues currently being addressed. The reconciliations identify each item making up the difference between the correct derived register balance and the actual PeopleSoft check register balance.

The uncorrected reconciling items go back to when the balances for the SDO accounts were incorrectly loaded into PeopleSoft. DWD has made repeated efforts to correct this issue but has been hampered by an inability to make adjustments in the Encompass system. A detailed log of the differences in reconciliation has been kept and correcting entries will be made once the unresolved system issues are rectified.

**FINDING COMPLIANCE AUDIT 02/01/07-02/28/09 – DWD-3, SDO ADVANCE TURNOVER**

The Special Disbursing Officer Fund (SDO) local purchase advance of the Indiana Department of Workforce Development was not turned over 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 Agencies, Chapter 7).

**STATUS OF FINDING:**

DWD has three separate SDO accounts and has been making preparations to reduce the number to one, as required by the new Encompass procedures. These preparations include reducing the SDO expenditures. DWD has also drastically reduced the number of travel advancements from SDO accounts, thereby reducing the expenditures and cash needs in the SDO's. DWD will analyze our SDO cash needs, based on our new procedures, and make adjustments to the SDO advance amounts as needed.

**FINDING COMPLIANCE AUDIT 02/01/07-02/28/09 – DWD-4, SDO OUTSTANDING CHECKS**

During our review of the Special Disbursing Officer (SDO) bank accounts for the Indiana Department of Workforce Development, we found four checks totaling \$489.08 outstanding in excess of two years.

Per Indiana Code 4-10-10 checks “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.” The amount of these checks should be deposited as miscellaneous revenue into the fund from which they came. The checks should then be removed from the outstanding check list.

**STATUS OF FINDING:**

DWD is aware of the outstanding checks and has intentionally not cancelled them as doing so changes all reconciliations from the initial check date forward. We believe this is a system flaw and will impede our ability to keep a consistent reconciliation record for these accounts.

DWD has made GMIS aware of this issue and will cancel these outstanding checks once the issue is resolved.

**FINDING COMPLIANCE AUDIT 02/01/07-02/28/09 – DWD-5, ATTENDANCE REPORTS**

As stated in our two prior reports (B29849 & B24675), we observed that employees were signing their time reports prior to the day worked. The Indiana Department of Workforce Development uses the PeopleSoft Time and Labor module for employees to report their time worked. We observed that employee time reports were frequently submitted for approval prior to the day worked. When an employee submits their time in PeopleSoft it is considered an electronic signature for that employee. Therefore, we consider that employees were signing their time reports prior to the 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).

**STATUS OF FINDING:**

DWD's position is that while the system allows employees to enter time prior to being worked, the supervisor is unable to approve the time until the hours have been completed, thereby reducing the risk of time entry error. Additionally, DWD was not aware that the Time and Labor module could be adjusted to prevent employees from entering time worked prior to the hours actually being worked, as suggested by SBOA. We have submitted an issue to GMIS requesting this restriction and have not received a response as to whether or not this is actually the case.

**FINDING COMPLIANCE AUDIT 02/01/07–02/28/09 - DWD-6, UNEMPLOYMENT INSURANCE**

The Indiana Department of Workforce Development is the responsible agency for the collection of unemployment taxes and the payment of unemployment benefits. When the tax is collected by IDWD from an Indiana employer, IDWD receipts the monies into the state's records and then transfers the funds to the US Department of Treasury. The US Department of Treasury maintains the funds in a trust fund. When an individual is eligible to receive unemployment compensation, IDWD must draw down the funds from the US Treasury to pay those claims. These funds are drawn down on a daily basis. In February 2007, IDWD no longer issued checks to claimants, but began issuing the unemployment compensation via a debit card. At that same-time, IDWD ceased reporting the draw downs and the payment of unemployment benefits in the Auditor of State's records. The Unemployment Compensation Fund is the responsibility of the State of Indiana and is reported in the state's Comprehensive Annual Financial Report (CAFR) as a proprietary fund. However, since IDWD does not record the draw downs from the US Department of Treasury and the expenditures for the unemployment benefits with the Auditor of the State, the State must make large adjustments in order to materially report the Unemployment Compensation Fund within the CAFR. IDWD did not receive approval from either the Auditor of the State or Budget Agency to cease reporting these monies with the Auditor of the State's records.

The Auditor of State system and reports issued constitutes the official record of the budget, cash receipts and disbursements. As such, the agency's own accounting system should operate congruently with the state system with reconciliations of as much information as is practicable. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1).

The accounting system structure is defined as the methods and records (established by the Auditor of State) to identify, analyze, classify, record and report the State of Indiana's transactions and to maintain accountability for the related assets and liabilities. The account structure for the state provides for the preparation of Indiana's comprehensive financial report in conformity with generally accepted accounting principles, as prescribed by Governmental Accounting Standards Board pronouncements. The Governmental Accounting Standards Board is the authoritative accounting and financial reporting standard setting body for governmental entities throughout the United States. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 2).

**STATUS OF FINDING:**

DWD will resume submitting documentation to record distribution and payment of benefit claims with the Auditor of State by submitting two one sided journal vouchers per day. One journal voucher will show the expenditure for the claimant payments and one will show a revenue transaction for the funding of those payments through the use of funds previously deposited to the Bureau of Public Debt as was originally proposed in October of 2006 when the debit card trial processing was initiated. The change mentioned in the finding was originally required by the decision of the Auditor of State, Treasurer of State, and Department of Administration's request to DWD to suspend reporting of this activity pending conversion to PeopleSoft where a separate fund/object/center was to be created for both the debit card distribution of unemployment payments and the deposit of tax receipts at the Bureau of Public Debt.

DWD has faithfully kept the records that would allow production of these daily journal vouchers. The documentation was produced by DWD in electronic format for each day on which debit cards were issued or funded. Alternatively, the agency can produce this same documentation for whatever time period is desired to reproduce the transactions.

These daily transactions have been continuously recorded and reported in the same manner as prior to the October 2006 original debit card issue through the agency's required Federal (ETA) reporting and have been reconciled to the US Treasury and Department of Labor. These required reports, ETA2112, ETA8404, ETA8401, ETA8403 and ETA8405 are balanced to the agency's records and to the

Department of Treasury's "dollar days report". In addition, DWD has consistently worked with State Board of Accounts, both before and after the 2006 debit card conversion, on properly recording the amounts for the State's comprehensive annual financial report for all transactions.