

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

REVIEW REPORT
OF
ELECTION DIVISION OF THE SECRETARY OF STATE
STATE OF INDIANA
June 1, 2006 to May 31, 2008



FILED
09/22/2009

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AGENCY OFFICIALS

Office

Official

Term

Co-Directors

J. Bradley King
Kristi Robertson
Pamela Potesta (Interim)
Pamela Potesta

02-18-02 to 12-31-10
11-20-02 to 12-31-06
01-01-07 to 01-28-07
01-29-07 to 12-31-10



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE ELECTION DIVISION OF THE SECRETARY OF STATE

We have reviewed the receipts, disbursements, and assets of the Election Division of the Secretary of State for the period of June 1, 2006 to May 31, 2008. The Election Division of the Secretary of State'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 Election Division of the Secretary of State are not in all material respects in conformity with the criteria set forth in the Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, and applicable laws and regulations, except as stated in the review comments.

STATE BOARD OF ACCOUNTS

July 28, 2008

ELECTION DIVISION OF THE SECRETARY OF STATE
REVIEW COMMENTS
MAY 31, 2008

SPECIAL DISBURSING OFFICER (SDO) ADVANCES

Two of the Election Division's SDO advances did not reconcile to the amounts advanced. At the time of our review the funds were \$8,968.90 less than the amount needed to balance to the advances. As stated in our prior two Reports B21633 and B28394, reconciliations had not been performed on either advance.

At all times, the unreimbursed disbursements plus the cash on hand must equal the local purchase advance. The Special Disbursing Officer is accountable at all times for all sums advanced and is personally liable to the state for any amounts expended in any manner not in accordance with the authorization. Accordingly, the SDO officer may be held personally responsible for the amount needed to balance the fund or for amounts improperly expended. Two reconciliations for the SDO fund must be performed each month. The bank statement for the checking account must be reconciled to the check register. Also, the check register balance must be reconciled to the SDO advance. These reconciliations must be formally documented. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 7)

ATTENDANCE REPORTS

As stated in our prior Report B28394, attendance reports of the Election Division were frequently not dated by supervisors.

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 DEPOSIT

When examined, the Election Division was holding 25 checks totaling \$11,670.95 which had not been deposited for a period up to several weeks. Additionally, 9 of 15 (60%) receipts tested were not deposited by the next business day following receipt of funds.

IC 5-13-6-1 requires that all public funds collected by state officers 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. IC 5-13-4-20 defines public funds as "all fees and funds of whatever kind or character coming into the possession of any public officer by virtue of that office."

SUPPLEMENTATION OF APPROPRIATION

The Election Division deposited four voter file revenues during fiscal year 2007 improperly reporting them as refunds of expenditure. By recording these revenues in this manner, the Election Division supplemented its appropriation by \$20,000.

Examples of refunds of expenditures include: collections of overpayments made to a vendor or contractor, payment received from the vendor for credit for defective or returned items, a rebate or other discount remitted by the vendor. Refunds of expenditure may also be collections which offset an additional agency expense which had been unanticipated by the agency's budget. An example of the latter situation is a receipt for the cost of producing and distributing certain public information requested.

ELECTION DIVISION OF THE SECRETARY OF STATE
EXIT CONFERENCE

The contents of this report were discussed on October 22, 2008, with J. Bradley King, Co-Director; and Pamela Potesta, Co-Director. The official responses have been made a part of this report and may be found on pages 6 through 11.

The contents of this report were mailed on October 28, 2008, to Kristi Robertson, former Co-Director.



STATE OF INDIANA

Todd Rokita, Secretary of State

J. Bradley King, Co-Director
Pamela Potesta, Co-Director

Indiana Election Division
302 West Washington Street, Room E204
Indianapolis, Indiana 46204-2767
Phone: (317) 232-3939
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January 23, 2009

OFFICIAL RESPONSE

To the State Board of Accounts:

Thank you for the opportunity to submit a written response to the Review Comments prepared by you for the Election Division of the Secretary of State. I appreciated the opportunity to meet with representatives from your office to discuss these comments, and found that discussion both friendly and helpful.

Notwithstanding its statutory designation as the "Election Division of the Secretary of State", the Election Division is a separate administrative agency from the Office of the Secretary of State. The agency is headed by two Co-Directors appointed by the Governor, upon recommendation of the two major political party state chairs. As Co-Directors, we are ultimately responsible for the day-to-day administration of the Division, not the Secretary of State.

However, each Co-Director hires his or her own staff. These employees perform their duties under the supervision of the individual Co-Director who hired that staff member. In accordance with a ruling of the Indiana Supreme Court in 2000 (*Conrad v. Sammons*), both Co-Directors must agree with regard to any action to be taken by the Election Division as an agency. Except to the extent that the Co-Directors have agreed on agency action or policy, one Co-Director does not exercise authority over the staff of the other Co-Director. Therefore, this response is my own in my official capacity as a Co-Director, and does not necessarily reflect the views of my counterpart as Co-Director.

With regard to the specific points noted in the Review Comments:

(1) SPECIAL DISBURSING OFFICER (SDO) ADVANCES

SDO Fund Reconciliations: Ms. Potesta directed her staff to perform reconciliation of the two existing SDO accounts by reviewing the applicable bank statements, reimbursement vouchers, and check registers. The Election Division obtained copies of those bank statements for these accounts issued during the period covered by this Review which were not found in the Division's records during the Review.

Ms. Potesta and I have been advised by Ms. Hollowell, an employee of Ms. Potesta who has been assigned the duty of maintaining the financial records of the office, that the check register for both accounts have been reconciled to the SDO advances, and that the reconciliation shows a positive balance in both SDO accounts.

I do not know whether Ms. Hollowell has formally documented these reconciliations in the manner required by the *Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies*, Chapter 7.

Ms. Potesta and I have agreed that these SDO accounts should be closed. They had almost no activity during the period covered by this Review, and are obsolete as far as the daily administrative operations of the Election Division are concerned.

The staff of State Board of Accounts has provided basic information concerning the procedures to close these accounts (email of December 1, 2008 to Ms. Hollowell from Jennifer Brand), and offered to discuss any of the details of this process with her. However, as of this date, to my knowledge, Ms. Hollowell has not responded to Ms. Brand's invitation, nor attempted to obtain reimbursements of any of the various transactions by submitting supporting documentation to the Auditor of State.

Ms. Potesta may have additional information on this matter to provide.

(2) ATTENDANCE REPORTS:

As a Co-Director, I am responsible for reviewing all employee attendance reports and approving them. I will be reviewing employee attendance reports carefully in the future to ensure that when these reports are signed by the Co-Directors, the signatures are properly dated.

(3) DAILY DEPOSIT:

I appreciated the clarification provided by State Board of Accounts regarding the procedure for depositing checks submitted as part of campaign finance settlement agreements, when the agreement has not yet been ratified by the Indiana Election Commission pursuant to state law. In the past, the Election Division had waited until Commission ratification of the settlement agreements before depositing those checks, since the possibility existed that an agreement might not be approved by the Commission.

Ms. Potesta and I have directed staff to deposit all checks (including the campaign finance settlement agreement checks) in accordance with the "daily deposit" requirement referenced in the Review Comments.

(4) SUPPLEMENTATION OF APPROPRIATION:

Ms. Potesta and I have directed staff to deposit revenues received from voter registration files in the proper manner, and not as refunds of expenditures.

Thank you again for the opportunity to receive this information, and for your assistance in improving the efficiency of the work of this office.

Very truly yours,

A handwritten signature in cursive script that reads "J. Bradley King". The signature is written in black ink and is positioned above the printed name.

J. Bradley King
Co-Director



STATE OF INDIANA

Todd Rokita, Secretary of State

J. Bradley King, Co-Director
Pamela Potesta, Co-Director

Indiana Election Division
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January 26, 2009

To the State Board of Accounts:

I would like to take this opportunity to thank the staff at the State Board of Accounts for their guidance during the most recent audit of the Election Division. Having been appointed as Co-Director in February of 2007, my staff and I are still working to understand the discrepancy in the two SDO accounts and activity that occurred two years before my term began.

I ask that my written response contained in this communication be read together with the response of my colleague, Brad King, dated January 23, 2009. I would concur with Mr. King's response regarding Attendance Reports, Daily Deposits, and Supplementation of Appropriations. However, I would like to clear up some misconceptions with regard to the Special Disbursing Office (SDO) Advances.

At my direction, my Executive Assistant, Ms. Hollowell attempted to obtain the missing bank statements for the two SDO accounts, LP#3466 and LP #3456. An employee of Bank One informed Ms. Hollowell that the statements could not be released to her since only the following individuals were listed as officers on the account: J. Bradley King, Abbey Taylor, and Candy Metcalf. The only individuals who currently serve in the same positions as in 2005 were Mr. King and Ms. Metcalf. Ms. Hollowell communicated this information to Mr. King and me.

Mr. King was able to obtain the missing bank statements, and Ms. Hollowell, upon review of the missing statements, was able to account for \$7,468.17 of previously unaccounted for disbursements. On November 14, 2008, Ms. Hollowell summarized this information in a spreadsheet and passed along the information in an email to Mr. King and me. (See Attached).

Next, Ms. Hollowell sought guidance from Ms. Jennifer Brand on how the agency should document and close out the accounts that had been open but untouched since 2006. Ms. Brand sent an email to Ms. Hollowell along with State Form 49068 and a handwritten note on the steps the officers needed to take to close out the SDO accounts. Ms. Hollowell passed this information along to the two Co-Directors.

Date	Check #	Electronic Withdrawals	Memo	Amount
8/10/05		Procurement Cardpayment	Procurement Payment	\$697.20
9/12/05		Procurement Cardpayment	Procurement Payment	\$2,046.06
11/10/05		Procurement Cardpayment	Procurement Payment	\$1,388.80
11/17/05		National City	Credit Card Payment	\$1,199.20
2/10/06	3522	Michelle Brzycki	Gasoline	\$22.15
2/17/06		National City	Credit Card Payment	\$505.80
3/20/06		National City	Credit Card Payment	\$527.11
7/19/06		National City	Credit Card Payment	\$894.65
8/18/06		National City	Credit Card Payment	\$3,013.91
8/21/06		Reversal of National City Payment - NSF	Reversal of Credit Card Payment	(\$3,013.91)
9/18/06	4005	J. Bradley King	Reimbursement	\$187.20
Total				\$7,468.17

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Beginning Balance - 8/2/05	\$1,027.23
Deposit - 8/2/05	\$8,000.00
Ending Balance - 8/2/05	\$9,027.23
Ending Balance - 8/2/05	\$9,027.23
Total Disburements listed above	\$7,468.17
Current Bank Statement Balance	\$1,559.06

At this point, I would commend Ms. Hollowell for uncovering some if not all of the discrepancies that the SBOA inquired about during the audit as well as facilitating communication between the SBOA and the Co-Directors on this issue. Ms. Hollowell is not a listed officer on the account nor does she have authority to complete or submit the State Form 49068 as Mr. King suggests in his January 23rd letter.

Mr. King and I are in agreement that these accounts should be closed as soon as possible. According to the *Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies*, Chapter 7, p. 24, the Special Disbursing Officer(s) for the agency assumes personal liability for money expended in an unauthorized manner as well as for reconciling any improperly expended money. Since these debts were incurred prior to my appointment, and the disbursements were approved by someone other than me, I will not assume responsibility for documenting the ensuing reconciliation nor directing members of my staff to perform such reconciliation. I will direct my assistant, Ms. Hollowell to turn over the missing bank statements to Mr. King, for further efforts at reconciliation and documentation.

I take my responsibilities as Co-Director very seriously and stand ready to assist the State Board of Accounts in auditing any activities that have occurred since my appointment. Please feel free to contact me if I can be of further assistance.

Sincerely,

Pam Potesta
Co-Director

Cc: Brad King, Co-Director



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September 15, 2009

Ms. Pamela Potesta, Co-Director
Mr. J. Bradley King, Co-Director
Indiana Election Division
302 West Washington Street, Room E-204
Indianapolis, Indiana 46204

Dear Ms. Potesta and Mr. King:

This is in response to your official responses to our review comments for the period ending May 31, 2008. A copy of this letter will be included in our review report of the Election Division of the Secretary of State and will become a part thereof.

Following the exit conference we met with you and your staff on several occasions in an attempt to resolve the issues surrounding the two Special Disbursing Officer (SDO) advances which were found to be \$8,968.90 less than the amount needed to balance to the advances. During this time several disbursements were found that had not been submitted to the Auditor of State for reimbursement to the SDO funds. Either a copy of the invoice or a certification of missing receipt form was prepared for each disbursement needing to be submitted for reimbursement.

Once these items are submitted to the Auditor of State and reimbursements are received the SDO funds will be available for close out with the Auditor. At this point we will consider this finding resolved.

If we can be of additional assistance, please do not hesitate to contact us.

Sincerely,

A handwritten signature in cursive script, appearing to read "Bruce A. Hartman".

Bruce A. Hartman, CPA
State Examiner

MAH