

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

REVIEW REPORT
OF
INDIANA DEPARTMENT OF ENVIRONMENTAL MANAGEMENT
STATE OF INDIANA
October 1, 2006 to March 31, 2010



FILED
09/10/2010

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AGENCY OFFICIALS

Office

Official

Term

Commissioner

Thomas W. Easterly

01-10-05 to 01-13-13



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF INDIANA DEPARTMENT OF ENVIRONMENTAL MANAGEMENT

We have reviewed the receipts, disbursements, and assets of the Indiana Department of Environmental Management for the period of October 1, 2006 to March 31, 2010. The Indiana Department of Environmental Management'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 Environmental Management 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 27, 2010

INDIANA DEPARTMENT OF ENVIRONMENTAL MANAGEMENT
REVIEW COMMENTS
March 31, 2010

SPECIAL DISBURSING OFFICER (SDO) FUND

SDO Fund Bank Reconciliations

The Indiana Department of Environmental Management does not prepare bank reconciliations properly. Outstanding checks and other adjustments are not taken into consideration.

The ENCOMPASS system includes pages to reconcile bank statements with ENCOMPASS payment information. All SDO checking accounts must be reconciled monthly within ENCOMPASS. (Accounting and Compliance Guidelines Manual for State and Quasi Agencies, 6.4.10.10.6)

SDO Fund Advance Reconciliations

The Indiana Department of Environmental Management has not performed reconciliations of its Special Disbursing Officer (SDO) advance since November 2008.

At least monthly, the SDO advance must be reconciled to the ENCOMPASS check register balance. (Accounting and Compliance Guidelines Manual for State and Quasi Agencies, 6.4.10.10.5)

SDO Advance

The Special Disbursing Officer Fund (SDO) advance for the Indiana Department of Environmental Management was not turned over, or reimbursed completely, for several months.

Whenever a SDO fund is established, money is removed from a Treasurer of State bank account, thus, not being invested. Therefore, consideration should be given to the size of the SDO fund. If an agency is not using the total SDO advance within one or two months, the SDO advance is too large and should be reduced. (Accounting and Compliance Guidelines Manual for State and Quasi Agencies, 6.4.10.6)

CAPITAL ASSETS INVENTORY

As stated in our prior three reports, most recently Report B29620, an annual physical inventory of capital assets owned has not been conducted.

Each year a physical inventory is to be taken and compared to the master listing from the ENCOMPASS Asset Management system. This helps to ensure the asset inventory is accurate and that assets have not left the agency without authorization. It also aids in identifying unused or obsolete assets. Evidence of the physical inventory must be maintained in the agency's records. (Accounting and Compliance Guidelines Manual for State and Quasi Agencies, 8.4.6)

INDIANA DEPARTMENT OF ENVIRONMENTAL MANAGEMENT
EXIT CONFERENCE

The contents of this report were discussed on August 25, 2010, with Thomas W. Easterly, Commissioner; Kent Abernathy, Chief of Staff; Scott Nally, Assistant Commissioner of External Affairs; Beth McMinn, Chief Financial Officer; and Mike Smith, State Budget Agency Assistant Director of Public Safety. The official response has been made a part of this report and may be found on pages 6 and 7.



INDIANA DEPARTMENT OF ENVIRONMENTAL MANAGEMENT

We Protect Hoosiers and Our Environment.

Mitchell E. Daniels Jr.
Governor

Thomas W. Easterly
Commissioner

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August 27, 2010

State Board of Accounts
302 West Washington Street
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Indianapolis, Indiana 46204-2765

Re: Official Response

Dear State Board of Accounts:

In accordance with IC 5-11-5-1, the Indiana Department of Environmental Management would like to submit the following responses to the four items noted in the SBA closure report for the audit performed by SBoA of IDEM's accounting process for period October 1, 2006 to March 31, 2010.

Comment: The Indiana Department of Environmental Management does not prepare bank reconciliations properly. Outstanding checks and other adjustments are not taken into consideration.

Response: Corrective actions have been taken to individually list all outstanding checks in the reconciliation report per the Accounting and Compliance Guidelines Manual for State and Quasi Agencies. The transaction items were recorded in the reconciliation process within the ENCOMPASS system. However, the ENCOMPASS system is not producing a correct ending balance for reconciliation and GMIS is addressing the issue. Therefore, IDEM is currently completing the reconciliation report with the correct ending reconciliation balances in an Excel spreadsheet until the ENCOMPASS issue can be resolved by GMIS.

Comment: The Indiana Department of Environmental Management has not performed reconciliations of its Special Disbursing Officer (SDO) advance since 2008.

Response: This has been rectified and the reconciliations are now documented in ENCOMPASS monthly.

Comment: The Special Disbursing Officer Fund (SDO) advance for the Indiana Department of Environmental Management was not turned over, or reimbursed completely, for several months.

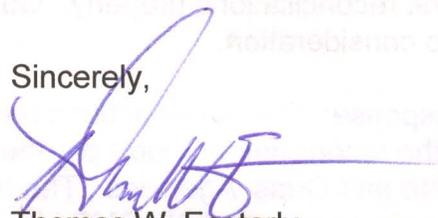
Response: The Indiana Department of Environmental Management is concerned about its ability to respond to emergency situations requiring an immediate response; for example, an accident involving a tanker truck containing a hazardous substance that overturns near a public water source. Therefore, it has made a conscious decision to maintain a bank balance of \$4000 versus the \$1500 recommended by the SBoA and Auditors based upon normal spending levels. The Indiana Department of Environmental Management is evaluating other methods to provide adequate resources to respond to large emergencies.

Comment: As stated in our prior three reports, most recently Report B29620, an annual physical inventory of capital assets has not been conducted.

Response: Corrective actions have been taken to make sure that an annual inventory is completed and documented for all Agency assets greater than \$500.

Thank you for the opportunity to provide an explanation of the corrective actions that the Indiana Department of Environmental Management is taking to address the issues raised during this audit.

Sincerely,



Thomas W. Easterly
Commissioner