

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

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



FILED
09/14/2010

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AGENCY OFFICIALS

Office

Official

Term

Commissioner

Carrie Henderson
Mark W. Everson
Robert D. Wynkoop

05-30-06 to 01-31-09
02-01-09 to 05-31-10
06-01-10 to 01-13-13



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE INDIANA DEPARTMENT OF ADMINISTRATION

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

August 9, 2010

INDIANA DEPARTMENT OF ADMINISTRATION
REVIEW RESULTS AND COMMENTS
MARCH 31, 2010

DAILY DEPOSITS

The Indiana Department of Administration (IDOA) did not consistently deposit receipts for surplus vehicle sales within the following business day.

IC 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."

SUPPLEMENTATION OF APPROPRIATIONS

The Indiana Department of Administration (IDOA) deposited several refunds for previous fiscal year expenditures as current year refunds. By recording these as refunds of current year expenditures, IDOA is supplementing its State appropriations by the amount deposited.

If the refund/collection is not received within the same fiscal year (ending June 30) for a control 3 or 5 fund, or biennium if a control 4 fund, as the related expenditure, the collection must be recorded to a prior year's budget in order to prevent increasing current year's appropriations. If the fund has a control code of 6 or 7, allowing for appropriation increases, record to the current budget year. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, 4.4.5.1.1)

SDO ADVANCES

The Indiana Department of Administration (IDOA) currently has seven Special Disbursing Officer funds. All of these funds had limited activity during our audit period. Six of the funds (LPN's 3405, 4651, 4655, 4711, 5317, and 5421) had not been totally reimbursed within a twelve month period. LPN 2293 had not been reimbursed since September 2009 and had not been used since November 2009. These accounts should be closed or the advance amounts should be reduced.

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 Uniform Compliance Guidelines Manual for State and Quasi Agencies, 6.4.10.6)

GARAGE PASS SDO

As stated in the prior Report B29761, the Garage Pass Special Disbursing Officer (SDO) account, Local Purchase Number (LPN) 5421, has outstanding checks totaling \$1,072, written between 1992 and 2006. The Garage Pass SDO funding source was from deposits made by employees in exchange for garage passes. These deposits were refundable to the employees. Because these outstanding checks were returns of deposits, checks over one year old should be forwarded to the Unclaimed Property Division of the Attorney General's Office. Previously, it was recommended that the bank account associated with this LPN be closed in order to avoid outdated checks being cashed and possible fraudulent activity. During our review period, several outdated checks were cashed by the bank. We again recommend that IDOA close this bank account. In addition, both bank and fund reconciliations for this SDO were not performed.

INDIANA DEPARTMENT OF ADMINISTRATION
REVIEW RESULTS AND COMMENTS
MARCH 31, 2010
(Continued)

IC 32-34-1-20 (c)(7) provides that property becomes abandoned if held by the state or other government, governmental subdivision or agency, or public corporation or their public authority one year after the property becomes distributable.

IC 32-34-1-26 and 27 require a holder of property presumed abandoned and subject to custody as unclaimed property to report in writing and pay or deliver the property to the Attorney General.

At least monthly, the following reconciliations must be performed for the SDO fund: Reconciliation of the ENCOMPASS check register to the bank balance and reconciliation of the SDO advance to the ENCOMPASS check register balance. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, 6.4.10.10.5)

INTERNAL CONTROLS OVER SDO RECONCILIATIONS

As stated in our prior Report B29761, the preparer and reviewer of the SDO reconciliations are not signing the signature lines on a consistent basis for Local Purchase Numbers 2293, 4655 and 4711. The lack of signatures by the preparer and reviewer precludes us from determining whether the reconciliation is being properly reviewed.

The reconciliation of the SDO advance must be formally documented at least monthly. The best control is provided when the reconciliation is prepared or reviewed by staff independent of the functions of preparing checks or maintaining the check register. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, 6.4.10.10.7)

SDO FUND RECONCILIATIONS

The Indiana Department of Administration (IDOA) has not properly performed reconciliations of its SDO advance, Local Purchase Number 3405. IDOA does not properly track the amount of petty cash kept at its garages. IDOA's SDO reconciliations state that the petty cash amount is \$900. However, in our cash count we found that the petty cash at the garages totaled \$1,067.24.

At all times, the unreimbursed disbursements plus any advances to office cash plus the SDO checking account balance must equal the local purchase advance. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, 6.4.10.10.7)

CAPITAL ASSETS

The Indiana Department of Administration (IDOA) does not properly report its capital assets within the State's ENCOMPASS financial system. Our testing determined that capital asset additions and deletions were incorrectly reported within the asset module of ENCOMPASS. Specifically, two leased copier/printers were capitalized at costs of \$789,407.33 and \$638,465.31, respectively. The contracts for these leased assets were terminated January 12, 2008 and July 22, 2008; however, IDOA did not remove the costs of these assets from the capital asset inventory. This leads to capital assets being overstated in the State's Comprehensive Annual Financial Report.

INDIANA DEPARTMENT OF ADMINISTRATION
REVIEW RESULTS AND COMMENTS
MARCH 31, 2010
(Continued)

A review of the permanently leased vehicle list from the Division of Fleet Services determined that only 87 of 218 vehicles were included in IDOA's ENCOMPASS capital asset inventory. During this review, it was also noted that six of the vehicles were reported twice. Furthermore, we observed that add-on items for vehicles such as power windows, tilt wheels, anti-lock brakes, rear air conditioning/heat and cruise control were listed separately. These costs should be rolled into the total purchase price of the vehicle so that only one total amount is capitalized per vehicle. Additionally, an annual physical inventory of assets owned has not been conducted. The last full physical inventory of capital assets was performed in 2004.

Agency personnel are responsible for accountability for all assets under their control, including capital assets. Adequate asset management staff should be assigned to recording and maintaining, on the ENCOMPASS financial system, all capital assets with a cost greater than \$500. Assets are automatically capitalized upon approval by either the BU approver or AOS approver. Controls should be in effect to assure that additions, disposals, and transfers to other departments or agencies are recorded timely. Inventories of these assets should be performed each year in each department and compared to the ENCOMPASS listing. Results of inventories should be retained for audit purposes. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, 8.3)

The State Comprehensive Annual Financial Report (CAFR) is compiled and audited each fiscal year. This report is vital to the State's bond rating and must be prepared in accordance with generally accepted accounting principles (GAAP), which requires capital assets to be included at cost (or estimated cost) and depreciated over the useful life of the asset. In order to obtain this financial information, each agency must maintain certain required information in the asset module of ENCOMPASS. The State of Indiana requires that assets costing \$500 and over are included in the ENCOMPASS financial system, thus available for inclusion in the financial statements. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, 8.2.1)

INDIANA DEPARTMENT OF ADMINISTRATION
EXIT CONFERENCE

The contents of this report were discussed on August 26, 2010, with Robert D. Wynkoop, Commissioner; and J. Michael Degner, Controller. The official response has been made a part of this report and may be found on pages 8 and 9.

The contents of this report were discussed on August 31, 2010, with Mark W. Everson, former Commissioner.

The contents of this report were mailed on August 30, 2010, to Carrie Henderson, former Commissioner.



STATE OF INDIANA

MITCHELL E. DANIELS, JR., Governor

DEPARTMENT OF ADMINISTRATION

Indiana Government Center South
402 West Washington Street, Room W478
Indianapolis, Indiana 46204

September 8, 2010

Mr. Bruce A. Hartman, State Examiner
Indiana State Board of Accounts
302 West Washington Street, Room E418
Indianapolis, Indiana 46204

Re: Response to Audit of IDOA through March 31, 2010

Dear Mr. Hartman,

The Department of Administration agrees with your findings and would like to offer individual responses to each finding.

DAILY DEPOSITS

All staff will be reminded of the requirement to make deposits by the next business day after receipt.

SUPPLEMENTATION OF APPROPRIATIONS

All staff will be reminded of the requirement to deposit refunds of expenditure into a revenue account if the refund relates to an expenditure from a prior fiscal year.

SDO ADVANCES

We will close the following SDO checking accounts and return the advances to their appropriate fund: LPN's 2293, 5317 and 5421. LPN's 4651 and 4711 will be reduced from \$30,000 to \$1,000. LPN 3405 will be reduced from \$6,000 to \$900.

GARAGE PASS SDO

We will close the Garage Access SDO, LPN 5421 as noted above and also take the appropriate steps to close fund 45700. We will forward any un-cashed checks to the Attorney General's Unclaimed Property Division.

INTERNAL CONTROLS OVER SDO RECONCILIATIONS

IDOA staff members who are involved in the reconciliation process will be advised to sign and date the reconciliation form when it is prepared and reviewed.

SDO FUND RECONCILIATIONS

The Department of Administration will begin doing a monthly cash count as a part of our overall reconciliation of the Parking SDO, LPN 3405.

CAPITAL ASSETS

The Department of Administration has been working with the Auditor of State to correct our fixed asset inventory on Encompass. To date all known fixed assets are entered on the system. We are continuing to remove duplicate vehicles and those that have been sold as surplus. IDOA will perform a complete inventory of assets and make necessary correcting entries into Encompass by December 31, 2010.

If I may be of further assistance, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "RWynkoop", written over a faint, illegible typed name.

Robert D. Wynkoop, Commissioner
Indiana Department of Administration