

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

REVIEW REPORT
OF

INDIANA DEPARTMENT OF
WORKFORCE DEVELOPMENT

March 1, 2009 to February 29, 2012



FILED
06/20/2012

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AGENCY OFFICIALS

Office

Official

Term

Commissioner

Teresa Voors
Mark Everson
Scott Sanders

09-21-07 to 05-31-10
06-01-10 to 04-30-12
05-01-12 to 01-13-13



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF INDIANA DEPARTMENT OF WORKFORCE DEVELOPMENT

We have reviewed the activities related to the receipts, disbursements, and assets of the Indiana Department of Workforce Development for the period of March 1, 2009 to February 29, 2012. 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. Federal programs are included in the scope of our statewide single audits as reflected in the Statewide Single Audit Reports.

Based on our review, nothing came to our attention that caused us to believe that the activities related to the receipts, disbursements, and assets of 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 and Quasi Agencies, and applicable laws and regulations except as stated in the review comments.

The Indiana Department of Workforce Development's response to the Review Comment identified in our review is described in the accompanying section of the report entitled Official Response. We did not review the Indiana Department of Workforce Development's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of Indiana Department of Workforce Development's management, and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office reviewed.

STATE BOARD OF ACCOUNTS

May 1, 2012

INDIANA DEPARTMENT OF WORKFORCE DEVELOPMENT
REVIEW COMMENT
FEBRUARY 29, 2012

UNEMPLOYMENT INSURANCE

As stated in our prior review Report B34750, 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 U.S. Department of the Treasury. The U.S. 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 U.S. 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 draw downs and the payment of unemployment benefits in the Auditor of State's records. 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 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. In July 2011, IDWD began again recording the drawdowns from the U.S. Department of Treasury and the expenditures of unemployment benefits within the State's Accounting system (ENCOMPASS). However, the beginning balance has not yet been recorded in ENCOMPASS. Therefore, the State will still need to make material adjustments in order to properly report the Unemployment Compensation Fund within the CAFR for fiscal year 2012 if the balances are not recorded by year end.

System controls are in effect on the ENCOMPASS financial accounting system, which is the official book of record for the State; however, each agency is responsible for controls in any subsidiary systems used or other records maintained. At all times, the agency's manual and subsidiary ledgers should reconcile with ENCOMPASS. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview)

The state accounting system includes features of standardized source documents, uniform transaction identification and classification codes, uniform report formats, an account structure with summarization of activity for business units and funds, and centralized control for revenue deposits and warrant issuance. This structure is designed to identify, analyze, classify, record, and report the State of Indiana financial transactions and to maintain accountability of the related assets and liabilities. This account structure provides for the preparation of the Indiana Comprehensive Annual Financial Report (CAFR) in conformity with generally accepted accounting principles, as prescribed by Governmental Accounting Standards Board (GASB) pronouncements. The GASB 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, Organizational Overview)

INDIANA DEPARTMENT OF WORKFORCE DEVELOPMENT
EXIT CONFERENCE

The contents of this report were discussed on May 21, 2012, with Scott Sanders, Commissioner; Randy Gillespie, Chief Financial Officer; Nancy Manley, Accounting, Budget & Performance Metrics Director; and Sharleen Daniels, Analysis and Reconciliation Manager. The Official Response has been made a part of this report and may be found on pages 6 and 7.



INDIANA
WORKFORCE
DEVELOPMENT
AND ITS **WorkOne** CENTERS

June 6, 2012

Bruce Hartman, State Examiner
State Board of Accounts
302 West Washington Street
4th Floor, Room E418
Indianapolis, In 46204

Re: **OFFICIAL REPOSE**
Compliance Audit: 03/01/2009 through 02/29/2012

Dear Mr. Hartman:

Please find attached the Department of Workforce Development's response to the 2012 compliance audit finding in the SBOA report issued May 2012. We believe this response, and the actions described within, resolve this finding. We appreciate the cooperative manner in which your auditors performed their duties and the assistance they provide in completing this audit.

Sincerely,

A handwritten signature in cursive script that reads "Charles R. Gillespie".

Charles R. Gillespie
Chief Financial Officer
Indiana Department of Workforce Development

INDIANA DEPARTMENT OF WORKFORCE DEVELOPMENT
RESPONSE
June 6, 2012

UNEMPLOYMENT INSURANCE

The Department of Workforce Development (IDWD) has been working diligently with representatives from the Auditor's Office (AOS), the State Board of Accounts (SBoA), the State Budget Agency (SBA) and the Treasurer's Office (TOS) since 2009 to establish a process that would allow us to enter and track all of the UI Trust Fund accounting transactions into PeopleSoft. Unemployment Insurance funds have unique processes and rules that distinguish them from typical funds handled by the State. Establishing these transactions within the constraints of PeopleSoft, AOS Processes, and the UI program requirements has been challenging.

With the cooperation of all parties, we have succeeded in establishing a process of acceptable entries and began making entries at the beginning of the current fiscal year, July 1, 2011. This process has required a significant amount of staff training for all agencies involved. We are confident that the current established process meets the needs of IDWD and the State.

The beginning cash balances as reported on the Grant Schedule has been thoroughly reviewed to ensure that the entries we make can be supported by actual cash on hand. This review has been extensive given the volume and amount of transactions that occur each day and has taken a great deal of time and effort. On May 31, 2012, a corrective entry to the cash balance was submitted by IDWD. Because of this entry, there will be no need for adjustments to properly report the CAFR.

While IDWD acknowledges that we did not make these entries into the State accounting system in FY2007 through FY2011, DWD maintained separate ledgers for all UI Trust Fund transactions that have been reconciled daily and audited by SBoA. We take exception to the statement that 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. It was well known by these other agencies that the process had changed and multiple discussions were held to determine the course of action.

We are confident that we now have an acceptable, well documented and communicated system in place that will allow us to continue making daily entries into the State's official book of record.