

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

REVIEW REPORT  
OF  
INDIANA PROTECTION AND  
ADVOCACY SERVICES COMMISSION  
April 1, 2008 to February 29, 2012



**FILED**  
06/20/2012



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AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Thomas Gallagher Gary Richter (Interim)	07-01-08 to 04-20-12 04-21-12 to 06-30-12
Commission Chairperson	Melanie Motsinger Doug Goepfner	07-01-08 to 06-30-10 07-01-10 to 06-30-12



## INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE INDIANA PROTECTION AND ADVOCACY SERVICES COMMISSION

We have reviewed the activities related to the receipts, disbursements, and assets of the Indiana Protection and Advocacy Services Commission for the period of April 1, 2008 to February 29, 2012. Indiana Protection and Advocacy Services Commission'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 Indiana Protection and Advocacy Services Commission 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 Protection and Advocacy Services Commission's response to the Review Comment(s) identified in our review is described in the accompanying section of the report entitled Official Response. We did not review the Indiana Protection and Advocacy Services Commission's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Indiana Protection and Advocacy Services Commission's management and others within the entity 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

April 26, 2012

INDIANA PROTECTION AND ADVOCACY SERVICES COMMISSION  
REVIEW COMMENTS  
February 29, 2012

***INTERNAL CONTROL – CASH MANAGEMENT***

As stated in our prior report (B32335), we found that the agency had not drawn down federal funds timely. Documentation to trace draws of federal funds to specific expenses was not retained for audit.

The time between receipt and disbursement of federal funds should be minimal. Not drawing down the federal funds in a timely manner to cover the disbursements could result in a loss of interest revenue to the state. Records to trace expenses to draws should be retained for audit.

Each agency, department, quasi, institution or office should have internal controls in effect to provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of managements' objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and forms of information processing are part of an internal control system. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview)

***SDO FUND RECONCILIATIONS***

As stated in our two prior reports (B27434 and B32335), the agency had not performed reconciliations of its Special Disbursing Officer Fund (SDO) advance in a timely manner. In our current review, we found that the agency understated their advance by \$3,000 in their reconciliations. Upon further inquiry, the agency traced the discrepancy to \$3,000 of unreimbursed expenses dating from 2006.

At least monthly, the following reconciliations must be performed for the SDO Fund:

- Reconciliation of the ENCOMPASS check register to the bank balance.
- Reconciliation of the SDO LPN advance to the ENCOMPASS check register balance.

(Accounting and Uniform Compliance Guidelines Manual for State and quasi Agencies, 6.4.10.10.8)

At all times, the unreimbursed disbursements plus any advances to office cash plus the SDO checking account balance must equal the local purchase advance. If the reconciled SDO advance is less than the amount originally advanced, the SDO officer may be personally responsible for the amount needed to balance the advance. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, 6.4.10.10.1)

INDIANA PROTECTION AND ADVOCACY SERVICES COMMISSION  
REVIEW COMMENTS  
February 29, 2012  
(Continued)

***SDO ADVANCE***

As stated in our two prior reports (B27434 and B32335), the Special Disbursing Officer Fund (SDO) advance for the agency was not turned over, or reimbursed completely, for several months. We found the same issue in our current review.

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. If an agency is reimbursing the total value of the advance more than once monthly, an increase might be warranted. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, 6.4.10.6)

***LATE PAYMENT PENALTY***

Auditor of State accounting records reflect late payment penalties paid to vendors and charged to accounts of the Indiana Protection and Advocacy Services as a result of untimely payment of claims. Total penalties for the fiscal year 2011 were \$152.08 and for the current fiscal year through April 30 penalties were \$422.05. These penalties are an unnecessary use of public funds.

Indiana Code 5-17-5 requires a state agency to ". . . pay a late payment penalty at a rate of one percent (1%) per month on amounts due on written contracts for public works, personal services, goods and services, equipment, and travel whenever the state agency . . . fails to make timely payment."

Payment of penalties and interest due to late payments to vendors may be the obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines for State and Quasi Agencies, 6.4.7.4)

Each agency, department, quasi, institution, or office is responsible for compliance with applicable statutes, regulations, contract provisions, state policies, and federal requirements. (Accounting and Uniform Compliance Guidelines for State and Quasi Agencies, Organizational Overview – General Guidelines and Policy, IV. Summary of Agency Accounting Responsibilities)

INDIANA PROTECTION AND ADVOCACY SERVICES COMMISSION  
EXIT CONFERENCE

The contents of this report were discussed on June 5, 2012, with Gary Richter, Interim Executive Director, and Doug Goepfner, Commission Chairperson. The Official Response has been made a part of this report and may be found on pages 7 through 9.

MITCHELL E DANIELS, JR.  
GOVERNOR

COMMISSION MEMBERS

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CHAIRPERSON  
DUBOIS CO

MELANIE MOTSINGER  
VICE-CHAIRPERSON  
ALLEN CO

RONDA AMES  
SECRETARY  
MARION CO

MARY ALTER  
HENDRICKS CO

KRISTIE M CARTER  
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June 6, 2012

State Board of Accounts  
302 West Washington Street, Room E 418  
Indianapolis, IN 46204-2765

**Official Response to Audit  
for the period  
July 1, 2008 – June 30, 2012**

IPAS would like to express its appreciation to the State Board of Accounts and to Deborah Goodchild, Field Examiner for the professional and helpful compliance review recently completed. We have no material disagreement with the finding that IPAS appears to be operating in conformity with the criteria set forth in the state accounting manual and applicable laws and regulations. We did however, feel it appropriate to go on record to add our perspective in relation to the four comments included in the audit report. IPAS recognizes that the comments represent areas in which we can improve and that they do not represent substantial findings of non-compliance.

**Internal Control-Cash Management-timely draw down of federal grant funds**

We understand and agree that federal funds should be drawn in a timely manner to replace state funds expended on IPAS operations, while also complying with federal rules which prohibit having more than thirty days operating funds on hand. We endeavor to draw federal funds on a monthly basis for this reason. The record to trace expenses to federal funds draws are maintained in the state Encompass financials system. We will continue working to achieve timely draws of federal funds.

**SDO fund reconciliations**

During this audit period the IPAS checking account was used very little. Most months no checks or only one or two were written each month. Within days of our receipt of the bank statement, the statements are reviewed and the account balanced to the bank record, as well as to what we believed to be our SDO remaining advance of \$2,000. Our error was in the mistaken belief that our advance was \$2,000 rather than the \$5,000 which the Auditor of state

had on record. This was learned as a result of this audit and investigation traced the reason for this discrepancy to actions during 2006. This will be further explained in the response to the next comment, also SDO related. During the entire audit period, the SDO continued to be closely monitored and very sparingly used.

### **SDO Advance**

The State Board of Accounts audit conducted for IPAS in 2006 contained a recommendation that IPAS should reduce its SDO advance from \$10,000 to \$7,000. IPAS agreed but did not receive any instructions on how to achieve that. It is now clear that IPAS should have made greater efforts to obtain proper instructions. We reasoned that the way to reduce the balance was to continue spending out of the SDO as per normal, until we had expended \$3,000 and just not claim reimbursement for those expenses, thus reducing our balance to \$7,000. We know now, that this was not the way to do this.

In 2008 IPAS again was audited and again a recommendation was made to reduce our SDO advance/balance from \$7,000 to \$2,000 as the use of state credit cards had expanded by this time, making an SDO less used. This time IPAS did receive instructions to write the Auditor of State an SDO check for the \$5,000 to reduce the advance. IPAS did so but did not realize that this was different than what had been done in 2006. The end result was the finding that while IPAS believed itself to currently have an SDO advance and authorization for \$2,000 the Auditor of State's records showed it to be \$5,000.

Fortunately IPAS has been able to identify the SDO expenditures which were not reimbursed during 2006 and with the help and cooperation of key staff from the Auditor's office, reimbursement for those is now in process. Once the reimbursement is received IPAS will write the Auditor the check for \$3,000 properly reducing the SDO advance to the \$2,000 level. At this time IPAS is not agreeable to reducing the SDO advance further, in spite of the increased use of state credit cards. IPAS still has a few instances where vendors must be paid by check. Court costs and filing fees, and payments for a dishonesty bond which is required for some federal grant administration, are notable examples. Should these expenses all happen to hit in the same month, having a smaller SDO account would not be sufficient to cover them.

### **Late Payment Penalty**

The Field Examiner provided IPAS information enabling IPAS to identify the source for the late payment penalty for the current fiscal year of \$422.05. This was attributable entirely to one single payment to Dell for a number of laptop computers ordered during spring 2011 but not paid until August 2011. Two factors caused the delay in payment. The first was the interruption in processing payments associated with the state fiscal year wrap-up which prevents payments from being processed between about June 15 and July 1 each year. The second was a problem we had in completing a partial receipt in Encompass for the delivery of the equipment which further delayed processing a claim. This was unfortunate but it was a "one off" situation so it does not appear that IPAS has a systemic breakdown resulting in frequent or habitual late payment penalties being accrued.

Again IPAS thanks the State Board of Accounts and the Field Examiner for the professional and beneficial review. IPAS will continue to work to improve its accounting operations and maintain its' compliance with all applicable policies, regulations and laws.

Sincerely,



Gary Richter  
Interim Executive Director