

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

REVIEW REPORT
OF
INDIANA CRIMINAL JUSTICE INSTITUTE
STATE OF INDIANA
February 1, 2009 to April 30, 2012



FILED
07/18/2012

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AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	T. Neil Moore	03-17-08 to 04-01-11
	Mary Allen (Interim)	04-02-11 to 04-30-11
	Mark Massa	05-01-11 to 04-01-12
	Mary Allen (Interim)	04-02-12 to 06-30-12
Chairman, Board of Trustees	John von Arx	07-01-08 to 12-15-09
	T. Neil Moore	12-16-09 to 03-31-11
	David Pippin	04-01-11 to 12-31-11
	Mark Massa	01-01-12 to 03-31-12
	(Vacant)	04-01-12 to 06-30-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE INDIANA CRIMINAL JUSTICE INSTITUTE

We have reviewed the activities related to the receipts, disbursements, and assets of the Indiana Criminal Justice Institute (ICJI) for the period of February 1, 2009 to April 30, 2012. Indiana Criminal Justice Institute'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 Criminal Justice Institute 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 Criminal Justice Institute'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 Criminal Justice Institute's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Indiana Criminal Justice Institute'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

May 17, 2012

INDIANA CRIMINAL JUSTICE INSTITUTE
REVIEW COMMENTS
APRIL 30, 2012

LACK OF TIMELY COMPENSATION TO VICTIMS OF VIOLENT CRIMES

As stated in our Reports B34322 and B29033, we found the Indiana Criminal Justice Institute (ICJI) was not current with payments to victims of violent crimes. In our current review, we noted 239 ICJI violent crime claims from 2009 and 392 violent crime claims from 2010 that had not yet been processed. As of May 11, 2012, ICJI had \$832,200 in available funds to pay approved claims to victims of violent crimes.

Indiana Code 5-2-6.1-44 states:

"(a) If the fund would be reduced below two hundred fifty thousand dollars (\$250,000) by payment in full of all awards that become final in a month, the division shall suspend payment of the claims that become final during the month and the following two (2) months and (b) At the end of the suspension period the division shall pay the suspended claims. If the fund would be exhausted by payment in full of the suspended claims, the amount paid to each claimant shall be prorated."

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. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview - Guidelines & Policy)

CONTRACT APPROVAL SIGNATURES

As stated in our prior Report B34322, we found that 10 of 23 (43 percent) ICJI vendor contracts reviewed did not include all the required approvals from the Indiana Department of Administration (IDOA), State Budget Agency, and Office of Attorney General (OAG) prior to the beginning, and sometimes the completion, of rendered services.

The State's internal Executive Document Summary (EDS) form attached to contracts may allow for services to begin prior to completion of the required approval signatures since an agency is not required to enter a reason for lateness in EDS box #39 unless the contract is received by IDOA more than 30 days after the contract inception date. Nevertheless, ICJI should be cognizant that doing so may expose the State to a potential liability for payment of contractual services performed on a contract that was, subsequently, rejected by one of the approvers.

We found no payments to contractors prior to completion of the approval process. However, ICJI should anticipate contractual services as early as possible and allow adequate time for completion of the contract process to obtain a fully executed contract before vendor services begin.

In our current review we noted that procedures to correct the condition stated above had not been fully implemented during the review period.

Indiana Code 4-13-2-14.1(a) states in part:

"A contract to which a state agency is a party must be approved by the following persons:

- (1) The commissioner of the Indiana department of administration.
- (2) The director of the budget agency . . .

INDIANA CRIMINAL JUSTICE INSTITUTE
REVIEW COMMENTS
APRIL 30, 2012
(Continued)

(3) The attorney general, as required by section 14.3 of this chapter."

The March 2008 Professional Services Contract Manual prepared by the OAG and IDOA states:

"Sufficient lead-time should be given when preparing a contract so it can be reviewed and executed by the approving agencies. We suggest allowing 60 days for this process. IDOA tries to review each contract within five (5) working days of receipt, as does Budget. By statute, the Office of Attorney General is allowed forty-five (45) days to review a contact; however, the [OAG] Advisory Section tries to do all reviews within 10 business days of receipts."

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. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview - Guidelines & Policy)

DAILY DEPOSITS

As stated in our prior Report B34322, we found that the ICJI did not consistently deposit receipts within the following business day. When receipts are not deposited timely, the possibility that funds may be misplaced or stolen increases.

Although ICJI outsourced its finance division functions to the State Budget Agency's internal service fund effective March 26, 2010, ICJI is responsible for monitoring the contractor's work to ensure its funds are handled in accordance with all state laws and related guidelines.

Indiana Code 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."

INTERNAL CONTROL – CASH MANAGEMENT

We found that the ICJI did not draw down federal funds timely.

Although ICJI outsourced its finance division functions to the State Budget Agency's internal service fund effective March 26, 2010, ICJI is responsible for monitoring the contractor's work to ensure its funds are handled in accordance with all state laws and related guidelines.

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.

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. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview- Guidelines & Policy)

INDIANA CRIMINAL JUSTICE INSTITUTE
REVIEW COMMENTS
APRIL 30, 2012
(Continued)

LATE PAYMENT PENALTY

Auditor of State accounting records reflect late payment penalties paid to vendors and charged to accounts of the ICJI as a result of untimely payment of claims. Total penalties for the fiscal year 2011 were \$3,892.99 and for the current fiscal year through April 30 penalties were \$11,250.16. These penalties are an unnecessary use of public funds.

Although ICJI outsourced its finance division functions to the State Budget Agency's internal service fund effective March 26, 2010, ICJI is responsible for monitoring the contractor's work to ensure its funds are handled in accordance with all state laws and related guidelines.

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)

VIOLENT CRIMES VICTIMS COMPENSATION FUND

The ICJI did not properly monitor revenues due from work release facilities to verify that required penalties were remitted timely to the Violent Crimes Victims Compensation Fund. From September 2010 through February 2012, collections of \$133,988.79 by one of the work release facilities were not received by ICJI until May 24, 2012.

Although ICJI outsourced its finance division functions to the State Budget Agency's internal service fund effective March 26, 2010, ICJI is responsible for monitoring the contractor's work to ensure its funds are handled in accordance with all state laws and related guidelines.

Indiana Code 11-10-8-6(a)(3) states that: "Ten percent (10%) of the offender's gross earnings, to be deposited in the violent crime victims compensation fund established by IC 5-2-6.1-40."

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements, and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview)

INDIANA CRIMINAL JUSTICE INSTITUTE
EXIT CONFERENCE

The contents of this report were discussed on June 13, 2012, with Mary Allen, Executive Director, and David Stewart, General Counsel. The Official Response has been made a part of this report and may be found on pages 8 and 9.



STATE OF INDIANA



Mitch Daniels, Governor
Mary L. Allen, Executive Director

June 26, 2012

Mr. Bruce Hartman
State Examiner
Indiana State Board of Accounts
302 West Washington Street, Room E. 418
Indianapolis, IN 46204

Dear Mr. Hartman:

Below are our responses to the findings found during the State Compliance Review, for the period of February 1, 2009, to April 30, 2012.

Lack of Timely Compensation to Victims of Violent Crime

ICJI has a new Victim Compensation database that has increased efficiency in processing claims. The new technology solution as well as additional staff has put ICJI on target to eliminate the 2009 and 2010 backlog by September 30, 2012. This will also allow ICJI staff to investigate, resolve, and process incoming claims in a more timely fashion.

Contract Approval Signatures

The ICJI makes every effort to get the required approvals on all vendor contracts as early as possible before the beginning of the rendered services. We are very cognizant that our failure to do so may expose the State to potential liability for payment of contractual services on a contract that was subsequently rejected by one of the approvers. All requests for a professional service contract are required to be in writing and the flow of the contract is tracked on an Excel spreadsheet to ensure timeliness of processing. This policy is constantly reviewed with our division staff and our contractors to ensure that we have the contracts signed by all of the proper authorities before the beginning of the contract period.

Daily Deposits

During the period of review, ICJI agrees there were instances where deposits were not made by the next business day. The business process has now been changed where an accountant from the SBA will check with the receptionist daily to make sure checks are collected and deposited with the State Treasurer.

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Internal Control—Cash Management

Past practice has been that ICJI does quarterly reports and draws down cash from the Federal Government based on the expenditures provided in these reports. Since there are no specific guidelines to what is considered timely, the Finance Staff will have to undertake an analysis on each fund to determine whether expedited draws are required. This analysis will be completed by September 30, 2012.

Late Payment Penalty

Front desk receptionist date stamps incoming invoices. Program managers review invoices; once approved they are date stamped and initialed. The receptionist enters all invoices the day they are received (receipt date). This timely process should eliminate late fees.

Violent Crime Victims Compensation Fund

The Finance Division will set up a methodology to insure that the revenue to be received from state work release centers is received. This process will be in place by August 1, 2012.

Sincerely,

Mary L. Allen