

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

REVIEW REPORT
OF
DEPARTMENT OF AGRICULTURE
STATE OF INDIANA
April 1, 2007 to January 31, 2012



FILED
08/20/2012

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AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Andrew Miller	05-19-05 to 07-06-08
	Ken Klemme (Interim)	07-07-08 to 01-11-09
	Anne Hazlett	01-12-09 to 10-02-09
	Anthony Hahn (Interim)	10-03-09 to 11-01-09
	Joseph M. Kelsay	11-02-09 to 01-13-13
Secretary of Agriculture	Honorable Becky Skillman	01-10-05 to 01-13-13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE DEPARTMENT OF AGRICULTURE

We have reviewed the activities related to the receipts, disbursements, and assets of the Department of Agriculture for the period of April 1, 2007 to January 31, 2012. The Department of Agriculture'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 Department of Agriculture 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 former officials' responses to the Review Comment identified in our review are described in the accompanying section of the report entitled Official Response. We did not review the former officials' responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Department of Agriculture's management, the Office of the Lieutenant Governor, 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 24, 2012

DEPARTMENT OF AGRICULTURE
REVIEW COMMENT
January 31, 2012

SDO Shortage

The Special Disbursing Officer (SDO) Fund for the Department of Agriculture has a shortage of \$6,363.44. The SDO check register and bank account do not balance to the SDO advance amount. In our prior review report there was a comment citing the Department for not reconciling the SDO advance. During the current review period, Department of Agriculture did not perform monthly reconciliations for the SDO advance. There has been no activity in this Fund since June 2009. (See Summary of Charges, page 9)

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. This 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, 6.4.10.10.10)

DEPARTMENT OF AGRICULTURE
EXIT CONFERENCE

The contents of this report were discussed on July 16, 2012, with Mitzi Moss, Controller; Kyleen Welling, Chief Operating Officer and General Counsel; David Terrell, Deputy Chief of Staff; and Joe Kelsay, Director. The officials concurred with our findings.

A copy of the review comment was sent to former Directors Andrew Miller and Anne Hazlett. A copy of the review comment was also sent to former Interim Directors Ken Klemme and Anthony Hahn. The officials' responses have been made a part of this report and may be found on pages 6 through 8.

August 3, 2012

Mr. Bruce Hartman
State Examiner
Indiana State Board of Accounts
302 W. Washington Street
Indianapolis, IN 46204

Dear Mr. Hartman

I appreciate the opportunity to review and respond to the State Board of Accounts (SBOA) audit of the Indiana State Department of Agriculture (ISDA), particularly SBOA's comment regarding ISDA's Special Disbursing Officer (SDO) Fund and its current out-of-balance status.

Until SBOA's current report, I was unaware that an imbalance existed in ISDA's SDO account.

During my tenure as Director of ISDA (January 2005-June 2008), the SDO authority resided at different times with the Lt. Governor's Business Office and ISDA's accounting department, and the accounts were used for a myriad of agency expenses. Day-to-day oversight was handled by ISDA's Operations Team. Both accounting departments made every effort to reconcile the accounts on a timely basis. At the time of my departure, I was informed that the accounts were in compliance as measured by internal accounting metrics and regular financial updates.

I stand ready to assist SBOA and ISDA in the process of unearthing the cause of the current imbalance.

Sincerely,

A handwritten signature in blue ink, appearing to read "Andrew J. Miller".

Andrew J. Miller
Former Director
Indiana State Department of Agriculture

August 3, 2012

Mr. Bruce Hartman
State Examiner
Indiana State Board of Accounts
302 W. Washington Street
Indianapolis, IN 46204

Dear Mr. Hartman:

Thank you for the opportunity to comment on the State Board of Accounts' recent audit of the Indiana State Department of Agriculture.

Prior to receiving the report, I was not aware that the SDO account cited in the report was out of balance. While the SDO account was used for a variety of operational expenses, it was always my understanding and belief that expenses paid from the account were properly documented and reviewed prior to any disbursements being made.

I am available at any time to offer any possible assistance in establishing the cause of the reported imbalance in the account.

Sincerely,

A handwritten signature in black ink, appearing to read "K E Klemme". The signature is written in a cursive, somewhat stylized font.

Kenneth E. Klemme

July 27, 2012

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

Dear Mr. Hartman:

On July 17, 2012, I received an email from David Jones, a field examiner, indicating that a review of the Indiana State Department of Agriculture from the period April 1, 2007 to January 31, 2012 has revealed a shortage of \$6363.44 in the SDO Fund. This is a matter that I take most seriously and write to respond.

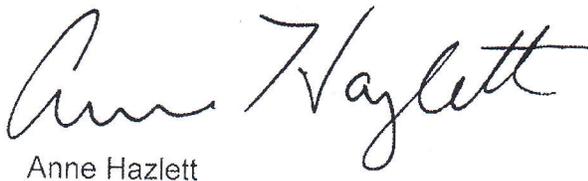
I served as the Indiana Director of Agriculture from January 12, 2009 to October 2, 2009. Prior to receiving the July 17th email from Mr. Jones, I had no knowledge of any shortfall in this account-- and, importantly, had no knowledge of this discrepancy at any point during my service as Director.

I have no reason not to concur with the findings of this audit. However, in so doing, I wish to make several important points. First, according to the draft comment sent by Mr. Jones for my review, there has been no activity in the SDO Fund since June 2009. When I think back to the Department's activities during the period from January to June 2009, I am not aware of any questionable transactions, behavior, or activity that would explain this shortfall.

Second, it is my understanding from conversations with past managers at the Department that the agency's budget, which would likely have included the SDO Fund, was managed for some portion of the timeframe in question by two employees who I promptly terminated within a few months of becoming Director.

If I can provide any additional information regarding this matter, please do not hesitate to contact me.

Sincerely,



Anne Hazlett

DEPARTMENT OF AGRICULTURE
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Unkown Agency Official: SDO Shortage, page 4	\$ <u>6,363</u>	\$ <u>-</u>	\$ <u>6,363</u>

This report was forwarded to the Office of the Indiana Attorney General and the local prosecuting attorney.

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AFFIDAVIT

STATE OF INDIANA)
)
Putnam COUNTY)

I, David Jones, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Department of Agriculture, for the period from April 30, 2007 to January 31, 2012, is true and correct to the best of my knowledge and belief.

David Jones
Field Examiner

Subscribed and sworn to before me this 9th day of August, 2012.

Linda Williamson
Notary Public

My Commission Expires: 03-02-2018
County of Residence: Putnam

