

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

FINANCIAL STATEMENT EXAMINATION REPORT
OF
GOVERNOR'S PUBLIC BUILDING FOUNDATION, INC.
July 1, 2008 to June 30, 2011



FILED
10/19/2012

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OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|--|--------------------------|----------------------|
| Governor | Mitchell E. Daniels, Jr. | 01-10-05 to 01-13-13 |
| Chief of Staff to the First Lady and Residence Director | Julie Kirby | 02-25-08 to 01-13-13 |



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE GOVERNOR'S PUBLIC BUILDING FOUNDATION, INC.

We have examined the accompanying financial statement of the Governor's Public Building Foundation, Inc. (Foundation), for the years ended June 30, 2009, 2010, and 2011. The Foundation's management is responsible for the financial statement. Our responsibility is to express an opinion on the financial statement based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Foundation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Foundation for the years ended June 30, 2009, 2010, and 2011, on the basis of accounting described in Note 1.

The Foundation's response to the Examination Results and Comments identified in our examination is described in the accompanying section of the report entitled Official Response. We did not examine the Foundation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Foundation'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 examined.

STATE BOARD OF ACCOUNTS

August 9, 2012

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FINANCIAL STATEMENT

The financial statement and accompanying notes were prepared by management of the Governor's Public Building Foundation, Inc. (Foundation). The financial statement and notes are presented as intended by the Foundation.

GOVERNOR'S PUBLIC BUILDING FOUNDATION, INC.
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH BALANCES -
REGULATORY BASIS
As Of And For The Years Ended June 30, 2009, 2010, And 2011

| | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|---------------------------------------|------------------|------------------|------------------|
| Cash, July 1 | \$ 13,913 | \$ 10,112 | \$ 14,984 |
| Receipts: | | | |
| Contributions | 1,875 | 23,668 | 340 |
| Proceeds from fundraisers | 2,859 | 2,847 | 3,455 |
| Event revenue | <u>7,250</u> | <u>6,750</u> | <u>9,000</u> |
| Total receipts | <u>11,984</u> | <u>33,265</u> | <u>12,795</u> |
| Disbursements: | | | |
| Interior improvements and maintenance | 1,120 | - | 1,199 |
| Exterior improvements and maintenance | 648 | 353 | - |
| Catering | 3,282 | 1,099 | 759 |
| Household goods and décor | 7,836 | 24,051 | 2,786 |
| Entertainment | 200 | - | - |
| Postage | 195 | 362 | 284 |
| Office operations | 1,956 | 1,611 | 2,101 |
| Miscellaneous | <u>548</u> | <u>917</u> | <u>705</u> |
| Total disbursements | <u>15,785</u> | <u>28,393</u> | <u>7,834</u> |
| Excess of receipts over disbursements | <u>(3,801)</u> | <u>4,872</u> | <u>4,961</u> |
| Cash, June 30 | <u>\$ 10,112</u> | <u>\$ 14,984</u> | <u>\$ 19,945</u> |

The accompanying notes are an integral part of the statement.

GOVERNOR'S PUBLIC BUILDING FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Governor's Public Building Foundation, Inc. (Foundation) was established under the laws of the State of Indiana. The Foundation provides a means to raise funds for the preservation of state owned public and private buildings, sites and structures, included but not limited to the Governor's residence, that are important to the people of the State as a direct means to participate in the past, present and future development of Hoosier heritage.

The accompanying financial statement presents the financial information for the Foundation.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The regulatory basis differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred.

Note 2. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Foundation does not have a deposit policy for custodial credit risk. The Foundation's deposits were entirely insured by the Federal Depository Insurance Corporation.

Note 3. Cash Balance

The Cash balance at June 30, 2008, as reported in the Foundation's prior report (B34264), was \$6,070. During the current examination it was discovered that checks that were listed as outstanding as of June 30, 2008, were actually voided and the corrected June 30, 2008 balance is \$13,913. The July 1, 2008 balance being reported in the financial statement provides the corrected balance of \$13,913.

GOVERNOR'S PUBLIC BUILDING FOUNDATION, INC.
EXAMINATION RESULTS AND COMMENTS
June 30, 2011

DISBURSEMENTS

The Governor's Public Building Foundation, Inc., made purchases which were deemed questionable and may not have been proper for the fund, but may have been more appropriately purchased out of another fund maintained at the Governor's office.

Officials and employees who are accountable for the expenditure of public funds must exercise due diligence to assure that all such payments are in the taxpayer's interest. Items not related to the functions and purpose of the unit are considered unacceptable payments from public funds. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, 6.4.7.1)

INTERNAL CONTROLS OVER PETTY CASH

During our review of the Governor's Public Building Foundation, Inc., we noted a lack of internal control over the petty cash fund that is maintained for the sale of the First Lady's cookbook and the official Indiana Governor's Residence ornament. Specifically, it was noted that no specific amount of petty cash is maintained and that no reconciliations are performed.

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 management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are part of an internal control system. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview - Guidelines & Policy)

DAILY DEPOSITS

During our testing of revenues we were unable to verify that revenues were being deposited timely, due to the lack of supporting documentation of the date of receipt.

GOVERNOR'S PUBLIC BUILDING FOUNDATION, INC.
EXAMINATION RESULTS AND COMMENTS
June 30, 2011
(Continued)

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."

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 management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are part of an internal control system. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview - Guidelines & Policy)

INTERNAL CONTROL

As stated in our prior reports (B30412 and B34264), the accounting functions of the Governor's Public Building Foundation, Inc., are completed by one employee. This leads to a lack of internal control. At a minimum, the ledgers and reconcilements should be reviewed by a responsible official.

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 management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are part of an internal control system. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview - Guidelines & Policy)

GOVERNOR'S PUBLIC BUILDING FOUNDATION, INC.
EXIT CONFERENCE

The contents of this report were discussed on September 18, 2012, with Julie Kirby, Chief of Staff to the First Lady and Residence Director. The Official Response has been made a part of this report and may be found on page 11.



STATE OF INDIANA
GOVERNOR'S RESIDENCE
4750 North Meridian Street
Indianapolis, Indiana 46208

Mitch Daniels
Governor

September 28, 2012

Mr. Michael Hoose
State Board of Accounts
302 West Washington Street, Room E 418
Indianapolis, Indiana 46204

Re: Official Response to Audit of Governor's Public Building Foundation

Dear Mr. Hoose:

I have received your findings and will work with the new administration during the transition to implement the recommended changes set forth in the report.

Sincerely,

A handwritten signature in cursive script that reads "Julia A. Kirby".

Julia A. Kirby
Chief of Staff and Residence Director
Office of the First Lady