

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

REVIEW REPORT  
OF  
ELECTION DIVISION OF THE SECRETARY OF STATE  
STATE OF INDIANA  
June 1, 2008 to March 15, 2012



**FILED**  
04/17/2013



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AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Co-Directors	J. Bradley King	02-18-02 to 12-31-14
	Pamela Potesta	01-29-07 to 12-31-10
	Trent Deckard	01-01-11 to 12-31-14
Secretary of State	Theodore F. Rokita	01-01-03 to 12-31-10
	Charles P. White	01-01-11 to 02-04-12
	Jerold A. Bonnet (Interim)	02-05-12 to 03-15-12
	Connie Lawson	03-16-12 to 12-31-14



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF ELECTION DIVISION OF THE SECRETARY OF STATE

We have reviewed the activities related to the receipts, disbursements, and assets of the Election Division of the Secretary of State for the period of June 1, 2008 to March 15, 2012. The Election Division of the Secretary of State'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 Election Division of the Secretary of State 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 Election Division of the Secretary of State's response to the Review Comments identified in our review is described in the accompanying section of the report entitled Official Responses. We did not review the Election Division of the Secretary of State's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Election Division of the Secretary of State'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

January 31, 2013

ELECTION DIVISION OF THE SECRETARY OF STATE  
REVIEW COMMENTS  
MARCH 15, 2012

***DAILY DEPOSIT***

As stated in our prior Report B34834, the Election Division of the Secretary of State did not deposit funds by the next business day following the receipt of the funds. We noted some funds being deposited up to two weeks after the receipt of the funds.

Indiana Code 5-13-6-1 requires that all public funds collected by state officers 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. Indiana Code 5-13-4-20 defines as "all fees and funds of whatever kind of character coming into the possession of any public officer by virtue of that office."

***CASH BOOK***

The Election Division of the Secretary of State does not maintain a cash book to record collections of funds received. We noted checks being deposited with the Treasurer of State that were not recorded as being received.

Indiana Code 5-13-5-1(a) states:

"Every public official who receives or distributes public funds shall:

- (1) keep a cash book into which the public officer shall enter daily, by item, all receipts of public funds; and
- (2) balance the cash book daily to show funds on hand at the close of the day."

***LATE PAYMENT PENALTY***

Auditor of State accounting records reflect late payment penalties paid to vendors and charged to accounts of the Election Division of the Secretary of State as a result of untimely payment of claims. Total penalties for the fiscal year 2011 were \$1,251.64 and for the current fiscal year through March 15, penalties were \$667.82. 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)

ELECTION DIVISION OF THE SECRETARY OF STATE  
EXIT CONFERENCE

The contents of this report were discussed on March 14, 2013, with J. Bradley King, Co-Director; and Trent Deckard, Co-Director. A copy of this report was mailed on March 14, 2013, to Pamela Potesta, former Co-Director. Copies of this report were e-mailed on March 20, 2013, to Theodore F. Rokita and Charles P. White, former Secretaries of State; and Connie Lawson, current Secretary of State. The Official Response have been made a part of this report and may be found on pages 6 through 9.



STATE OF INDIANA

Indiana Election Division

Trent Deckard, Co-Director  
J. Bradley King, Co-Director

Indiana Election Division  
302 West Washington Street, Room E204  
Indianapolis, Indiana 46204-2767  
Phone: (317) 232-3939  
Fax: (317) 233-6793

April 10, 2013

Dear Mr. Heilman:

I wanted to take this opportunity to contact you after our exit conference on March 14, 2013. The findings of this report were discussed on March 14, 2013 with Trent Deckard and J. Bradley King, Co-Directors. Below I have listed the following corrections that have been made in result of the findings:

1. We have started making deposit within one business day.
2. A cash log/book has been created.
3. A weekly report is being run to make sure our accounts payable is paid in a timely manner to avoid late payment penalties.

Thank you for your patient in this matter, if you need additional information please feel free to contact our office.

Sincerely,

A handwritten signature in cursive script that reads "Kimmy Hollowell-Williams".

Kimmy Hollowell-Williams

Executive Assistant

**From:** Charles White [mailto:secretarywhite@gmail.com]  
**Sent:** Friday, March 29, 2013 8:33 PM  
**To:** Heilman, Dan  
**Subject:** Re: Secretary of State review

Dan,

Thank you for forwarding this report to me.

"Daily Deposit" Comments:

I cannot agree with you more that if there were any monies not deposited with the Treasurer of State within the required period that I.C. 5-13-4-20 needs to be adhered to. I do not know if there is any future advice that you may have to prevent this from happening again. For example, maybe the election division should obtain an electronic "check reader" that many government agencies, banks and companies use that will allow a check to automatically be electronically "read" and "deposited" into the depository bank instead of an employee physically making a deposit if this would be allowed by the Board of Accounts.

"Cash Book" Comments:

Obviously, I agree that the cash book for the election division should be kept up at the close of the business day. Aside from the Co-Directors of the Division insuring that the employees to this at the close of the business day, I wonder if there are any processes or programs that the Auditor of State would suggest compatible with the software and process changes employed when peoplesoft and other programs were intergrated throughout the executive agencies. This may be a overly simplified suggestion and the system may not allow for it, but I wonder if whoever is entrusted with the cash book be made to "clock" out on peoplesoft or a compatible software platform for their purposes as employee. When "clocking out" on the system perhaps the administrator of the cash book will either be required to check a box on screen stating that they have balanced the cash book or the system will not let them "clock out" until the cash book is reconciled electronically on the system itself.

"Late Payment Penalty" Comments:

After I was no longer the Indiana Secretary of State, I had read about the hundreds of thousands dollars of late fees that executive agencies under Governor Daniels paid out. I do not know the particular circumstances of the late payments. First, I do not know if the payments were paid late because the agency employee had not properly processed the claim for the payments according to standards governed by the Auditor of State. It is often premature to immediately assume that staff made a mistake. Second, I do not know if the vendor(s) caused the payment to be late because they failed to comply with a requirement arising out of the state's conversion to peoplesoft (I was accustomed to hearing reports of this when I was Asst. Director of the IDNR in 2008/2009). Third, I do not know if the delay in payment was caused by any internal unresolved issues between agencies or between the Office of the Indiana Secretary of State and the Indiana Election Commision on which "funding source" the funds to pay the claim would come from. Fourth, if nonrecurring claims exist, sometimes the "funding source" has inadequate

monies appropriated and/or allotted to it and the appropriate executive and legislative leadership need to be consulted.

In the spirit of engaging in best management practices, it is always best to pay all claims to vendors on time. If the Board of Accounts and/or the Auditor of State have any recommendations or process enhancements they recommend I am confident that the Indiana Election Commission and their Co-Directors and well as the current appointed SOS will be open to suggestions. In addition, I am wondering if the state has a policy of paying a claim in 30 days or 35 days. If the policy is 35 days, perhaps that policy should be reviewed to make it 30 days.

Note about the Election Division:

While I am sure you know this, I want to remind you about the peculiar governmental structure of the "Election Division" so you reach out to all of the appropriate "decision makers" to implement preventative measures. When I was Secretary of State, the only employees under my office from that division were the two employees that were involved with the "Help America Vote Act" outreach and an employee who worked with the Co-Directors and their staff on a 3 member committee that administered the Statewide Voter Registration System.

It is my understanding that the Co-Directors Brad King and Trent Deckard, their respective co-counsels, and the equal staff below them that are involved in redrawing precinct boundaries, general administrative matters as well as the execution and enforcement and campaign finance laws all work for and answer to the Indiana Election Commission. Two members from each of the two major parties put forward by each of the two State Chairpersons are appointed by the governor. It is my understanding that these employee's payrolls are considered to be as any agency would be if they were one of the executive agencies under the Governor. For example, it is my understanding that when Governor Daniels announced a pay raise for state employees, the employees of the Indiana Election Commission received a raise while the employees of the SOS did not. I am assuming that if the election division is receiving a lot of "live" checks it is because they are various fines paid by candidates, parties and pac's that did not file their campaign finance reports on time. These employees would be answerable to the IEC, not the SOS.

The reason why the above information is important is because some of the issues you have brought up may be able to be resolved by the office Secretary of State and staff while other issues and suggested processes will need to be suggested to the Indiana Election Commission and its Co-Directors who do not answer to the Indiana Secretary of State. If it is an issue, for example, concerning a website vendor, then both offices will have to be involved to take preventative measures. If the issue are checks received for a multitude of candidates, parties and pac's who may file their finance reports a day or two late or cash book issues relating to those checks, the Indiana Election Commission would be the authority to speak to. Finally, if there is an accounting/ledger issue with the HAVA coordinators, that would be a better issue for the Secretary of State and not the Indiana Election Commission.

I know this structure is a bit confusing, but I hope that this gives you an adequate explanation of who you will need to go to between the Indiana Election Commission or the Indiana Secretary of State depending on the issue to make the appropriate suggestions for preventative measures.

As to this additional payment to Congressman Rokita, I am glad to see that he and the agency reached some understanding and he repaid it. I understand Congressman Rokita worked for the agency for several years before he was elected and there may have been an oversight that the time period for which the elected official is paid is different than all other staff members. That is the way I remember staff explained to me how the error occurred.

Please call me at 317-903-4699 if you have any other issues. As a former assistant director and special counsel for the Indiana Department of Natural Resources and as the 60th Secretary of State, I always appreciate the opportunity to assist the State of Indiana to improve our effective use of government resources. There were many other structural changes I wished I could have implemented for the agency that would have affected process, services and finances so I always appreciate even small opportunities to comment.

If you have questions or would like to seek comments on other divisions do not hesitate to contact me.

Best Regards,

Charles P. White