

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

REVIEW REPORT  
OF  
INDIANA DEPARTMENT OF ADMINISTRATION  
STATE OF INDIANA  
April 1, 2010 to January 31, 2014



**FILED**  
06/16/2014



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AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Commissioner	Mark Everson	02-01-09 to 05-31-10
	Robert Wynkoop	06-01-10 to 03-28-13
	Brian Renner (Interim)	03-29-13 to 05-07-13
	Jessica Robertson	05-08-13 to 01-08-17



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE INDIANA DEPARTMENT OF ADMINISTRATION

We have reviewed the activities related to the receipts, disbursements, and assets of the Indiana Department of Administration for the period of April 1, 2010 to January 31, 2014. The Indiana Department of Administration'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 Department of Administration 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 Department of Administration's response to the Review Comments identified in our review is described in the accompanying section of the report entitled Official Response. We did not review the Indiana Department of Administration's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Indiana Department of Administration'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 Indiana State Board of Accounts and of the office reviewed.

STATE BOARD OF ACCOUNTS

May 14, 2014

INDIANA DEPARTMENT OF ADMINISTRATION  
REVIEW COMMENTS  
JANUARY 31, 2014

***INTERNAL CONTROL OVER REVENUE COLLECTION***

During our testing of revenue collections we identified the following deficiencies in the internal control structure:

1. Duties were not sufficiently segregated over parking garage collections. The same person that counts the cash, prepares the deposit, and takes the deposit to the bank.
2. Parking Garage revenue from invoiced hotel and event parking was not recorded in the State's ENCOMPASS accounting system when earned. Garage management maintains a manual billing system for this revenue outside of Indiana Department of Administration (IDOA) management oversight.
3. Revenue totaling \$86,821 from procurement rebates was deposited in the Treasurer of State bank account in July 2013, but not identified or recorded as revenue by IDOA until inquired upon during our review eight months later.

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 - General Guidelines & Policy, IV Summary of Agency Accounting Responsibilities)

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. An Agency's control environment consists of the overall attitude, awareness and actions of management and the governing board or commission. This would include establishing and monitoring policies for developing and modifying accounting systems and control procedures. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview - General Guidelines & Policy, IV Summary of Agency Accounting Responsibilities)

***DOCUMENT RETENTION***

The Indiana Department of Administration did not properly file Parking Garage tickets to correspond to each day's receipts; therefore, the documents were not reasonably attainable for review.

Documents must be filed in such a manner as to be readily retrievable or otherwise reasonably attainable, upon request, during an audit. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview - General Guidelines & Policy, IV Summary of Agency Accounting Responsibilities)

***DAILY DEPOSITS***

As stated in prior Report B37511, the Indiana Department of Administration (IDOA) did not consistently deposit receipts for surplus vehicle sales within the following business day. In the current review, funds from 10 of the 15 vehicle sales tested were deposited between two and six days after receipt.

INDIANA DEPARTMENT OF ADMINISTRATION  
REVIEW COMMENTS  
JANUARY 31, 2014  
(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."

***FUNDS MAINTAINED OUTSIDE OF THE STATE'S ACCOUNTING SYSTEM***

The Indiana Department of Administration (IDOA) withheld cash in the amount of \$5,000 from special event parking revenue deposits to fund a cash change fund. There are no reconciliations, cash counts, or accounting records that account for this cash. No written procedures detailing the process to safeguard these funds were provided for review.

The Treasurer of State (TOS) is the receiver and custodian of all state revenue. All state departments and agencies must make deposits to the TOS or submit records of deposits made to the credit of the treasury in an approved depository. State agencies shall not maintain funds outside of the ENCOMPASS accounting system without specific statutory authority. In addition to cash and checks, money received includes, but is not limited to, bank deposit receipts for money deposited to an outside bank account, bank credit memoranda, wire transfer receipts for letters of credit, and ACH totals. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 4.4.2)

***CASH BOOK***

The Indiana Department of Administration (IDOA) does not maintain a Cash Book to record collections from State Garage Parking Fees or from Surplus Vehicle Sales. While IDOA does maintain a Cash Book to record revenue from State and Federal Surplus sales, IDOA did not retain documentation evidencing the Cash Book was balanced daily.

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."

***SDO ADVANCE***

The Indiana Department of Administration (IDOA) currently has three Special Disbursing Officer funds. All of these funds had limited activity during our review period. Two of the funds (LPN 4651 and LPN 3405) had no activity in over 12 months. LPN 4655 had very limited activity and had not been totally reimbursed for over 3 years. These accounts should be closed or the advance amounts reduced.

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. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, 6.4.10.6)

INDIANA DEPARTMENT OF ADMINISTRATION  
REVIEW COMMENTS  
JANUARY 31, 2014  
(Continued)

***SDO FUND RECONCILIATIONS***

The Indiana Department of Administration (IDOA) has not properly performed reconciliations of two of its three active SDO advances, Local Purchase Numbers (LPN) 4651 and 3405. Proper closing reconciliations for a fourth SDO advance (LPN 2293) have not been completed. On all three SDO accounts, manual records provided for review do not reconcile to records on the State's ENCOMPASS financial accounting system.

- LPN 4651 - the balance per ENCOMPASS is \$1,059 less than the balance per agency manual records. Expenses for LPN 4561 totaling \$1,598, incurred over a year ago, have not been submitted for reimbursement, and deposits in transit of \$636 have been carried as a reconciling item on the agency provided reconciliations since 2010.
- LPN 3405 - the balance per ENCOMPASS is \$1,553 more than the balance per agency manual records. Bank fees totaling \$504 incurred over many years on LPN 3405 have not been submitted for reimbursement.
- LPN 2293 - although the bank account for this SDO fund has been closed, the associated fund in ENCOMPASS was not reconciled. The fund per ENCOMPASS records is \$209.73 less than the amount needed to balance to the advance.

At all times, the unreimbursed disbursements plus any advances to the 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, 6.4.10.10.11)

All monies in the SDO account must be accounted for at all times, both on the ENCOMPASS financial accounting system and in any manual records used. (Accounting and Uniform Compliance Guidelines for State and Quasi Agencies, 6.4.10.10)

***UNCLAIMED PROPERTY***

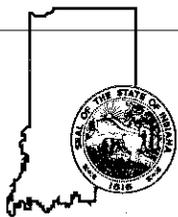
The Indiana Department of Administration's SDO account, LPN 4651, had checks totaling \$745 which have been outstanding for over one year.

Indiana Code 32-34-1-20 provides that property becomes abandoned if held by the State or other government, governmental subdivision or agency, or public corporation or other public authority one (1) year after the property becomes distributable.

Indiana Codes 32-34-1-26 and 27 require a holder of property presumed abandoned and subject to custody as unclaimed property to report in writing and pay or deliver the property to the Attorney General.

INDIANA DEPARTMENT OF ADMINISTRATION  
EXIT CONFERENCE

The contents of this report were discussed on May 14, 2014, with Jessica Robertson, Commissioner, and Michael Degner, Controller. The Official Response has been made a part of this report and may be found on pages 8 and 9.



# STATE OF INDIANA

Michael R. Pence, Governor

DEPARTMENT OF ADMINISTRATION  
Commissioner's Office

Indiana Government Center South  
402 West Washington Street, Room W469  
Indianapolis, IN 46204

May 27, 2014

Mr. Paul Joyce, State Examiner  
Indiana State Board of Accounts  
302 West Washington Street, Room E418  
Indianapolis, Indiana 46204

Re: Response to Audit of IDOA through January 31, 2014

Dear Mr. Joyce,

The Department of Administration agrees with your findings and would like to offer individual responses to each finding. We are also pleased to note that the findings from the previous report on supplementation of appropriations, garage pass SDO and capital assets have been cleared and are no longer on the current report.

## INTERNAL CONTROL OVER REVENUE COLLECTION

Garage personnel have been assigned specific tasks for revenue collected. Specifically, the responsibilities of counting the cash, preparing the deposit and taking the deposit to the bank have been divided among the garage staff.

We will investigate using Encompass to enter billing information for special events where we need to invoice outside groups.

IDOA written deposit procedures will be modified to include ACH (credit card) receipt procedures. These procedures will be reviewed with the IDOA Procurement staff responsible for monitoring the status of rebates on various contracts.

## DOCUMENT RETENTION

New written deposit procedures will be created to document garage receipts and Parking Garage Tickets. Training sessions will be held with Garage staff to clarify each person's role.

## DAILY DEPOSITS

All staff responsible for the receipt of cash, checks or credit card transactions will be reminded of the requirement to deposit receipts by the next business day after they are received.

## FUNDS MAINTAINED OUTSIDE OF THE STATE'S ACCOUNTING SYSTEM

The change fund maintained for the parking garage will be cash from the IDOA Admin fund SDO account. As noted under Document Retention a new written procedure will be created for the Garage Staff to describe each step necessary to document all cash and credit card receipts.

## CASH BOOK

A cash book has been created for use by the Garage Staff and the Fleet staff who receive checks and cash from vehicle sales. As noted under Document Retention a new written procedure will be created for the Garage Staff to describe each step necessary to document all cash and credit card receipts.

State and Federal surplus has modified their cash book to include daily balancing notations and cash on hand in the safe each night.

## SDO ADVANCE

The Department of Administration will close LPN 3405. LPN 4651 will be reduced to \$5,500. Five thousand of this will be maintained in cash and used as a change fund in the Parking Garages. When not immediately needed for parking events cash will be maintained in the Controller's office safe. Logs will be maintained for both the Garage and Controller's office safes to show where the cash should be.

## SDO FUND RECONCILIATION

Reconciliations will be corrected and any outstanding reconciliation items acted upon. Attention will be given to insuring that Encompass balances are equal to the manual records balances.

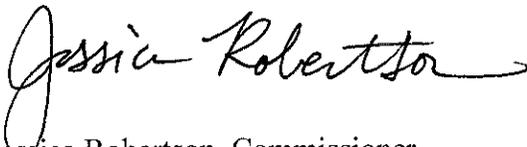
## UNCLAIMED PROPERTY

IDOA will make one more attempt to contact each vendor to determine why outstanding checks have not been cashed. Any checks that still remain outstanding will be cancelled and the funds forwarded to the Attorney General's Unclaimed Property division.

Finally, the Department of Administration wishes to note that although your auditors reviewed our Procurement and Travel card transactions no deficiencies were found. Similarly, no problems were noted in the overall use of rebates on state contracts.

If I may be of further assistance, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Jessica Robertson".

Jessica Robertson, Commissioner  
Indiana Department of Administration