

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

REVIEW REPORT

OF

INDIANA STATE POLICE

STATE OF INDIANA

March 1, 2012 to December 31, 2013



**FILED**  
08/15/2014



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AGENCY OFFICIALS

Office

Official

Term

Superintendent

Paul E. Whitesell, Ph.D.  
Douglas G. Carter

01-10-05 to 01-13-13  
01-14-13 to 01-08-17



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE INDIANA STATE POLICE

We have reviewed the activities related to the receipts, disbursements, and assets of the Indiana State Police for the period of March 1, 2012 to December 31, 2013. The Indiana State Police'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 State Police 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 State Police'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 State Police's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Indiana State Police'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

June 24, 2014

INDIANA STATE POLICE  
REVIEW COMMENTS  
December 31, 2013

***SDO ADVANCE***

The Special Disbursing Officer Fund (SDO) advance, Local Purchase Authority number 3366, was not turned over, or reimbursed completely, for nine months.

If a SDO advance is not used within one or two months then the SDO advance is too large and should be reduced. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, 6.4)

***INTERNAL CONTROLS - FIREARM LICENSE FEE REVENUE***

The Indiana State Police (ISP) utilizes a bank lockbox for the receipt of most firearm license fees; however, certified checks and money orders are still received by mail each month at the firearms division of ISP headquarters. During our walkthrough procedures we identified that 179 checks had been received for the month of March 2014. Based on inquiry, a similar number of checks are received each month. For the firearms fees received at headquarters, we noted the following conditions:

1. ISP did not deposit receipts for the firearms license fees received at headquarters within the following business day. Checks received in the mail for new applications were returned three times a week via courier to the lockbox for deposit, causing deposit delays. Checks for corrected application fees were kept with the application until processing was complete, causing further delays.
2. ISP does not maintain a Cash Book to record collections of firearms fees received at ISP headquarters.
3. Collections were not adequately safeguarded prior to being deposited by the ISP firearms division.

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."

INDIANA STATE POLICE  
REVIEW COMMENTS  
December 31, 2013  
(Continued)

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."

Each agency, department, institution or office should have internal controls in effect, which 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 - General Guidelines & Policy, IV)

***INTERNAL CONTROLS - RECONCILIATION OF ANNUAL INVENTORY TO ENCOMPASS***

Although an audit of personnel-assigned equipment and an audit of district equipment are performed by the agency annually, no written record of physical inventory results and subsequent actions taken were available for audit. Additionally, the agency's inventories are performed and reconciled against the M5 database, but not against the ENCOMPASS Asset Management system.

In our testing of 46 nonvehicle assets recorded in ENCOMPASS for ISP's Indianapolis District and Lab, 11 assets, valued at \$269,726, were not recorded in ISP's M5 database. Additional variances could exist between M5 and ENCOMPASS for the agency's other districts and labs.

Each year a physical inventory is to be taken and compared to the master listing from the ENCOMPASS Asset Management system. This helps to ensure the asset inventory is accurate and that assets have not left the agency without authorization. It also aids in identifying unused or obsolete assets. Evidence of the physical inventory must be maintained in the agency's records. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, 8.4)

INDIANA STATE POLICE  
EXIT CONFERENCE

The contents of this report were discussed on June 24, 2014, with Douglas G. Carter, Superintendent; Mickey James, Fiscal Director; Steve Hillman, Fiscal Division; and Jerry William, Logistics. The Official Response has been made a part of this report and may be found on pages 7 and 8.



# INDIANA STATE POLICE

INDIANA GOVERNMENT CENTER NORTH  
100 NORTH SENATE AVENUE

INDIANAPOLIS, INDIANA 46204-2259

[www.IN.gov/isp](http://www.IN.gov/isp)

July 8, 2014

To: Paul D. Joyce, State Examiner  
State Board of Accounts

From: Douglas G. Carter  
Superintendent

Subject: **OFFICIAL RESPONSE**

The following is the Indiana State Police (ISP) official response to our most recent audit review for the period of March 01, 2012 through December 31, 2013.

## **SDO Advance**

The Special Disbursing Officer Fund (SDO) advance, LPA #3366, was not turned over, or reimbursed completely for nine months.

**ISP Response:** Concur

**Action Taken:** The total ISP SDO advance LPA #3366 in the amount of \$35,000.00, will be reduced to \$25,000.00 by turning in \$10,000.00 to the Treasurer of State. An adjustment to our SDO will be processed on SF49068 by the Auditor of State's office after approval has been submitted by IDOA.

## **Internal Controls Over Firearm License Fee Revenue**

ISP utilizes a bank lockbox for the receipt of most firearm license fees, however, certified checks and money orders are still received by mail each month at the Firearms Section of ISP headquarters. During our walkthrough procedures, we identified that checks received had not been deposited for firearms license within the following business day. Checks received via mail were returned to the lockbox via courier three times a week and the Firearms Section did not maintain a cash book. Funds were also not adequately safeguarded prior to being deposited by the ISP Firearms section.

**ISP Response:** Concur

**Action Taken:** The Firearms Section has implemented changes to route all license requests through the lock box banking system. The requirement to deposit within 24 hours has been re-emphasized to all Firearms Section staff. If any checks associated with firearms requests are delivered to ISP, they are to be transported to the Fiscal Section daily for internal deposit. The Fiscal Section maintains a cash book and is equipped to remotely deposit all checks and money orders on site daily. ISP has also implemented a no cash policy in the Records Section to help strengthen internal control measures.

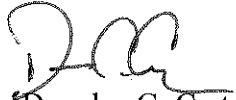
**Internal Controls – Reconciliation of Annual Inventory to Encompass**

Although an audit of personnel-assigned equipment and an audit of district equipment are performed by the agency annually, no written record of physical inventory results and subsequent actions taken were available for audit. The agency's inventories are performed and reconciled against the M5 database, but not against the ENCOMPASS Asset Management system.

**ISP Response:** Concur

**Action Taken:** Each year a physical inventory will be taken and compared to the master listing from the ENCOMPASS Asset Management system. These reports will also be compared and reconciled annually to the inventory maintained in M5.

Sincerely,

  
Douglas G. Carter  
Superintendent

DGC/mjj