

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

REVIEW REPORT  
OF  
INDIANA DEPARTMENT OF CHILD SERVICES  
STATE OF INDIANA  
March 1, 2010 to January 31, 2014



**FILED**  
10/24/2014



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AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Honorable James W. Payne	06-11-05 to 09-25-12
	John Ryan	09-26-12 to 03-23-13
	Honorable Mary Beth Bonaventure	03-24-13 to 01-08-17



## INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE INDIANA DEPARTMENT OF CHILD SERVICES

We have reviewed the activities related to the receipts, disbursements, and assets of the Indiana Department of Child Services for the period of March 1, 2010 to January 31, 2014. The Indiana Department of Child Services' 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 Child Services 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 Child Services' 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 Child Services' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Indiana Department of Child Services' 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

August 4, 2014

INDIANA DEPARTMENT OF CHILD SERVICES  
REVIEW COMMENTS  
January 31, 2014

***LATE INTEREST PENALTY PAYMENTS***

The Auditor of State's accounting records reflect late payment penalties paid to vendors and charged to accounts of Indiana Department of Child Services (DCS) as a result of untimely payment of claims. Total penalties for the fiscal year 2011, 2012, and 2013 were \$330,525.61, \$115,314.63, and \$181,328.58, respectively.

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)

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)

***ACCOUNTING FOR CAPITAL ASSETS***

The fixed asset inventories of the 92 local DCS offices are not complete as to additions and retirements. Additionally, an annual physical inventory of assets owned has not been conducted.

Agency personnel are responsible for accountability for all assets under their control, including capital assets. Adequate asset management staff should be assigned to recording and maintaining, on the ENCOMPASS financial system, all capital assets with a cost of \$500 or more. Assets are automatically capitalized upon approval by either the BU approver or AOS approver. Controls should be in effect to assure that additions, disposals, and transfers to other departments or agencies are recorded timely. Inventories of these assets should be performed each year in each department and compared to the ENCOMPASS listing. Results of inventories should be retained for audit purposes. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, 8.3)

INDIANA DEPARTMENT OF CHILD SERVICES  
REVIEW COMMENTS  
January 31, 2014  
(Continued)

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, 8.4.6)

***SDO FUND RECONCILIATIONS***

During our testing of Special Disbursing Officer (SDO) reconciliations for Local Purchase Number 8480, we identified the following issues:

1. From February 2013 through the end of the review period, no advance reconciliations were provided for review.
2. Reconciliations provided for review, both SDO bank and SDO advance reconciliations, were not signed and dated by the preparer, so the timeliness of the reconciliations could not be determined.
3. No evidence of management approval of the reconciliations was provided for review.

Reconciliations must be performed for the SDO fund each month. The bank statement for the checking account must be reconciled to the check register. Also, the check register must be balanced to the total SDO advance. These reconciliations must be formally documented. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Page 7:1)

INDIANA DEPARTMENT OF CHILD SERVICES  
EXIT CONFERENCE

The contents of this report were discussed on August 4, 2014, with Honorable Mary Beth Bonaventure, Executive Director; Rick Peterson, Chief Financial Officer; and Robin Degner, Controller. The Official Response has been made a part of this report and may be found on pages 7 and 8





Michael R. Pence, Governor  
Mary Beth Bonaventura, Director  
Indiana Department of Child Services  
Room W392 - MS03  
402 W. Washington Street  
Indianapolis, Indiana 46204-2739

317-232-4705  
FAX: 317-232-4490

[www.in.gov/dcs](http://www.in.gov/dcs)

Child Abuse and Neglect Hotline: 800-800-5556

September 8, 2014

Attn: Paul D. Joyce, State Examiner  
State Board of Accounts  
302 Washington St., Room E418  
Indianapolis, Indiana 46204-2765

Dear Mr. Joyce,

This letter represents the Department of Child Services' response to outstanding issues noted in the review report. The matters discussed herein were brought to the attention of the appropriate staff. In addition, statuses of proposed corrective action plans are attached.

If you need anything else please let me know.

Sincerely,

Rick Peterson  
Chief Financial Officer  
Department of Child Services



*Protecting our children, families and future*

Department of Child Services  
Review Comments Response  
August 11, 2014

The Department of Child Services (DCS) agrees with your findings and appreciated the opportunity to provide a response to each of the findings noted in the Exit Conference and report. Both planned and currently implemented corrective actions will be detailed for each the identified findings.

Late Interest Penalty Payments

DCS acknowledges the past history of late fee/interest payments associated with processing payments to service vendors. We have endured several challenges in the period since the assumption of the Family & Children Fund responsibilities from Local Government in 2009. To date DCS has instituted several measures, which includes a vendor portal where invoices are being entered and pre-audited at the point of submission to reduce internal processing time. This service has also aided in reinforcing pre-requisites in the billing process and prohibiting incomplete or erroneous invoicing by vendors, which was a major contributor to the delays in payment (ergo calculation of interest payable). It is our belief that this will resolve the issue as noted in your review. We have already seen a reduction in late payment interest from \$181,329 in State Fiscal Year (SFY) 2013 to \$65,886 in SFY 2014.

Accounting for Capital Assets

As noted in the exit Conference, the Centralization of Fiscal functions from the Local Offices to Central Office included establishing a new process for procuring and accounting for Assets by the Agency. DCS continues to refine the interaction with our Local Offices on the process and performance relative to Assets functions of additions, retirements, and inventories. Ongoing training and guidance are planned for resolving this issue.

Accounting for Capital Assets - records

As noted above Asset responsibilities have been in a less than finalized state of existence for the Agency. While the tasks were being individually completed, the final retention of the results and reports have not been made as auditable as we desire. Over the coming year this final portion of the Encompass reporting versus physical inventory paper documents will be addressed. For future review, a repository for documenting the Annual Audit process will be created.

SDO Fund Reconciliation

DCS agrees that the review item regarding Fund Reconciliation to Advance was not completed in the noted period. This will be reinstated and continued by the responsible staff. In addition, DCS will begin obtaining appropriate signatures, dates and Management review for both reconciliations associated with the SDO Fund as outlined in the Compliance Guidelines Manual for State Agencies.



*Protecting our children, families and future*