

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

BOARD OF LAW EXAMINERS

July 1, 2008 to June 30, 2014



FILED
07/17/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Linda L. Loepker	07-01-08 to 12-06-10
	David Remondini	12-07-10 to 07-04-11
	Bradley W. Skolnik	07-05-11 to 06-30-15
President of the Board	Steven Heiman	07-01-08 to 11-30-08
	Leslie Shively	12-01-08 to 11-30-10
	Jon Laramore	12-01-10 to 11-30-13
	Barbara Brugnaux	12-01-13 to 06-30-15
Chief Justice of the Supreme Court	Honorable Randall T. Shepard	03-04-07 to 03-04-12
	Honorable Randall T. Shepard (Interim)	03-05-12 to 03-23-12
	Honorable Brent E. Dickson (Interim)	03-24-12 to 05-14-12
	Honorable Brent E. Dickson	05-15-12 to 08-17-14
	Honorable Loretta H. Rush	08-18-14 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE BOARD OF LAW EXAMINERS, STATE OF INDIANA

This report is supplemental to our examination report of the Board of Law Examiners (Board), for the period from July 1, 2008 to June 30, 2014. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the Board. It should be read in conjunction with our Financial Statement Examination Report of the Board, which provides our opinion on the Board's financial statement. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Examination Result and Comment contained herein describes the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Examination Result and Comment, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

May 26, 2015

BOARD OF LAW EXAMINERS
EXAMINATION RESULT AND COMMENT

CONDITION OF RECORDS

Deficiencies were identified in the financial records presented for examination as follows:

- Inconsistencies exist between reports generated by the accounting system. The accounting software utilized by the auditee does not require an end of period close-out process. Therefore, any adjustments made to transactions from a prior year are reflected in software reports ran for the current year and can cause inconsistencies between reports printed on different days.
- Reports used for reconciling the book balance to the bank balance contained various deficiencies, including:
 - Checks were improperly printed on prelabeled check stock causing checks to be issued out of order. This caused check numbers recorded in the accounting software to differ from the actual checks issued to the payee.
 - Check numbers were manually edited in the accounting software to correct errors.
 - Outstanding check listings used as part of the month-end reconciliation process contained errors, including outstanding checks being identified as cleared, and cleared checks being identified as outstanding.
- The Fiscal Year End Balances, for each year reported in the July 1, 2008 to June 30, 2014 financial statement, did not balance with the bank by immaterial amounts. The variances for each year are documented below:

<u>Years</u>	<u>Variance</u>
2009	\$(1,047.96)
2010	(3,127.07)
2011	1,784.93
2012	(2,450.07)
2013	(6,507.13)
2014	19,764.60

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.

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.

Each quasi governmental unit with funds outside the state system also has the responsibility to maintain appropriate accounting records, including monthly bank statement reconciliations, and internal controls as described above. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview - General Guidelines & Policy)

STATE OF INDIANA

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Bradley W. Skolnik
Executive Director

June 1, 2015

State Board of Accounts
Attn: Lisa David
302 West Washington Street
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Indianapolis, IN 46204-2765

Sent via E-Mail

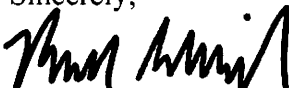
Official Response

The supplemental compliance report notes that the accounting software utilized by the auditee does not require an end of period close-out process. As a result, any adjustments made to transactions from a prior year are reflected in software reports run for the current year which can cause inconsistencies. We will take the necessary steps to implement sufficient period close-out procedures that will prevent effects on closed periods from subsequent period activity.

The supplemental compliance report further notes that some check numbers recorded in the accounting system differed from the actual checks issued to the payee, thereby requiring the check numbers to be manually edited in the accounting system to correct such errors. We have implemented procedures to ensure that the check numbers recorded in the accounting system are consistent with the actual checks issued to the payee, thereby eliminating the need to manually edit the check numbers in the accounting software to correct any errors.

The supplemental compliance report further notes that there were immaterial differences between the financial statements and the bank registers during the period in question. We suspect that these variances are due to the period closing procedures and errors relating to the printing of checks referenced in the report. As noted above, we are implementing new procedures to address these issues.

Sincerely,


Bradley W. Skolnik
Executive Director

BOARD OF LAW EXAMINERS
EXIT CONFERENCE

The contents of this report were discussed on May 26, 2015, with Bradley W. Skolnik, Executive Director, and Tina Hopson, Office Manager.