

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

REVIEW REPORT  
OF  
EXECUTIVE AGENCIES  
STATE OF INDIANA  
December 31, 2014



**FILED**  
02/12/2016



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**STATE OF INDIANA**  
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TO: GOVERNANCE, MANAGEMENT, AND OFFICIALS OF THE STATE OF INDIANA

We performed procedures on the records of 27 executive state agencies for various periods, ending December 31, 2014, as outlined in the Table of Contents. We performed procedures to identify areas of noncompliance with the State's Accounting and Uniform Compliance Guidelines Manual and applicable state laws and policies. We also performed procedures to identify internal control deficiencies and noncompliance that could have a direct and material effect on the determination of financial statement amounts as a part of the annual audit of the State's Comprehensive Annual Financial Report (CAFR) and annual federal audit, conducted in accordance with OMB Circular A-133.

Compliance procedures to ensure compliance with the Manual and applicable state laws and policies, were not designed to opine on compliance or financial activity of the Agency. Therefore, we did not follow Generally Accepted Auditing Standards, Government Auditing Standards, or OMB Circular A-133 when completing these procedures.

Procedures performed on internal control and compliance that could have a direct and material effect on the determination of financial statement amounts were performed in accordance with Generally Accepted Auditing Standards, Government Auditing Standards, and OMB Circular A-133, as described in our Independent Auditor's Reports included in the CAFR and Supplemental Audit of Federal Awards. Any instances of noncompliance or internal control deficiencies that are required to be reported under Government Auditing Standards will be included in the Supplemental Audit of Federal Awards.

Our procedures are conducted on a test basis and do not provide absolute assurance that no additional issues exist in these areas. Our procedures are evaluated each year and conducted based on risks that we identify at the agencies and procedures that are necessary to be conducted to support the CAFR and annual federal audit opinion. During this current review period, procedures were conducted on receipts, vendor disbursements, payroll disbursements, capital asset activity, and SDO (Special Disbursing Officer) activity. The procedures and findings are summarized in the *Summary of Procedures and Findings Section* and detailed by agency in each of their respective sections, as outlined in the Table of Contents. Some issues are identified during the course of the review that do not rise to the level of a written comment but are discussed with agency officials as possible areas for improvement. Those issues are not communicated in this report.

This communication is intended solely for the information and use of State Governance, Management, and agency officials and is not intended to be, and should not be, used by anyone other than these specified parties.

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

December 1, 2015

# ***Summary of Procedures and Findings***

## ***PROCEDURES***

### ***Receipt Procedures***

We gained an understanding of the process from collection of receipt to posting in the financial records, identified key controls and tested a sample of receipts for those key controls. Additionally, we reviewed a sample of receipts, for compliance with key compliance areas for receipts, from the State Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies. We also conducted a test on refund of expenditures to ensure proper accounting for these refunds.

### ***Vendor Disbursement Procedures***

We performed sample testing on procurement and travel card transactions, contract disbursements, fleet fuel card transactions, and general disbursements for compliance with key compliance areas for disbursements from the State Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, as well as compliance with the agency's policies. Additionally, we reviewed late penalty charges paid by the agency.

### ***Payroll Procedures***

We determined the process and controls in place for payroll disbursements. For agencies that use the state's time and labor module, we tested a sample of employees to ensure that payroll disbursements had proper approval. For agencies that were not on time and labor or use an outside sub system for payroll tracking or process, we determined the processes and controls in place and tested those controls, including proper approval. Additionally, we reviewed for any payroll activity that was not being appropriately reported as income to an employee. Lastly, we conducted a review of overtime and comp time earned for reasonableness.

### ***SDO (Special Disbursing Officer) Procedures***

We conducted procedures to determine if an SDO was still in use. If an SDO was still in use, we determined if the transactions were proper and that the account is being properly reconciled to the financial system and to the bank account. We also tested to determine if the balance within the SDO account was reasonable based on the activity occurring within the account.

### ***Capital Asset Procedures***

We conducted procedures to gain an understanding of the capital asset activity. We verified that there was a capital asset inventory in place and up to date. Additionally, we tested a sample capital asset additions and deletions to ensure proper accounting and compliance with key compliance areas for capital assets from the State Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, as well as compliance with the agencies' own policies.

### ***Agency Specific Procedures***

In some cases, agency specific procedures were conducted based on a specific concern or risk. These agency specific procedures were done on a case by case basis.

## Summary of Procedures and Findings

(Continued)

### FINDINGS

Of the 27 executive branch agencies reviewed, 10 of those did not have any issues identified. Those agencies are shown below:

Auditor of State
Indiana Board of Tax Review
Indiana Department of Transportation
Indiana Historical Bureau
Indiana Secretary of State
Indiana Treasurer of State
Integrated Public Safety Commission
Office of Management and Budget
Office of the Inspector General
Office of Utility Consumer Counselor

The remaining 17 state agencies reviewed had issues in the following areas as shown below:

	Receipts	Disbursements	SDO	Payroll	Capital Assets	Other	Total
Alcohol and Tobacco Commission	1	1	3	-	1	-	6
Bureau of Motor Vehicles/ Motor Vehicles Commission	1	-	2	-	-	1	4
Department of Child Services	-	1	-	-	1	-	2
Department of Local Government Finance	-	-	-	-	1	-	1
Department of Natural Resources	-	1	1	-	-	-	2
Family and Social Services Administration	1	1	-	-	-	2	4
Indiana Department of Administration	3	-	2	-	1	-	6
Indiana Department of Education	-	-	-	-	1	-	1
Indiana Department of Environmental Management	-	1	1	-	1	-	3
Indiana Gaming Commission and Department of Gaming Research	1	-	-	-	1	-	2
Indiana Department of Revenue	3	-	-	-	-	-	3
Indiana Professional Licensing Agency	-	1	-	-	1	-	2
Indiana State Department of Health	1	1	1	-	-	1	4
Indiana State Library	1	1	-	-	1	-	3
Indiana War Memorials Commission	1	-	-	-	1	-	2
Office of Environmental Adjudication	1	1	-	-	1	-	3
State Budget Agency	-	-	-	-	1	-	1
	<u>14</u>	<u>9</u>	<u>10</u>	<u>-</u>	<u>12</u>	<u>4</u>	<u>49</u>

**ALCOHOL AND TOBACCO COMMISSION**  
July 1, 2012 to December 31, 2014

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chairman	Alex D. Huskey	07-01-12 to 10-14-14
	David Johnson (Interim)	10-15-14 to 01-04-15
	David Cook	01-05-15 to 01-08-17

***SDO RECONCILIATIONS***

The Alcohol and Tobacco Commission did not maintain documentation evidencing that any SDO reconciliation was conducted for any month in the review period.

At least monthly, the following reconciliations must be performed for the SDO fund:

- Manually reconcile cleared checks from the monthly bank statement.
- If Automatic Reconciliation is used, reconcile checks cleared from imported bank file.
- Reconciliation of the ENCOMPASS check register to the bank balance.
- Reconciliation of the SDO LPN advance to the ENCOMPASS check register balance.
- If manual SDO checks are used, reconciliation of the SDO manual check register balance to the ENCOMPASS check register balance.

(Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 6.4)

***ANNUAL PHYSICAL INVENTORY***

The Alcohol and Tobacco Commission did not maintain documentation evidencing that an annual inventory was conducted for any fiscal year in the review period.

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, Capital Asset Accounting, Chapter 8.4)

***SDO ACTIVITY - UNALLOWABLE TRANSACTIONS***

All Alcohol and Tobacco Commission Special Disbursement Officer (SDO) transactions from the review period were tested. Of these 37 expenditures tested, 25 expenditures had at least one transaction that was for an unallowable item. Examples of unallowable items purchased include:

## ALCOHOL AND TOBACCO COMMISSION

July 1, 2012 to December 31, 2014

(Continued)

- Vehicle expenses
- Items available through a QPA
- Personal items
- Parking charges

Of the remaining 12 expenditures, 3 had transactions that could not be supported by supporting documentation.

All copies of both SF49068 and SF47911, as well as all receipts for SDO expenditures (as noted in State retention schedule), should be retained at the agency in a permanent file until the LPN is closed. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 6.4)

SDO funds shall NOT be spent on:

- Items available on any Quantity Purchase Agreement (QPA).
- PEN products or other prison industry products
- Printing services above \$500 without justification from IDOA
- Items or services procured on an encumbered purchase order contract
- Advance payments, except as authorized by IC 4-13-2-20(a) and (b)
- Items that could be more economically or effectively procured by use of competitive bidding or quotes
- Personal items and alcoholic beverages, escort services, furs, jewelry, movie rentals
- Travel related expenses such as hotel charges and vehicle rentals; vehicle expenses such as repair, parking, fuel purchases
- Capital assets
- Gift cards or gift certificates
- Awards or prizes
- Utility payments
- Restaurants or food, entertainment
- Any other items required to be purchased through ePro, as defined in the STREAMLINING Delegation of Purchasing Authority Program, which is available at [www.in.gov/idoa/3341.htm](http://www.in.gov/idoa/3341.htm).

(Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 6.4)

## ALCOHOL AND TOBACCO COMMISSION

July 1, 2012 to December 31, 2014

(Continued)

### **INTERNAL CONTROLS OVER REVENUE**

During our review, we identified deficiencies in internal controls over revenues collected by the Alcohol and Tobacco Commission (ATC).

A complete cash receipts journal (Cash Book) was not utilized by the agency. In lieu of a Cash Book, the ATC used transaction detail reports compiled by its My License Online software program. While these reports contained many elements of a Cash Book, other elements were also missing. Most notably, the transaction detail reports do not contain reference to a specific PeopleSoft Deposit ID number. Consequently, ATC officials are unable to perform periodic reconciliations between a Cash Book and the PeopleSoft accounting records.

Additionally, deposits of agency revenue were not remitted to the Treasurer of State by the next business day in 21 of the 40 transactions tested. Delays up to 10 days were noted during testing.

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, Section IV)

If money is received on a regular basis, some type of Cash Book (paper or electronic) is required (See 4.1.2). This Cash Book must list the revenue by classification and amount in detail. Noting cash and checks separately is helpful for reconciliation to the final Report of Collection. The Cash Book may include the receipt number or daily summaries from a source document or data processing listing. The amount deposited with the Treasurer of State and the corresponding ENCOMPASS Deposit ID must also be shown on the Cash Book. The process of issuing a receipt and posting the cash receipts journal can be incorporated into one function. Only actual collections of money, whether it be cash, check, or money orders, must be included in the Cash Book. This is a method of assuring that these monies reconcile with the actual deposits with the TOS. Corrections, wire transfers and other bank to bank transfers wouldn't be necessary to include, as no one in the agency actually receives money in these cases.

Since there is no standard cash book (also referred to as a cash receipts journal) prescribed for state agencies, all types of internal cash books or journals must be approved in writing by the State Board of Accounts. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 4.4)

Indiana Code 5-13-6-1(b) states in part:

". . . 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 . . . Deposits do not relieve any state officer from the duty of maintaining a cashbook under IC 5-13-5-1."

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

## ALCOHOL AND TOBACCO COMMISSION

July 1, 2012 to December 31, 2014

(Continued)

IC 35-44.2-1 notes that failure to deposit public funds as required is a Class D misdemeanor. "However, the offense is a Class D felony if the amount involved is at least seven hundred fifty dollars (\$750)\*, and a Class C felony if the amount involved is at least fifty thousand dollars (\$50,000)\*\*." (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 4.1)

### **SUPPORTING DOCUMENTATION**

During our review, we identified deficiencies with proper supporting documentation maintained by the ATC as described below:

- Twenty-five ATC general disbursements were tested. The ATC was unable to provide supporting documentation including a receipt or invoice for 2 of the 25 transactions tested.
- Twenty-five ATC travel card transactions were tested. ATC was unable to provide supporting documentation for 7 of the 25 transactions tested. Of the transactions supported by documentation provided by the ATC, five transactions were supported by incomplete documentation including the lack of at least one hotel receipt or invoice. Two transactions were missing the Out-Of-State travel form. One transaction was missing prior approval from the Indiana Department of Administration for a weekend stay.
- Fifteen ATC contract transactions were tested. The ATC was unable to provide supporting documentation for 2 of the 15 transactions tested.
- Five vendor payments made to employees of the ATC were tested. The ATC was unable to provide supporting documentation for one of the five transactions tested. Without supporting documentation, proper verification that the payment should have been paid via a vendor payment instead of processed through the payroll system could not be obtained.
- Ten ATC refunds of expenditures were tested. The ATC was unable to provide supporting documentation for 2 of the 10 transactions tested.

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, etc., must be made available for audit to provide supporting information for the validity and accountability of monies received or disbursed. Documents must be filed in such a manner as to be readily retrievable or otherwise reasonably obtainable, upon request, during an audit. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview--General Guidelines & Policy, Section IV)

All receipts and required documentation must be attached to each transaction within the PeopleSoft P/T Card module. This allows the Auditor's Office to complete a thorough audit prior to authorizing payment to J.P. Morgan Chase. If a receipt is lost the agency must complete SF#42275 (Missing Receipt Certificate) and attach it to the transaction within the PeopleSoft P/T Card module. (State of Indiana Procurement Card and Travel Card Program Agency Program Administrator and Cardholder User Manual, page 27)

Written authorization is required before an employee begins official out-of-state travel, whether or not travel expenses are paid by the state. IT IS OF UTMOST IMPORTANCE THAT THE "AUTHORIZATION FOR OUT-OF-STATE TRAVEL" FORM IS PROCESSED WELL IN ADVANCE OF THE INTENDED TRAVEL. Agency officials must submit the form to the Department of Administration a minimum of 30 days prior to the trip. Employees should not begin travel until the IDOA approval is received by the agency. Employees traveling without prior approval could forfeit reimbursement for their expenses.

## ALCOHOL AND TOBACCO COMMISSION

July 1, 2012 to December 31, 2014

(Continued)

Copies of the approval letter for the specified travel purpose must then be attached to applicable travel claims. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 10.4)

It is the sole responsibility of the agency to pre-audit all travel vouchers to assure that the travel was authorized and reasonable, and complies with the travel rules, including, but not limited to those listed below:

- In-state lodging does not exceed the current maximum reimbursement rate stipulated by the Indiana Department of Administration (IDOA).
- Meal allowances or per diem agrees with times listed for travel status. Provisions for non-employee Board members differ from those of employees.
- Prior approval of IDOA is documented for all claims for weekend or holiday stays and out-of-state travel.
- The agency's written determination is attached to support a claim for an overnight stay fifty miles or less from the home (or station).
- Out-of-State travel claims are limited to amounts and types of expenses approved in advance.
- Travel vouchers should be signed and dated by the employee and signed as verification of authenticity by the administrative head of the agency or other authorized personnel. The accuracy of the claim should be verified.

(Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 10.4)

### ***SDO ADVANCE***

The ATC did not consistently use the SDO advance within one or two months. The agency maintains eight separate SDO accounts (headquarters, quartermaster, and districts 1-6). During the review period, the eight SDO accounts had the following activity:

- Headquarters was not used during the review period.
- Quartermaster turned over once during the review period.
- District 1 turned over twice during the review period.
- District 2 turned over once during the review period.
- District 3 turned over once during the review period.
- District 4 turned over twice during the review period.
- District 5 had one payment issued during the review period.
- District 6 turned over three times during the review period.

**ALCOHOL AND TOBACCO COMMISSION**

July 1, 2012 to December 31, 2014

(Continued)

Whenever a SDO fund is established, money is removed from a Treasurer of State bank account, thus, not being invested. Therefore, consideration should be given to the size of the SDO fund. 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. If an agency is reimbursing the total value of the advance more than once monthly, an increase might be warranted. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 6.4)



STATE OF INDIANA  
ALCOHOL AND TOBACCO COMMISSION

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To: Paul Joyce, State Examiner  
State Board of Accounts

From: David Cook, Chairman  
Alcohol & Tobacco Commission

Sola Egunyomi, Controller  
Alcohol & Tobacco Commission

Date: 11/30/15

**ATC's Official Response to SBOA's Audit Comments for the Period of July 1, 2012 to December 31, 2014**

In response to the recently conducted audit by the State Board of Accounts of our agency for the period ending December, 31, 2014 with comments in six areas of our operations. We have reviewed and acknowledge those concerns and we are working to improve in those six areas.

**We would like to specifically address how we will improve in the six areas below:**

1. SDO Reconciliations:

Going forward, we will vigorously ensure that the SDO fund is being reconciled on a timely basis to match the ENCOMPASS check register balance.

2. Annual Physical Inventory:

To correct this problem, we have designated one of our staffs to be responsible for all asset tracking and asset tagging. This staff will make sure that all ATC assets are accounted for. We will also keep a spreadsheet and other forms of supporting documentation showing our asset inventory with the dates and time we tracked them in the course of the year.

3. SDO Activity

We will be sending out information to our SDO officers in the field reminding them of the need to adhere strictly to the allowable SDO activities and transactions. Going forward, we should not have this problem again.

4. Internal Controls over Revenue

To fix this issue, from now on we will make sure every deposit ID matches the receipts we have in our MLO software. Although we do track how payment comes in via our MLO software; but as the audit pointed out we need to enhance our processes and make sure that each individual receipt now has a particular Peoplesoft deposit ID showing how the revenues were deposited. This may entail that we modify our MLO software to help facilitate this process, but it is worth looking into and fixing in the next couple of weeks.

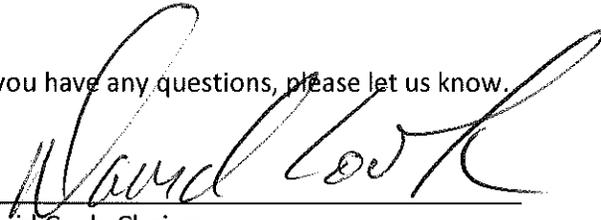
5. Supporting Documentation

The ATC as an agency has adopted SBOA recommendations on this issue. Prior to this audit, we already scan and keep all supporting documentations both manually and digitally. SBOA may have found deficiencies on this issue because few of the supporting documentations may have slipped through the crack. This is due to our inadequate staffing, along with the backlog we have. Our inadequate staffing and backlog does not provide time to get all documentations entered into the system on a prompt basis. ATC is currently in the process of hiring more staffs to handle assignments like this and to help ensure that all supporting documentations are manually kept and stored electronically.

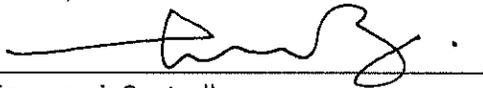
6. SDO Advance

To fix this issue, we plan on turning in the SDO fund more often. This will be achieved by ensuring that the SDO fund is being turned in back to the agency at the end of every two months. Also, we plan on making sure and verifying that the SDO fund is being used frequently and adequately. In cases where the SDO fund is not being used adequately, it will be subject to a review and possibly reduction. This will help enhance transparency and help the ATC comply with the SDO guidelines

If you have any questions, please let us know.



David Cook, Chairman



Sola Egunyomi, Controller

**AUDITOR OF STATE**  
January 1, 2014 to December 31, 2014

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor of State	Erin Sheridan	12-15-13 to 01-01-14
Auditor of State	Suzanne Crouch	01-02-14 to 12-31-18

**There were no issues identified during this review that warranted written comment.**

**BUREAU OF MOTOR VEHICLES/MOTOR VEHICLES COMMISSION**

January 1, 2014 to December 31, 2014

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Commissioner	Kent Schroder	11-16-13 to 01-05-14
	Donald Snemis	01-06-14 to 02-12-15
	Kent Abernathy	02-12-15 to 01-08-17

***SDO MISSING ENTRIES***

The Bureau of Motor Vehicles (BMV) and the Motor Vehicles Commission did not enter all expenses paid from their SDO accounts for the review period. Starting in August of 2014, expenses paid from the SDO bank accounts were no longer entered into Encompass. Prior to August of 2014, the Reconciliations Manager was both entering and reconciling the SDO account. This was determined to be inadequate segregation of duties; therefore, the Reconciliations Manager was no longer given access to enter the vouchers. The BMV has been training another employee for that responsibility; however, as of the date of this report, the issue is still not resolved.

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. (See Chapter 2 in this manual for additional detail and guidance on internal control.)

System controls are in effect on the ENCOMPASS financial accounting system, which is the official book of record for the State; however, each agency is responsible for controls in any subsidiary systems used or other records maintained. At all times, the agency's manual and subsidiary ledgers should reconcile with ENCOMPASS. In the case of agency controlled bank accounts, if the reconciled bank balance is less than the account ledger, the responsible official or employee may be held personally responsible for the amount needed to balance. Audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview - General Guidelines and Policy, Section IV)

## BUREAU OF MOTOR VEHICLES/MOTOR VEHICLES COMMISSION

January 1, 2014 to December 31, 2014

(Continued)

### **SDO FUND DISBURSEMENTS**

The BMV and the Motor Vehicles Commission made purchases from its Special Disbursing Officer Fund (SDO) which was not proper for the fund. A test of 25 transactions identified 9 purchases to be for unallowable expenses. The agency purchased office supplies from OfficeMax, BestBuy, and Scott's Hardware which were all available through a Quantity Purchase Agreement with Staples. The BMV also paid a total of \$2,430 for several branches water, sewage, and electric bills that were in danger of being shut off due to nonpayment. Per the BMV Reconciliations Manager, this was due to untimely submission of invoices by the branches to the central office over a two month period. These are not allowable uses of an SDO.

SDO funds shall NOT be spent on:

- Items available on any Quantity Purchase Agreement (QPA).
- PEN Products or other prison industry products
- Printing services above \$500 without justification from IDOA
- Items or services procured on an encumbered purchase order contract
- Advance payments, except as authorized by IC 4-13-2-20(a)and(b)
- Items that could be more economically or effectively procured by use of competitive bidding or quotations
- Personal items and alcoholic beverages, escort services, furs, jewelry, movie rentals
- Travel related expenses such as hotel charges and vehicle rentals; vehicle expenses such as repair, parking, fuel purchases
- Capital assets
- Gift cards or gift certificates
- Awards or prizes
- Utility payments
- Restaurants or food, entertainment
- Any other items required to be purchased through ePro, as defined in the STREAMLINING Delegation of Purchasing Authority Program, which is available at [www.in.gov/idoa/3341.htm](http://www.in.gov/idoa/3341.htm).

(Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 6.4)

## **BUREAU OF MOTOR VEHICLES/MOTOR VEHICLES COMMISSION**

January 1, 2014 to December 31, 2014

(Continued)

### ***CASH RECEIPTS JOURNAL AND CHECK ENDORSEMENT***

The Bureau of Motor Vehicles (BMV) did not complete a cash receipts journal at the central office and use it for its intended purpose in the reconciliation process. The BMV did not enter the revenue received into a Cash Book at the time of receipt and prior to deposit with the Treasurer of State (TOS). The collections are not recorded until the Report of Collections is created by the Reconciliation Team. Due to this, they were unable to appropriately reconcile deposits to the TOS with the cash receipts journal to assure that all funds received were deposited. Additionally, the checks were not restrictively endorsed until after the ROC had been created.

Checks should be restrictively endorsed with an endorsement stamp, immediately upon receipt. This would occur upon opening the mail or otherwise receiving the instrument (check). (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 4.3)

Receipts should be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 4.3)

Each agency is responsible for establishing procedures to attain a high level of accountability for funds collected and for ensuring that these funds are deposited with the Treasurer of State, or other approved depository, in accordance with state statute. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 4.4)

If money is received on a regular basis, some type of cash book (paper or electronic) is required (See 4.1.2). This cash book must list the revenue by classification and amount in detail. Noting cash and checks separately is helpful for reconciliation to the final Report of Collection. The cash book may include the receipt number or daily summaries from a source document or data processing listing. The amount deposited with the Treasurer of State and the corresponding ENCOMPASS Deposit ID must also be shown on the cash book. The process of issuing a receipt and posting the cash receipts journal can be incorporated into one function. Only actual collections of money, whether it be cash, check or money orders, must be included in the cash book. This is a method of assuring that these monies reconcile with the actual deposits with the TOS. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 4.4)

Reconcile deposits with the cash receipts journal (cash book) to assure that all funds received were deposited. It is recommended that this be reconciled daily as approved ROCs are returned to the agency (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 4.4)

### ***INTERNAL AUDIT OF CENTRAL OFFICE OPERATIONS***

The Internal Audit function of the Bureau of Motor Vehicles does not sufficiently audit the operations of the central office. Internal Audit should review the operations of the central office in order to ensure the following:

- Effectiveness and efficiency of operations and internal controls.
- Reliability of financial and management reporting.
- Compliance with laws and regulations.
- Safeguarding of Assets.

**BUREAU OF MOTOR VEHICLES/MOTOR VEHICLES COMMISSION**

January 1, 2014 to December 31, 2014

(Continued)

Standard #5: Monitoring - Monitoring is the review of the organization's activities and transactions to assess the quality of performance over time and to determine whether controls are effective. The Monitoring performed by a department should focus on the following major areas.

- Control Activities
- Mission
- Control Environment
- Communication
- Risks and Opportunities

Controls need to be monitored for effectiveness ("Are they are operating as intended?") and to ensure they have not become obsolete. Separate evaluations of Control Activities can also be useful by focusing directly on the controls' effectiveness at a specific time. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 2.3)



# STATE OF INDIANA

Michael R. Pence, Governor

Kent W. Abernathy, Commissioner  
Bureau of Motor Vehicles  
100 North Senate Avenue  
Indianapolis, Indiana 46204  
888-692-6841

October 22, 2015

State Board of Accounts  
302 West Washington Street  
Room E418  
Indianapolis, Indiana 46204-2769

Re: BMV Response to SBOA Audit of Calendar Year Ended 12/31/2014

Dear Mr. Moran:

1. **SDO Missing Entries:** In August 2014, the Reconciliation Manager was informed entry into PeopleSoft would not be allow for the SDO accounts. Upon receiving this information, Rosie Maze, reconciliation employee was trained and given access to the PeopleSoft system to enter expenses. These accounts have since been reimbursed and internal control reestablished.
2. **SDO Fund Disbursements:** The Indiana Bureau of Motor Vehicles Commission (BMVC) is a quasi agency responsible to operate license branches across the state of Indiana. In the daily operation, emergencies arise within these facilities which must be addressed to allow the branches to serve our customers. Emergency expenditures through local vendors are sometimes necessary, but not the normal process of purchasing for the BMVC.
3. **Cash Receipts Journal and Check Endorsement:** The Indiana Bureau of Motor Vehicles created a cash receipts journal for all checks received in the central office outside of transactions processed in Stars beginning July 1, 2015, FY 2016. This revenue is documented into a journal by the Reconciliation Manager and then processed through the Treasurer of State using the Report of Collection process by a separate reconciliation team employee.
4. **Internal Audit of Central Office Operations:** Outlined below is the planning and progress of the BMV as it relates to the development and operation of a newly formed agency internal audit function.
  - Initially the BMV internal audit department will be staffed with six (6) employees.
    - Deputy Commissioner of Audit and Investigations
    - Director of Internal Audit
    - Two (2) middle level auditors
    - Two (2) entry level auditors
  - An internal audit plan will be developed to review the internal control systems and operational processes of the BMV based on an overall risk assessment of the agency functions. The internal audit plan will be continuous in nature and the schedule along with the format will focus on operational processes based on a risk rankings developed in the agency risk assessment.

- The reporting structure for the department will be first to the BMV Commissioner and to other levels of agency management. The reporting to the Commissioner will part of the normal course of business operations.
- The second level of reporting will be to representatives of the State Board of Accounts and the office of the Auditor of the State of Indiana. We anticipate this outside group will function something like the audit committee of a corporate board of directors. The State Board of Account and Auditor's office will provide an independent review of the agency internal audit processes. The audit plan, audit schedule and audit findings will be reviewed with the group. The reporting to this outside group will be on a regularly scheduled basis. Initially we plan a quarterly meeting.
- The third level of reporting will be to the State Examiner and the State Board of Accounts as outlined in HEA 1264.

To date we have filled the internal audit department leadership role by hiring Adam Abner as the director. The initial agency risk assessment process has been started and we are actively recruiting for the addition staff members that will be part of the internal audit team.

If you have any questions, please contact me at (317) 233-1530.

Sincerely,



Jeffrey H. Moon  
Chief Financial Officer  
Indiana Bureau of Motor Vehicles

**DEPARTMENT OF CHILD SERVICES**  
February 1, 2014 to December 31, 2014

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Mary Beth Bonaventura	02-01-14 to 01-08-17

***CAPITAL ASSETS: LACK OF INTERNAL CONTROLS AND CONDITION OF RECORDS***

The Department of Child Services (DCS) did not have adequate internal controls in place over the agency's capital assets during the review period, which resulted in the improper maintenance of the agency's capital asset inventory.

The following deficiencies were identified:

- Capital assets were physically transferred from the DCS in 2011 were not removed from the asset listing until August 2014.
- Capital asset listing in the Encompass system was not reflective of asset updates from local DCS field offices that occurred in 2014.
- Annual inventory of capital assets completed by the DCS was not documented in the asset management module in the Encompass system.

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, Chapter 8.3)

***DISBURSEMENT DOCUMENTATION***

Adequate supporting documentation was not provided for our testing of Procurement card and Travel card expenditures or for our testing of general expenditures.

**DEPARTMENT OF CHILD SERVICES**  
February 1, 2014 to December 31, 2014  
(Continued)

*Procurement and Travel Card Expenditures*

Adequate supporting documentation was not presented by DCS staff for 3 out of 25 items in a sample of P and T card expenditures. Invoice documentation was provided for all three items; however, two of the three items later conflicted with the provided approval documentation. For the third item, there was a significant gap in time between the invoice date and the claim approval date and the documentation for the third item was also inconsistent. Additional information was not provided for review to resolve these inconsistencies.

*General Expenditures*

Supporting documentation was not presented for 3 out of 25 general disbursements tested. We initially requested supporting documentation for these disbursements on April 16, 2015, and supporting documentation had not been provided as of September 15, 2015.

Documentation of transactions should enable managers to trace each transaction from its inception through its completion. This means the entire life cycle of the transaction should be recorded, including: (1) its initiation and authorization; (2) its progress through all stages of processing; and (3) its final classification in summary records. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 2.3)

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."



Michael R. Pence, Governor  
Mary Beth Bonaventura, Director

**Indiana Department of Child Services**  
Room E306 – MS47  
302 W. Washington Street  
Indianapolis, Indiana 46204-2738

317-234-KIDS  
FAX: 317-234-4497

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

**Child Support Hotline: 800-840-8757**  
**Child Abuse and Neglect Hotline: 800-800-5556**

October 22, 2015

State Board of Accounts  
302 W Washington St., Room E418  
Indianapolis, IN 46204-2765

Re: OFFICIAL Response - Compliance Review (Feb to Dec 2014)

The Department of Child Services appreciates the opportunity to address the Review Results and Written Comments provided by State Board of Accounts relative to this review period. As mentioned in our exit conference with your review team on October 15, 2015, the agency has already begun to implement modifications to our business processes and record keeping to prevent these or similar items from appearing in future reviews.

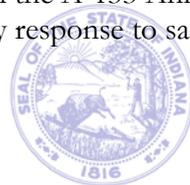
**CAPTIAL ASSETS: Internal Controls & Records comment**

Relative to capital assets, DCS has implemented increased retention of work papers, memoranda and inventory checklists for additional evidence of actions taken in the business flow and performance of local physical asset inventories. We have begun documenting and requiring physical reviewer signoffs on transactions entered to the Asset Management module of Encompass. We have also begun documenting all system issue tickets filed with the Encompass Helpdesk concerning the State's Asset Management system.

**Disbursement Documentation comments**

Relative to Procurement & Travel Card expenditures, DCS has found that enhancement of the Encompass module for procurement and travel cards has increased our ability to house documentation with each expense charged in this program. The enhanced feature of attaching the invoice and storing the approval documentation in an improved media format and location will remove the issue noted in the comments.

Relative to the General Expenditures sample, the last of the disbursements requested are being made available to the SBOA Audit team in the A-133 Annual review. We have expanded and realigned resources to provide more timely response to sample requests.



*Protecting our children, families and future*

**DEPARTMENT OF LOCAL GOVERNMENT FINANCE**  
March 1, 2012 to December 31, 2014

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Commissioner	Brian Bailey	05-14-10 to 01-14-13
	Micah Vincent	01-14-13 to 08-07-14
	Courtney Schaafsma	08-08-14 to 01-08-17

***CAPITAL ASSET INVENTORY***

During our review of the Department of Local Government Finance, we identified that the capital asset physical inventory was last conducted on March 29, 2013; therefore, an annual inventory 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, Chapter 8.3)

**DEPARTMENT OF NATURAL RESOURCES**

April 1, 2012 to December 31, 2014

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Robert E. Carter Cameron F. Clark	04-01-12 to 05-12-13 05-13-13 to 01-08-17
Chairman of the Commission	Bryan W. Poynter	07-01-11 to 06-30-16

***SDO ADVANCE***

The Special Disbursing Officer Fund (SDO) advance for Department of Natural Resources was not turned over, or reimbursed completely, for each of the 24 months of the review period. The average monthly expenses were less than 2 percent of the SDO advance amount.

Whenever a SDO fund is established, money is removed from a Treasurer of State bank account, thus, not being invested. Therefore, consideration should be given to the size of the SDO fund. 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, Chapter 6.4)

***LATE PAYMENT PENALTIES***

The Department of Natural Resources paid late payment penalties to various vendors as a result of untimely payment of claims. This resulted in fees of \$20,152.80 for calendar year 2013 and \$8,734.25 for calendar year 2014. These penalties are an unnecessary use of public funds.

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 Manual for State and Quasi Agencies, Chapter 6.4)

July 27, 2015

Mr. Paul D. Joyce, C.P.A.  
State Examiner  
Indiana State Board of Accounts  
302 West Washington Street, Room E418  
Indianapolis, IN 46204-2765

Dear Mr. Joyce:

Auditors from your agency have completed their routine review of the Indiana Department of Natural Resources for the period April 1, 2012 through December 31, 2014.

Please see the attached document containing the official DNR response to the audit report's written comments provided by your staff.

We greatly appreciate the efforts of you and your agency.

Sincerely,



Cameron F. Clark  
Director

## OFFICIAL RESPONSE

Please consider this document as the official response to the State Board of Accounts (SBOA) from the Indiana Department of Natural Resources (DNR) concerning the audit performed on records for the period of April 1, 2012 to December 31, 2014. SBOA's *Written Comments* are repeated in this response only as reference.

### **Written Comment: SDO Advance**

*The Special Disbursing Officer Fund (SDO) advance for Department of Natural Resources was not turned over, or reimbursed completely, for each of the 24 months of the review period. The average monthly expenses were less than 2% of the SDO advance amount.*

*Whenever a SDO fund is established, money is removed from a Treasurer of State bank account, thus, not being invested. Therefore, consideration should be given to the size of the SDO fund. 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, Chapter 6.4 – Business Processes)*

### **DNR Response: SDO Advance**

DNR will review our SDO advance with an interest in “rightsizing” the amount as much as possible while still considering our often urgent need to quickly increase a property’s change fund amount (as a result of additional amenities, changes in fees, etc.). An immediate step will be to review the amounts of the Local Office Cash Funds (LOCF) currently in place. When first established several years ago as a replacement to petty cash, the LOCF amounts were only estimates. We can now use the spend data gathered during the past few years to adjust funds accordingly and match actual usage to potentially lower our overall SDO advance.

### **Written Comment: Late Payment Penalties**

*The Department of Natural Resources paid late payment penalties to various vendors as a result of untimely payment of claims. This resulted in fees of \$20,152.80 for calendar year 2013 and \$8,734.25 for calendar year 2014. These penalties are an unnecessary use of public funds.*

*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 Manual for State and Quasi Agencies, Chapter 6.4)*

### **DNR Response: Late Payment Penalties**

Although late payment interest is only a very small portion of the large number of DNR payments, our training efforts and written procedures continue to stress the importance of paying vendors timely, both as a cost-saving measure and as a way to maintain our valued vendor partnerships.

To this end, DNR was the first agency several years ago to implement the use of credit cards for faster payment of property utility bills, which are particularly vulnerable to late penalties due to shorter payment windows. This step significantly impacted late penalties, but some utility providers in recent years have increased fees for the convenience of paying via credit card. In some cases, fees have become *more costly* than late payment penalties, forcing some DNR properties to make the uncomfortable cost-benefit decision to return to paper payment processes. In response, DNR’s administrative leadership updated traditional processes to now accept property utility payment requests via email, which decreases time between bill receipt and payment.

This is just one example of how, as taxpaying members of our local communities and as workers with increasingly smaller budgets, DNR employees will continue to practice responsible fiscal and vendor stewardship.

**FAMILY AND SOCIAL SERVICES ADMINISTRATION**  
February 1, 2014 to December 31, 2014

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Secretary, Family and Social Services Administration	Debra Minott	02-25-13 to 07-04-14
	(Vacant)	07-05-14 to 07-06-14
	Michael Gargano (interim)	07-07-14 to 07-20-14
	Dr. John Wernert	07-21-14 to 01-08-17

***LATE PAYMENT PENALTIES***

During our review of the Family and Social Services Administration (FSSA), we found that the FSSA incurred late payment penalties paid to vendors and charged to accounts of the FSSA as a result of untimely payment of claims. Total penalties for the review period were \$33,352. These penalties are an unnecessary use of public funds. This was similar to fiscal year 2013 late payment penalties, but still significantly lower than previous years.

Indiana Code 5-17-5-1, Penalty for late payments of amounts due on public contracts, states:

"(a) Except as provided in section 2 of this chapter, every state agency and political subdivision shall 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 or political subdivision fails to make timely payment.

(b) Except as provided in subsection (c), for the purposes of this section, payment is timely if:

(1) a check or warrant is mailed or delivered on the date specified for the amount specified in the applicable contract documents, or, if no date is specified, within thirty-five (35) days of:

(A) receipt of goods and services; or

(B) receipt of a properly completed claim."

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 Manual for State and Quasi Agencies, Chapter 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 Manual for State and Quasi Agencies, Organizational Overview--General Guidelines and Policy, Section IV)

## **FAMILY AND SOCIAL SERVICES ADMINISTRATION**

February 1, 2014 to December 31, 2014

(Continued)

### ***LACK OF AUDIT TRAIL - WITS SYSTEM***

Of the 25 general disbursement transactions tested, eight originated from the Family and Social Services Administration Division of Mental Health and Addiction's Web Infrastructure for Treatment Services (WITS) sub-system. Transactions originating in the Division of Mental Health and Addiction's WITS sub-system did not contain an electronic audit trail identifying the PeopleSoft payment ID. We were unable to trace PeopleSoft payments to the detail in the WITS system.

The computerized accounting system must maintain electronic audit trails sufficient to trace all transactions from the original source of entry into the system, through all system processing, though various levels of summarizations, and to the results produced by the system. The audit trails must also maintain sufficient information to trace all transactions from the final results produced by the system, through all system processing and summarizations, and to the original source of entry into the system. Audit trails must also identify the user that processed the transaction or updated the information. These audit trails must be protected from modification and deletion. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 14.3)

### ***SERIOUSLY MENTALLY ILL PROGRAM - UNSUPPORTED ALLOCATION BASIS***

The prior review report for the FSSA cited the following issue:

Of the transactions tested for the Division of Mental Health and Addiction's (DMHA) Seriously Mentally Ill (SMI) Program; 90 percent did not have supporting prior year's data for the base allocation amount. The base allocation amount is used in a calculation to arrive at the amount paid to Mental Health Facilities. As a result of not having the prior year's data available for review, we could not verify the allocation bases and thus, the calculation behind the disbursements.

During the current review period, the FSSA stated that this program was still using an old allocation method carried forward from prior years. A new allocation methodology is still being researched.

The computerized accounting system must maintain electronic audit trails sufficient to trace all transactions from the original source of entry into the system, through all system processing, though various levels of summarizations, and to the results produced by the system. The audit trails must also maintain sufficient information to trace all transactions from the final results produced by the system, through all system processing and summarizations, and to the original source of entry into the system. Audit trails must also identify the user that processed the transaction or updated the information. These audit trails must be protected from modification and deletion. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 14.3)

### ***RECONCILIATION OF REPAYMENT SCHEDULES TO ICES***

The prior review report for the FSSA cited the following issue:

As stated in prior reports, we identified that actual welfare revenue recoveries are not reconciled to the Indiana Client Eligibility computer System (ICES). Revenue recoveries are received from welfare recipients for overpayments for welfare programs such as TANF, Food Stamps, and Medicaid. The ICES system is considered to be the official record for the reporting of revenue recoveries for each welfare recipient's case. Without a reconciliation process in place it cannot be determined if the values recorded in the ICES are correct.

**FAMILY AND SOCIAL SERVICES ADMINISTRATION**

February 1, 2014 to December 31, 2014

(Continued)

During the current review period, the FSSA stated that while there is some review of to ensure transactions in PeopleSoft agree to ICES, there is still no complete reconciliation being performed. An automatic reconciliation process is still in development.

System controls are in effect on the ENCOMPASS financial accounting system, which is the official book of record for the State; however, each agency is responsible for controls in any subsidiary systems used or other records maintained.

At all times, the agency's manual and subsidiary ledgers should reconcile with ENCOMPASS. In the case of agency controlled bank accounts, if the reconciled bank balance is less than the account ledger, the responsible official or employee may be held personally responsible for the amount needed to balance. Audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview--General Guidelines and Policy, Section IV)



Michael R. Pence, Governor  
State of Indiana

***Indiana Family and Social Services Administration***

402 W. WASHINGTON STREET, P.O. BOX 7083  
INDIANAPOLIS, IN 46207-7083

John J. Wernert, M.D., Secretary

**Late Payment Penalties**

Contact Person: Scott Blake  
Title of Contact: Director of Administrative Services  
Phone: (317) 234-1488

**Status Update:**

FSSA constantly works on managing and reducing the risk of late payments to our vendors and service providers. However, with existing business processes and the number of payments made on an annual basis, there are always possible delays that make the agency particularly vulnerable to late payments. Administrative Services staff stays on top of all outstanding contract claims and sends reminders to business units before the approaching deadline attempting to retrieve documents for timely payment. As a way to prevent processing bottlenecks, FSSA is moving toward an invoice management solution that will assist with paper invoices and procedural constraints resulting from staff required to physically move invoices through the agency. With automatic document and data capture, automated matching, and online coding and authorization, the whole process will be streamlined.

**Lack of Audit Trail – WITS System**

Contact Person: Donna Rutherford  
Title of Contact: Controller - DMHA  
Phone: (317) 232-7862

**Status Update:**

Under the current WITS system, Gamblers Assistance and Forensic Fund providers are able to enter in services that have been provided to clients for reimbursement for one of these programs. The vouchers are uploaded from WITS into the PeopleSoft system for payment. While we are able to track the overall payments between the two systems by provider, there is no current mechanism in place that would allow us to track this at the detail line level. FSSA is currently working on changes to the interface to make this tracking available.

**Seriously Mentally Ill Program – Unsupported Allocation Basis**

Contact Person: Donna Rutherford  
Title of Contact: Controller - DMHA  
Phone: (317) 232-7862



Status Update:

Currently the allocation basis for the SMI program is based on an old allocation method, carried forward over the years as the Division researched a new allocation methodology. DMHA is currently in the process of revising their allocation process for the Community Mental Health Centers and are working to have this in place by SFY 2017. With this new allocation, there will be better process and basis of allocation documentation, which will provide the necessary audit trail for these payments.

**Reconciliation of Repayments Schedules to ICES**

Contact Person: Lynn Johnson  
Title of Contact: Director of Accounting Operations  
Phone: (317) 233-4725

Response to Comments:

The following steps have been taken in 2014 related to reconcile receipts applied to customers and reconcile individual claim balances. All processes are manual to date:

1. After conversion of ICES balances and payments to PeopleSoft the AR Team began a manual review to ensure that all transactions in PeopleSoft agree to the transactions in ICES.
  - a. Medicaid: 80% reviewed
  - b. SNAP: 95% reviewed
  - c. TANF: 70% reviewed.
  - d. In addition, 10-20% of all claims in both ICES and PeopleSoft are reviewed monthly.
2. Deposits processed in the AR System to claims that exist in both ICES and PeopleSoft are daily posted to PeopleSoft and then collected in an interface sent to ICES. A manual review of this daily file is done to ensure that it is processed in ICES.
3. ICES technical resources were not available in 2014 to create reports from the system to be used to do a month end balancing of claims between PeopleSoft and ICES. This is a 2015 objective. Reports are available from PeopleSoft.
4. Related to (c) above a special process needs to be designed to tag receipts in PeopleSoft that are manually entered in ICES because the claim should not and does not exist in PeopleSoft but does exist in ICES. Create a report of these claims and payments out of ICES. This is a 2015 objective.

Updated 2015 Plan:

- a. A plan has been created to address shortfalls within the ICES system. Upgrades to ICES (current and future versions) are underway to address the shortfalls and to create the files and reports

needed for balancing at the Claim (Federal Request) and Payment (Cash) levels. Testing is expected to start in the 4<sup>th</sup> quarter 2015.

- b. A plan to automate the balancing between PeopleSoft and ICES at the payment and total balance levels is being determined, awaiting the format of the new files.
- c. A report has been requested from ICES to identify receipts manually added to ICES where the claim has not yet qualified for collections in the PeopleSoft system.

Sincerely,

A handwritten signature in black ink, appearing to read 'Paul M. Bowling', written in a cursive style.

Paul M. Bowling  
FSSA Chief Financial Officer

**INDIANA STATE DEPARTMENT OF HEALTH**  
June 1, 2012 to December 31, 2014

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Commissioner	Gregory N. Larkin, MD	04-01-10 to 01-13-13
	William C. VanNess, MD	01-14-13 to 10-21-14
	Jerome M. Adams, MD, MPH	10-22-14 to 01-08-17

***DOCUMENT RETENTION***

Indiana State Department of Health (ISDH) management could not locate and present the following records for our review:

- Procurement Card monthly statements and reconcilements from June 2012 to March 2013, August 2013, September 2013, and January 2014.
- Procurement Card monthly reconcilment for December 2013.
- Travel Card monthly statements and reconcilements from June 2012 to March 2013, and also for August 2013.
- Travel Card monthly reconcilment for January 2014.
- A specific Procurement Card Invoice to support a \$795 claim from February 2013.
- Two invoices and associated contracts for our contracts disbursements testing.
- While the remaining invoices were presented for our contracts disbursements testing, management was unable to identify the contracts associated with three invoices.
- Special Disbursement Officer (SDO) bank statements and bank reconcilements for all months during the review period except those that were provided for October 2013 and November 2013.
- Original expenditure records for 8 out of the 10 refunds of expenditures chosen for testing to verify that refunds of expenditures were appropriate and accurately recorded in the State's accounting records.
- Receipts documentation for 13 of the 25 chosen for our receipts compliance testing. While some documentation was provided for four other receipts in our sample, ISDH management did not provide adequate documentation sufficient to trace the receipt to the deposit and batch accounting entry in the general ledger.

Due to the lack of documentation, the validity and accountability for some monies held, received, and disbursed by the ISDH could not be established.

## INDIANA STATE DEPARTMENT OF HEALTH

June 1, 2012 to December 31, 2014

(Continued)

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, etc., must be made available for audit to provide supporting information for the validity and accountability of monies received or disbursed. Documents must be filed in such a manner as to be readily retrievable or otherwise reasonably obtainable, upon request, during an audit. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview--General Guidelines and Policy, Section IV)

### ***LATE PAYMENT PENALTIES***

Auditor of State accounting records reflect late payment penalties paid to vendors and charged to accounts of the ISDH as a result of untimely payment of claims. Total penalties for calendar years 2013 and 2014 were \$6,998.97 and \$17,402.90, respectively. 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, good 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 Manual for State and Quasi Agencies, Chapter 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 Manual for State and Quasi Agencies, Organizational Overview--General Guidelines and Policy, Section IV)

### ***SPECIAL DISBURSEMENT OFFICER ACCOUNT***

The ISDH did not have adequate controls in place to ensure proper and timely closure of its Special Disbursement Officer (SDO) bank account. In November 2013, ISDH Management attempted to close the account by requesting the bank to issue a cashier's check to the ISDH for the balance of the account. However, based on the State's accounting records, the ISDH still had an SDO advance of \$25,000 as of December 31, 2014. We inquired of ISDH Management to learn why the account was still open as of that date. Following our inquiry, ISDH Management researched the issue and found that the cashier's check issued by the bank in November 2013 had not been deposited as of March 2015. ISDH Management worked with the bank to reissue the check to close the SDO bank account. As of July 2015, the Auditor of State's Office received and deposited the check, and the voucher for the remaining balance needed to close the account in full was processed and approved.

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 and Policy, Section IV)

**INDIANA STATE DEPARTMENT OF HEALTH**  
June 1, 2012 to December 31, 2014  
(Continued)

***INTERNAL CONTROLS OVER REVENUES***

We identified the following deficiencies in internal controls over revenues collected by the ISDH:

- The ISDH did not perform reconciliations of accountable items (i.e. licenses, permits, certificates, etc.) to collections received.
- Checks were not restrictively endorsed immediately upon receipt.
- At each cash collection point, only one employee opened the mail and posted the receipts to ISDH revenue records.
- For revenues collected at the Cashier's office, there were gaps in the sequential numbering of receipts posted to the accounting software resulting in a lack of accountability for the receipts at this location.

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 and Policy, Section IV)

Licenses, permits, goods for sale, invoices, etc., are considered accountable items for which a corresponding deposit must be made. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 4.3)

Checks should be restrictively endorsed with an endorsement stamp, immediately upon receipt. This should occur upon opening the mail or otherwise receiving the instrument. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 4.3)

Official receipts should be consecutively pre-numbered, whether paper or electronic. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 4.4)



**Michael R. Pence**  
Governor

**Jerome M. Adams, MD, MPH**  
State Health Commissioner

TO: Sommer Cannon  
State Auditor Director

FROM: Joseph Fistrovich  
Chief Financial Officer  
Indiana State Department of Health

DATE: August 10, 2015

RE: ISDH Audit Response

I. Document Retention

ISDH concurs with this finding. The Procurement Division has gone through significant personnel change and implementation of new procedures and establishment of performance metrics for each accountant have been built into performance evaluations. All statements and invoices for P-card and T-card from Chase are scanned and copied to the ISDH shared drive. Then payment is processed. The Accountant 1 for Travel has been charged with this task. The AP and Procurement Supervisor will periodically spot check to insure the scanning is being completed timely. All copies of invoices are copied to People Soft and attached to the accounts payable voucher which is tied to the purchase order. Invoices that containing HIPPA restricted information are not included in this methodology. Documentation stays with the Division which processed that payment and is there for inspection. The AP and Procurement Supervisor have been charged with periodically spot checking randomly selected AP vouchers for compliance.

II. Late Payment Penalties

ISDH concurs with this finding. The Supervisor of Accounts Payable and her supervisor the Operations Manager have been instructed to pull the People Soft query, AP008 monthly and follow up on each claim for payment in excess of 30 days. The CFO is scheduling biweekly meetings to monitor.

III. Special Disbursement Officer Account

Upon arrival into the job of CFO, I was made aware of this issue and was assured by the former Controller that the SDO account was being closed. During this Audit, ISDH was made aware that the issue had not been resolved after inquiries for documentation could not be found. ISDH Controller Diller and Operations Manager Rencher followed up and discovered that the check from the SDO holder, Chase Bank, had never been cashed. Chase reissued the check. The check was deposited with the Auditor of State and appropriate paperwork was filed to close Account.



IV. Internal Controls Over Revenue

ISDH concurs with this finding. This area of the Finance Division needs a great deal of attention moving forward. Immediate changes that were made: (1) Accounts Receivable moved under Controller's supervision. Fiscal team moved to Lab. Lead Accountant charged with identifying all revenue collected and points of entry for revenue coming into the lab. The process for revenue collections is immediately being reviewed and new processes will be put in place to insure effective internal controls are put in place. These internal controls will include a separation in duties between receiving and posting revenue collections, the immediate endorsement of checks, the use of financial systems that will prevent a deposit from being deleted, and the use of an accounts receivable system that will track the collection of receivable revenue.

**INDIANA BOARD OF TAX REVIEW**  
March 1, 2012 to December 31, 2014

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chairperson	Robert B. Wente	04-07-08 to 06-28-13
	(Vacant)	06-29-13 to 07-25-13
	Ted J. Holaday	07-26-13 to 01-01-16
Commissioner	Terry G. Duga	12-22-02 to 09-30-13
	Betsy J. Brand	12-22-02 to 01-01-17
	Jonathan R. Elrod	10-01-13 to 01-01-19

**There were no issues identified during this review that warranted written comment.**

**INDIANA DEPARTMENT OF ADMINISTRATION**  
February 1, 2014 to December 31, 2014

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Commissioner	Jessica Robertson	05-08-13 to 01-08-17

***INTERNAL CONTROL OVER REVENUE COLLECTIONS***

The Indiana Department of Administration's internal control structure over the collections of parking garage and cafeteria revenue was not adequate to ensure that the agency was in compliance with all guidelines for processing revenues. The deficiencies in internal control increase the risk that public funds collected could be lost or stolen, and that such losses or thefts would not be detected by management in a timely manner.

Effective July 1, 2015, the Indiana Department of Administration outsources parking facility management to a third party vendor via a Contract for Services. Although the contractor directs parking facility operations as of the date of this report, Indiana Department of Administration management retains responsibility for monitoring the contractor's compliance with the State's Accounting and Uniform Compliance Guidelines Manual, applicable state laws and policies, and contract provisions, and assessing the risks associated with noncompliance.

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 management's 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 and Policy, Section IV)

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 and Policy, Section IV)

***INFORMATION RETENTION AND ACCESS***

The Indiana Department of Administration did not properly file parking garage tickets to correspond to each day's receipts. In addition, inconsistencies were noted in the retention of parking garage tickets for patrons utilizing Indianapolis Colts club-level seating parking passes.

The Indiana Department of Administration outsources food service (government center cafeteria, coffee bar, and catering) sales to a third party vendor via a Contract for Services and earns a commission based upon sales. All documentation to support the actual amount of cafeteria sales, and hence, the commission received by the agency, were not readily available for inspection. For the two months selected

**INDIANA DEPARTMENT OF ADMINISTRATION**  
February 1, 2014 to December 31, 2014  
(Continued)

for testing, we were unable to confirm the accuracy and completeness of transaction-level sales amounts for the two government center coffee bars. In addition, bank deposit information was not provided for three days, and so the cash collected for those days could not be confirmed with regard to amount and timeliness of deposit.

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, etc., must be made available for audit to provide supporting information for the validity and accountability of monies received or disbursed. Documents must be filed in such a manner as to be readily retrievable or otherwise reasonably obtainable, upon request, during an audit. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview--General Guidelines and Policy, Section IV)

Public records, financial statement and information, and supporting information generated through the computer system must be maintained in a manner that will allow access for audit and public inquiry. Acceptable mechanisms include hardcopy, on equipment provided by the governmental unit, or via the Internet. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 14.3)

**CASH BOOK**

While the Indiana Department of Administration maintains a Cash Book, the agency does not maintain documentation evidencing the Cash Book is balanced daily.

In addition, inspection of the Cash Book revealed several gaps in the Encompass deposit ID sequence, signifying deposits that were not included in the Cash Book. Deposits not included in the cash book were for the sale of state surplus property.

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 each day."

**TRANSFER/DISPOSAL OF CAPITAL ASSETS**

The Indiana Department of Administration did not maintain documentation supporting the disposal of assets during the review period.

A test of 15 ENCOMPASS asset deletions indicated the following:

- Four asset disposals listed in ENCOMPASS as having been sent to State Surplus were not evidenced by a Form 13812, Notification of Surplus State-Owned Property, or other documentation from the agency.
- One asset disposal listed in ENCOMPASS as having been retired was not evidenced by supporting documentation from the agency.

Agency personnel are responsible for accountability for all assets under their control, including capital assets. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 8.3)

## **INDIANA DEPARTMENT OF ADMINISTRATION**

February 1, 2014 to December 31, 2014

(Continued)

All transfers, sales, retirements and other disposals of capital assets must be processed through and approved by State Surplus Property division of IDOA by submitting Form 13812, Notification of Surplus State-Owned Property. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 8.4)

### ***SDO ADVANCE***

The Indiana Department of Administration currently has three Special Disbursing Officer accounts. All of these funds had limited activity during the review period. LPN 4651 had no activity in 11 months. LPN 3405 and LPN 4655 had very limited activity and had not been totally reimbursed for 11 months, with LPN 3405 incurring monthly bank service fees of \$132 for the review period. 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, Chapter 6.4)

### ***SDO FUND RECONCILIATIONS***

The Indiana Department of Administration has not properly performed reconciliations of three of its SDO advances, Local Purchase Numbers (LPN) 4651, 3405, and 2293. On all three SDO advances, manual records provided for review do not reconcile to records on the State's Encompass financial accounting system. Expenses for LPN 4651 totaling \$1,598 incurred over a year ago have not been submitted for reimbursement. On LPN 3405, bank fees totaling \$636 incurred over many years have not been submitted for reimbursement. Expenses for LPN 3405 totaling \$661 incurred over a year ago have not been reimbursed. On LPN 2293, the bank account has been closed, but the fund per Encompass records is \$209.73 less than the amount needed to balance to the advance. The Indiana Department of Administration has identified the cause of the negative \$209.73 Encompass balance and is working with the Auditor of State's office and the Indiana Office of Technology to correct Encompass.

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, Chapter 6.4)

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 Manual for State and Quasi Agencies, Chapter 6.4)



# 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

November 23, 2015

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 December 31, 2014

Dear Mr. Joyce,

The Department of Administration appreciates your staff's review of our operation. It is always beneficial to have fresh eyes review our processes.

The majority of the findings centered on ensuring the Department of Administration has proper internal control over revenue collection for the Cafeteria vendor and Parking operations. The observations are noted and IDOA will reinforce the State's requirements for revenue collection and control with the cafeteria vendor and newly selected parking vendor.

The Department of Administration wishes to note that the auditors reviewed many aspects of the agency on a test basis and no deficiencies were found nor issues noted regarding the Procurement and Travel card transactions as well as use of rebates on state contracts.

Thank you for your team's review of our operation and the opportunity to respond.

Sincerely,

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

Jessica Robertson, Commissioner  
Indiana Department of Administration

**INDIANA DEPARTMENT OF EDUCATION**  
July 1, 2012 to December 31, 2014

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Superintendent of Public Instruction	Dr. Tony Bennett Glenda Ritz	07-01-12 to 01-18-13 01-19-13 to 01-08-17

***CAPITAL ASSET INVENTORY TO ENCOMPASS***

The capital asset inventory prepared by the Indiana Department of Education (DOE) did not agree with capital asset listing in Encompass Asset Management. The DOE is maintaining an external listing of all assets (capital and non-capital), but are not reconciling the external listing to Encompass. When comparing their listing to Encompass Asset Management, only 509 of the 1,396 assets from Encompass were found on DOE's asset listing. The assets not found are old missing assets that have not been taken out of service in Encompass Asset Management.

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, Chapter 8.4)



October 30, 2015

State Board of Accounts  
John Jacob, Audit Manager  
302 Washington Street, Room E418  
Indianapolis, IN 46204-2765

Dear Mr. Jacob:

The Indiana Department of Education (IDOE) provides the following response to the written comment identified in the compliance review conducted on capital asset inventory for the period July 1, 2012 to December 31, 2014.

WRITTEN COMMENT

I. CAPITAL ASSET INVENTORY TO ENCOMPASS

- The capital asset inventory prepared by the Indiana Department of Education (DOE) did not agree with capital asset listing in Encompass Asset Management. DOE is maintaining an external listing of all assets (capital and non-capital) but are not reconciling the external listing to Encompass. When comparing their listing to Encompass Asset Management, only 509 of the 1396 assets from Encompass were found on DOE's asset listing. The assets not found are old missing assets that have not been taken out of service in Encompass Asset Management.

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, Chapter 8.4)

RESPONSE AND CORRECTIVE ACTION: In July 2012 assets tied to the federal Perkins grant were transferred from the Indiana Department of Workforce Development to the IDOE. Many of the assets transferred had not been properly taken out of service prior to the asset transfer. Additionally, there were assets that were not disposed of properly during the migration to ENCOMPASS in 2009.

On July 1, 2015 and July 21, 2015, IDOE reached out via email to representatives from the Auditor of State (AoS) and the State Information Office of Technology (IOT) seeking guidance as to how to retire assets that do not fall within the categories available in ENCOMPASS. As of this time neither a response from AoS or IOT has been provided. IDOE will continue to reach out to AoS and IOT to receive such guidance. Once guidance is received, IDOE will properly retire the identified assets.

IDOE conducts an external annual inventory of all capital and non-capital assets. However, IDOE does not compare and reconcile the external inventory to ENCOMPASS. Effective FY 16 upon the completion of the external annual inventory, IDOE will compare and reconcile the external inventory to ENCOMPASS. Any discrepancies identified will be reconciled to ensure compliance with *Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 8.4*.

Please contact me if you have questions or if further information is needed.

Sincerely,

Beverly S. Flanagan  
Chief Financial Officer

**INDIANA DEPARTMENT OF ENVIRONMENTAL MANAGEMENT**

April 1, 2012 to December 31, 2014

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Commissioner	Thomas Easterly	01-10-05 to 01-08-17

***PROCUREMENT AND TRAVEL CARD DOCUMENTATION***

During our review of the Indiana Department of Environmental Management, we identified all 16 Procurement and all 23 Travel card statements, for the review period, had the following errors:

- 9 of the 16 Procurement card statements included 10 invoices on which sales tax was paid.
- 1 of the 23 Travel card statements had charges for nontravel related expenses and also contained two nontravel invoices on which sales tax was paid.
- 8 of the 16 Procurement card statements did not have evidence that the card approver reviewed the statement prior to payment.
- 22 of the 23 Travel card statements and 1 of the 16 Procurement card statements tested were missing some of the invoices needed to support the charge on the statement; therefore not all charges could be tested to ensure that sales tax was not paid or that the charge was allowable.

The State of Indiana is exempt from paying tax on commodities or services paid for by government funds. The cardholder is to receive a copy of the Agency's Sales Tax exempt form when they receive their card. From that point, the cardholder should indicate to the vendor at the time of purchase and/or provide the State Sales Tax exempt document to the merchant. (State of Indiana Procurement Card and Travel Card Agency Program Administrator and Cardholder User Manual, page 17)

All receipts and required documentation must be attached to each transaction within the PeopleSoft P/T Card module. This allows the Auditor's Office to complete a thorough audit prior to authorizing payment to J.P. Morgan Chase. If a receipt is lost the agency must complete SF#42275 (Missing Receipt Certificate) and attach it to the transaction within the PeopleSoft P/T Card module. (State of Indiana Procurement Card and Travel Card Agency Program Administrator and Cardholder User Manual, page 28)

The Travel Card Program is intended to prevent State Employee travelers from personally paying for the higher dollar expenses when traveling on State business. Consideration should be given to State of Indiana Travel Policies, Procedures, and Rules prior to the use of the card. All travel policies and procedures for approval must be completed prior to utilizing the Travel Card. The Travel Card is only intended for travel related expenses, which include: Airfare, Out-of-state car rental, Bus or train tickets, Conference registration fees, and Lodging plus applicable taxes/fees. (State of Indiana Procurement Card and Travel Card Agency Program Administrator and Cardholder User Manual, page 13)

IDOA requires that cardholders shall reconcile transactions within the PeopleSoft P/T Card module within 5 days of system notification and follow the Agency Business process as advised by the Agency Program Administrator. Prompt reconciliation within the module allows for timely payment to J.P. Morgan. (State of Indiana Procurement Card and Travel Card Agency Program Administrator and Cardholder User Manual, page 20)

## **INDIANA DEPARTMENT OF ENVIRONMENTAL MANAGEMENT**

April 1, 2012 to December 31, 2014

(Continued)

### ***ASSET DISPOSAL DOCUMENTATION***

Indiana Department of Environmental Management did not provide the correct supporting documentation for capital asset disposals. In our test, 10 of 15 assets tested did not have any supporting documentation to show they were properly disposed of. Only 2 of the 15 assets tested had the proper state surplus form completed for the disposal, another two asset disposals were to remove duplicates, and one disposal was to remove a non-capital asset. IDEM management was not able to provide any additional information for the 10 that did not have the proper documentation for disposal.

All transfers, sales, retirements and other disposals of capital assets must be processed through and approved by State Surplus Property division of IDOA by submitting Form 13812, Notification of Surplus State-Owned Property. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 8.4)

### ***SDO FUND RECONCILIATIONS***

The Indiana Department of Environmental Management has not performed the Special Disbursing Officer (SDO) check register to bank statement reconciliations for months May through December of 2014.

At least monthly, the following reconciliations must be performed for the SDO fund:

- Manually reconcile cleared checks from the monthly bank statement. If Automatic Reconciliation is used, reconcile checks cleared from imported bank file.
- Reconciliation of the ENCOMPASS check register to the bank balance.
- Reconciliation of the SDO LPN advance to the ENCOMPASS check register balance.
- If manual SDO checks are used, reconciliation of the SDO manual check register balance to the ENCOMPASS check register balance.

(Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 6.4)



## INDIANA DEPARTMENT OF ENVIRONMENTAL MANAGEMENT

*We Protect Hoosiers and Our Environment.*

*Michael R. Pence*  
Governor

*Thomas W. Easterly*  
Commissioner

100 North Senate Avenue  
Indianapolis, Indiana 46204  
(317) 232-8603  
Toll Free (800) 451-6027  
[www.idem.IN.gov](http://www.idem.IN.gov)

August 17, 2015

State Board of Accounts  
302 West Washington Street  
Room E418  
Indianapolis, IN 46204-2769

Dear State Board of Accounts:

In accordance with IC 5-11-5-1, the Indiana Department of Environmental Management (IDEM) would like to submit the following response to the Written Comments noted by the State Board of Accounts for procedures performed on the records of the Indiana Department of Environmental Management for the period of April 1, 2012, to December 31, 2014.

### **Procurement and Travel Card Documentation**

The review found some instances of sales tax being paid by the agency. Agency guidance is to reimburse agency employees for sales tax when appropriate. In the future, the agency will clearly document the justification for each instance of reimbursing sales tax to agency employees. The agency will also provide documentation for justification of each instance when the Agency Sales Tax Exception form is not accepted by a vendor and sales tax is required to be paid.

The review found that there was insufficient evidence of card approver review of statements prior to payment. The agency card approver reviewed each agency procurement card statement prior to sending for payment processing. No prior guidance was given to the agency on the expected form of approval documentation. As directed by State Board of Accounts, the agency card approver will now document the review by affixing a written initial on each statement prior to submitting for payment processing.

The review also found that our Travel Card statements were missing invoices needed for supporting documentation. The Agency Travel Card transactions occurring during the audit review period were processed by Carefree Travel. The agency was provided a copy of the approved G10 and a copy of the traveler's itinerary. State Board of Accounts has notified the agency that the G10 and the itinerary is not sufficient documentation; therefore the agency will now obtain a copy of the invoice noting the amount of the charges as backup documentation for each transaction on each Travel Card statement.

### **Asset Disposal Documentation**

The review found that some asset disposals were missing supporting documentation. The agency has been making efforts to clean up its asset inventory related to a time when the state did not track assets in PeopleSoft. IDEM currently maintains over 3,000 capital assets and performs a yearly audit of these assets. It has been brought to the agency's attention that there were a few items involved in the cleanup efforts with acquisition dates from 1997-2001 that did not have proper documentation for disposal. Because PeopleSoft does not allow for the attachment of electronic documents to the

asset in the system, IDEM will ensure that proper documentation for disposal is maintained in a paper file or in an electronic file held by the agency.

### **SDO Fund Reconciliation**

The review found that the agency was missing SDO bank account reconciliations for the period of May through December of 2014. IDEM performed bank reconciliations on the agency SDO bank account for the period of April 2012 through April 2014. In June of 2014, after the passing of a valued employee, we discovered that the agency was not receiving monthly bank statements. In an effort to avoid the fee charged by the bank for providing a statement, the agency worked with the Auditor's Office to obtain the bank statement copies at no cost to the agency. At the direction of the Auditor's Office, IDEM was required to update authorized users of the account and it took quite some time for the Auditor's office to obtain the needed statements for IDEM. Efforts are now being made to catch up on reconciliations and the agency will continue to perform monthly reconciliations going forward.

Thank you for the opportunity to provide a response to the written comments noted during the audit.

Sincerely,

A handwritten signature in black ink, appearing to read 'T. Easterly', with a long horizontal line extending to the right.

Thomas W. Easterly  
Commissioner

**INDIANA GAMING COMMISSION AND INDIANA DEPARTMENT OF GAMING RESEARCH**  
April 1, 2012 to December 31, 2014

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Ernest Yelton	04-01-12 to 05-31-15
	Sara Gonso Tait	06-01-15 to 01-08-17
Chairman	Timothy Murphy	04-01-12 to 03-20-13
	Matthew Bell	03-21-13 to 11-19-14
	Cristopher Johnston	11-20-14 to 09-30-17

***INCOMPLETE ANNUAL INVENTORY***

The Indiana Gaming Commission (IGC) provided documentation of an annual inventory completed during the review period. However, the documentation was incomplete and inadequately documented the annual inventory procedures conducted. Consequently, the documentation did not provide sufficient evidence that a reconciliation between the physical inventory and the master listing from the ENCOMPASS Asset Management system is being completed as part of the annual inventory procedures.

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, Chapter 8.4)

**INDIANA GAMING COMMISSION AND INDIANA DEPARTMENT OF GAMING RESEARCH**

April 1, 2012 to December 31, 2014

(Continued)

***INTERNAL CONTROLS OVER REVENUE***

Deficiencies in internal controls over revenues collected by the IGC were identified as described below:

Checks were not restrictively endorsed immediately upon receipt. Checks remained free of endorsement until processed for remittance to the Treasurer of State.

Deposits held overnight for remittance to the Treasurer of State on the next business day were improperly safeguarded. A lock box was used to secure deposits until proper remittance could be made to the Treasurer of State. However, the lock box was not in a secure location.

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, Section IV)

Checks should be restrictively endorsed with an endorsement stamp, immediately upon receipt. This would occur upon opening the mail or otherwise receiving the instrument (check). (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 4.3)

Safeguard the collections through locked drawers, cabinets or safes, particularly during breaks, lunchtime, and overnight. Cash receipts books, licenses, etc., should be inaccessible to unauthorized persons. (Accounting and Uniform Compliance Manual for State and Quasi Agencies, Chapter 4.3)

INDIANA GAMING COMMISSION



Sara Gonso Tait  
*Executive Director*

EAST TOWER, SUITE 1600  
101 W. WASHINGTON STREET  
INDIANAPOLIS, IN 46204-3408

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July 15, 2015

Paul Joyce, CPA  
State Examiner  
State Board of Accounts  
302 West Washington Street, Room E 418  
Indianapolis, Indiana 46204-2765

Dear Mr. Joyce,

Thank you for the opportunity to provide comments to the compliance review report issued to the Indiana Gaming Commission (IGC) by your team at State Board of Accounts (SBOA). Please accept this letter as our official response to the Communication of Agency Specific Comments dated July 8, 2015.

A portion of the comments relate to the handling of checks. At some point in the past year, agency mail delivery began occurring too late in the day to process checks. Previously, mail delivery occurred in the morning and our procedures were based upon deposit of revenue by 2:30 pm on the date received. Upon discussion of our revenue collection process with the SBOA auditors, we realized our procedures were out of sync with the new mail delivery time and immediately implemented revised procedures. Receipts are now held until the following morning for deposit processing, with immediate restrictive endorsing by the receptionist. Also, in response to feedback from your team, the lockbox used to store checks overnight is now further secured under second lock and key.

Again, thank you for the opportunity to provide comment. The professionalism and high level of competency displayed by the SBOA staff during this process has provided great support to the IGC in our continual efforts for compliance, accountability and transparency. If we may provide further information as part of this process, please let us know.

Sincerely,

Sara Gonso Tait  
Executive Director

**INDIANA DEPARTMENT OF REVENUE**

July 1, 2013 to December 31, 2014

**AGENCY OFFICIALS**

<u>Office</u>	<u>Official</u>	<u>Term</u>
Commissioner	Michael Alley Andrew Kossack	05-07-12 to 07-17-15 07-18-15 to 01-08-17

***INTERNAL CONTROLS OVER TAX REVENUES***

As communicated to State of Indiana management and Indiana Department of Revenue (DOR) Management during the SFY 2014 State of Indiana Comprehensive Annual Financial Report audit, the DOR has stand-alone custom taxpayer account systems, spreadsheets and databases that were developed over time to support the core tax processes at the DOR. The DOR's Revenue Processing System (RPS) processes the majority of tax returns collected, refunds issued, and adjustments to taxpayer accounts, but other stand-alone taxpayer account systems and databases are used by the DOR to support tax types not maintained in the RPS. The DOR posts tax revenue receipts to the State of Indiana's (State) ENCOMPASS financial accounting system based upon bank reports and other related deposit receipt information. At the time of posting the receipts to ENCOMPASS, the DOR performs daily reconciliations between the RPS, the bank, and ENCOMPASS for deposits. The DOR did not consistently perform adequate monthly reconciliations between these taxpayer account systems and ENCOMPASS to ensure that all tax revenue transactions, including refunds and adjustments subsequently posted to taxpayer accounts were also properly posted to ENCOMPASS.

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 and Policy, Section IV)

System controls are in effect on the ENCOMPASS financial accounting system, which is the official book of record for the State; however, each agency is responsible for controls in any subsidiary systems used or other records maintained. At all times, the agency's manual and subsidiary ledgers should reconcile with ENCOMPASS. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview--General Guidelines and Policy, Section IV)

***UNIDENTIFIED CHECKS***

The DOR's internal controls over the processing of unidentified checks were not adequate to ensure that the agency was in compliance with all guidelines for processing revenues. The deficiencies in internal controls increase the risk that revenues will not be reported timely and accurately within the State's accounting system.

**INDIANA DEPARTMENT OF REVENUE**  
July 1, 2013 to December 31, 2014  
(Continued)

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 and Policy, Section IV)

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 and Policy, Section IV)

***INTERNAL CONTROLS OVER CHANGES TO TAXPAYER ACCOUNT SYSTEMS***

The DOR's internal controls over changes to the taxpayer account systems were not adequate to ensure compliance was being maintained. Deficiencies in internal controls increase the risk that discrepancies or fraud could be undetected. We will follow up on this issue during our audit of the SFY 2015 State of Indiana Comprehensive Annual Financial Report.

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 and Policy, Section IV)

Controls over the receipting, 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 and Policy, Section IV)

The computerized accounting system must maintain electronic audit trails sufficient to trace all transactions from the original source of entry into the system, through all system processing, though various levels of summarizations, and to the results produced by the system. The audit trails must also maintain sufficient information to trace all transactions from the final results produced by the system, through all system processing and summarizations, and to the original source of entry into the system. Audit trails must also identify the user that processed the transaction or updated the information. These audit trails must be protected from modification and deletion. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 14.3)



# STATE OF INDIANA

## DEPARTMENT OF REVENUE OFFICE OF THE COMMISSIONER

Indiana Government Center North  
100 North Senate Avenue, Room N248  
Indianapolis, Indiana 46204-2253

October 21, 2015

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

### Indiana Department of Revenue Official Response To 2014 Indiana State Board of Accounts Compliance Audit Findings

The SBOA's concerns expressed within the compliance review regarding the internal controls over tax receipts are similar to some of the issues brought forth in an audit conducted by Deloitte & Touche during late 2012. The Indiana Department of Revenue (IDOR) has incorporated these findings and recommendations into a formal comprehensive project plan and has continued to implement this plan to improve our capability and accuracy in properly accounting for receipt and disbursement of revenues. As of October 2015, IDOR has completed projects to address more than 75% of the Deloitte & Touche audit findings. The Agency has successfully retired or remediated 85% of targeted standalone applications.

In August 2015, IDOR completed a multi-phase project to improve its traceability and recording of transactions from point of origin to the State's ENCOMPASS financial accounting system. This systematic transfer of payment data between the Revenue Processing System (RPS) and Revenue Premiere System (RPE) to ENCOMPASS reduces the risk of error due to multiple manual transfers of data. Reconciliation controls are also continuing to be enhanced and incorporated into an Agency compliance program that will monitor the operating effectiveness of related processes and controls on a scheduled basis.

There have also been significant improvements to security/change management since December 2014. Further changes will be implemented to improve the internal controls when the Agency transitions to a modern integrated tax system. The legislature appropriated \$2M in FY2016 and FY2017 to conduct a broader integrated tax system feasibility study and to continue the system modernization efforts for all of the tax types administered by the Department. Effective internal controls over changes to the

"Equal Opportunity Employer"

taxpayer account systems are a priority consideration for the new integrated tax system that the Agency plans to implement.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew J. Kossack". The signature is fluid and cursive, with a large initial "A" and "K".

Andrew J. Kossack

Commissioner

A handwritten signature in black ink, appearing to read "Valerie Hunt". The signature is cursive and elegant.

Valerie Hunt

Chief Financial Officer

**INDIANA DEPARTMENT OF TRANSPORTATION**  
May 1, 2012 to December 31, 2014

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Commissioner	Michael Cline	06-14-10 to 06-29-13
	Brandye Hendrickson (Interim)	06-30-13 to 08-15-13
	Karl B. Browning	08-16-13 to 04-22-15
	Brandye Hendrickson	04-23-15 to 01-08-17

**There were no issues identified during this review that warranted written comment.**

**INDIANA HISTORICAL BUREAU**  
April 1, 2012 to December 31, 2014

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Pam Bennett	07-01-13 to 12-31-15

**There were no issues identified during this review that warranted written comment.**

**INDIANA PROFESSIONAL LICENSING AGENCY**

April 1, 2012 to December 31, 2014

**AGENCY OFFICIALS**

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Frances Kelly Virgil Madden Nicholas Rhoad	03-14-05 to 01-11-13 01-14-13 to 06-14-13 06-17-13 to 01-08-17

***LATE PAYMENT PENALTIES***

The Indiana Professional Licensing Agency (PLA) paid late payment penalties to various vendors as a result of untimely payment of claims. This resulted in fees of \$2,673.39 for calendar year 2013 and \$4,770.39 for calendar year 2014. These penalties are an unnecessary use of public funds.

Indiana Code 5-17-5-1(a) 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 Manual for State and Quasi Agencies, Chapter 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 Manual for State and Quasi Agencies, Organizational Overview - General Guidelines and Policy, Section IV)

***CAPITAL ASSET INVENTORY TO ENCOMPASS***

The capital asset inventory prepared by the PLA did not agree with capital asset listing in Encompass Asset Management. The PLA is maintaining an external listing of all assets (capital and non-capital) but are not reconciling the external listing to Encompass. When comparing their listing to Encompass Asset Management, only 71 of the 117 assets from Encompass were found on PLA's asset listing. Also, an annual physical inventory of assets owned was not conducted for 2013.

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, Chapter 8.4)

**Professional Licensing Agency**  
402 West Washington Street  
Room W072  
Indianapolis, Indiana 46204



**Michael R. Pence**  
*Governor of Indiana*  
**Nicholas W. Rhoad**  
*PLA Executive Director*

August 19, 2015

State Board of Accounts  
302 W. Washington Street  
Room E 418  
Indianapolis, IN 46204-2765

Re: Official Response

To Whom It May Concern,

The Indiana Professional Licensing Agency wishes to thank the State Board of Accounts for your diligent evaluation of our accounting measures. The Field Examiners were helpful in making meaningful recommendations that have already been implemented and we will continue to evaluate our internal accounting processes to eliminate late payment penalties going forward. In doing so, we strive to eliminate any additional payments.

A capital asset inventory will be completed in December 2015 and each subsequent December thereafter and will be evaluated using the capital asset listing in Encompass Asset Management. We will reconcile the listing so as to identify any unused or obsolete assets in accordance with Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, thus accurately reporting agency assets.

The Indiana Professional Licensing Agency welcomes the opportunity for the State Board of Accounts to evaluate our accounting management processes and for any recommendations. We look forward to additional interaction.

Very truly yours,

A handwritten signature in black ink that reads "Nicholas W. Rhoad". The signature is written in a cursive style with a large, stylized "N" and "R".

Nicholas W. Rhoad  
Executive Director  
Indiana Professional Licensing Agency

**INDIANA SECRETARY OF STATE**  
March 16, 2012 to December 31, 2014

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Secretary of State of Indiana	Connie Lawson	03-16-12 to 12-31-18

**There were no issues identified during this review that warranted written comment.**

**INDIANA STATE LIBRARY**  
April 1, 2012 to December 31, 2014

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
State Librarian	Roberta Brooker	04-01-12 to 12-28-13
	Connie Bruder (Interim)	12-29-13 to 08-25-14
	Jacob Speer	08-26-14 to 06-30-16

***INTERNAL CONTROLS OVER REVENUE***

Deficiencies in internal controls over revenues collected by the Indiana State Library (ISL) were identified as described below:

- Checks were not restrictively endorsed immediately upon receipt. Checks remained free of endorsement until processed for remittance to the Treasurer of State.
- Receipts were not issued for all money received. Amounts reported on the Reports of Collection could not be traced back to an individual receipt issued to the payer.
- A cash receipts journal was utilized by the agency; however, it did not contain all of the necessary elements. Since receipts were not issued for all monetary collections, the Cash Receipts Journal did not list revenue transactions by receipt number. Additionally, the Cash Receipts Journal did not separately classify revenue by cash and checks.

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, Section IV)

Checks should be restrictively endorsed with an endorsement stamp, immediately upon receipt. This would occur upon opening the mail or otherwise receiving the instrument (check). (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 4.3)

Some type of receipting method must be utilized for all money received. If the volume is not extremely high, the simplest and most effective method is to issue an official receipt (either prescribed or approved by the Indiana State Board of Accounts) to each person paying in money to the state agency.

For a greater volume of collections, the State Board of Accounts may approve a substitute method of accounting for the revenue - cash registers, the validating of documents, the use of data processing cash listings, etc. Any system other than the issuance of prescribed cash receipt forms must have the State Board of Accounts approval.

Official receipts should be consecutively prenumbered, whether paper or electronic. If a paper form, the agency clerk must complete in ink the date, entity or person submitting payment, description, and indication of the form of payment. Official receipt forms have three copies, the original for the payer, the second copy to be retained with the agency's ROC, and the third copy to remain intact in the receipt book.

**INDIANA STATE LIBRARY**  
April 1, 2012 to December 31, 2014  
(Continued)

All three copies of a voided receipt must remain intact in the receipt book. These may be stapled together. All copies must be defaced. If an electronic receipt system is used, voided receipt numbers must not be used for subsequent receipts.

Regardless of the receipting method, the agency should always be able to trace an individual receipt from a payer to the corresponding Report of Collection. If no receipts on file, agency must maintain either a copy of the check or note details from the check with their copy of the ROC. In the event of a lost deposit by the bank or carriers, it will be the agency's responsibility to contact the payers and recreate the deposit. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 4.4)

If money is received on a regular basis, some type of Cash Book (paper or electronic) is required (See 4.1.2). This Cash Book must list the revenue by classification and amount in detail. Noting cash and checks separately is helpful for reconciliation to the final Report of Collection. The Cash Book may include the receipt number or daily summaries from a source document or data processing listing. The amount deposited with the Treasurer of State and the corresponding ENCOMPASS Deposit ID must also be shown on the Cash Book. The process of issuing a receipt and posting the cash receipts journal can be incorporated into one function. Only actual collections of money, whether it be cash, check or money orders, must be included in the Cash Book. This is a method of assuring that these monies reconcile with the actual deposits with the TOS. Corrections, wire transfers and other bank to bank transfers wouldn't be necessary to include, as no one in the agency actually receives money in these cases.

Since there is no standard cash book (also referred to as a cash receipts journal) prescribed for state agencies, all types of internal cash books or journals must be approved in writing by the State Board of Accounts. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 4.4)

### ***INCOMPLETE ANNUAL INVENTORY***

The ISL provided documentation of an annual inventory completed during the review period. However, the documentation was incomplete.

- The documentation did not contain asset IDs and/or serial numbers for all assets listed or the asset purchase date.
- The documentation did not list the cost of the assets; therefore, we were unable to determine which items were considered capital assets.
- The documentation stated that an annual inventory was completed in the fall of 2013, but it did not indicate a specific date when the inventory was performed.
- Consequently, the documentation did not provide sufficient evidence that a reconciliation between the physical inventory and the master listing from the ENCOMPASS Asset Management system is being completed as part of the annual inventory procedures.

We attempted to perform a reconciliation between the documentation submitted by the ISL and the data contained in the ENCOMPASS Asset Management System. Of the 577 items contained in the ENCOMPASS Asset Management System, 456 items were not located on the documentation submitted by the ISL.

**INDIANA STATE LIBRARY**  
April 1, 2012 to December 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, Chapter 8.4)

***TRAVEL CARD - MONTHLY RECONCILIATIONS***

The ISL did not document monthly reconciliations between travel card invoices or receipts and the monthly J.P. Morgan Chase statement. Per agency officials, a reconciliation is done to compare the supporting documentation, G10 (out of state), travel statement, and expense report prior to approving each item, however, documentation of the reconciliation was not provided for review.

Cardholders are required to reconcile transactions in the PeopleSoft P/T Card module proactively throughout the billing period. Monthly statements should still be reviewed. (State of Indiana Procurement Card and Travel Card Program Agency Program Administrator and Cardholder User Manual, page 19)



## STATE OF INDIANA

Michael R. Pence, *Governor*

Jacob Speer, *State Librarian*

**INDIANA STATE LIBRARY**  
140 N. Senate Avenue  
Indianapolis, IN 46204  
Phone: (317) 232-3675  
Fax: (317) 232-0002

September 16, 2015

**In response to the travel card-monthly reconciliations item in the audit:**

The Indiana State Library reconciliations for travel card payments are performed immediately once staff have returned from their trip(s). The supporting documentation is uploaded into PeopleSoft by staff or travel coordinator. The chart fields and supporting documentation are verified by the financial staff. The procurement credit card transactions are reconciled against the monthly credit card statement and any discrepancies are resolved immediately. Our credit card statement did not reflect checkmarks or some such marking does not solidify a reconciliation was not completed. There is no policy stating your bank statement has to reflect having markings in order to justify a reconciliation was performed. Missing supporting documentation would justify a reconciliation was not complete or if proper forms were not completed.

Sincerely,

Jacob Speer

**INDIANA TREASURER OF STATE**  
July 1, 2013 to June 30, 2014

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer of State	Richard Mourdock	02-10-07 to 08-29-14
	Daniel Huges	08-30-14 to 11-17-14
	Kelly Mitchell	11-18-14 to 12-31-18

**There were no issues identified during this review that warranted written comment.**

**INDIANA WAR MEMORIALS COMMISSION**

April 1, 2011 to December 31, 2014

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	General J. Stewart Goodwin	03-07-05 to 01-08-17

***CAPITAL ASSET INVENTORY***

The capital asset inventory of the War Memorial Commission (WMC) was not complete as to additions and retirements. One of the asset additions was actually a performance of a service and should not have coded as \$1,400 for equipment. Of the 15 retirements tested, 6 items could not be located and paperwork from surplus could not be located, and four items were still in-service at the War Memorial Commission.

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 Agencies and Quasi Agencies, Chapter 8.4)

***RECEIPT ISSUANCE/CASH RECEIPT JOURNAL***

During our review of the WMC cash receipt book, we identified the following concerns:

- Blank receipts that had not been written or defaced were located in the midst of receipts that were written.
- Five receipts were identified where all three copies were missing from the receipt book.
- The WMC did not keep a complete cash receipts journal. The cash receipts log that was kept did not include the ENCOMPASS Deposit ID. Additionally, the cash log was not being reconciled to ENCOMPASS.
- For 13 of the 40 receipts tested for the WMC, a proper receipting method was not used. For nine of the thirteen, an electronic receipt was issued, but was not numbered. For the remaining four receipts, no receipt was issued.

## **INDIANA WAR MEMORIALS COMMISSION**

April 1, 2011 to December 31, 2014

(Continued)

All three copies of a voided receipt must remain intact in the receipt book. These may be stapled together. All copies must be defaced. If an electronic receipt system is used, voided receipt numbers must not be used for subsequent receipts. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 4.4)

If money is received on a regular basis, some type of cash book (paper or electronic) is required (See 4.1.2). This cash book must list the revenue by classification and amount in detail. Noting cash and checks separately is helpful for reconciliation to the final Report of Collection. The cash book may include the receipt number or daily summaries from a source document or data processing listing. The amount deposited with the Treasurer of State and the corresponding ENCOMPASS Deposit ID must also be shown on the cash book. The process of issuing a receipt and posting the cash receipts journal can be incorporated into one function. Only actual collections of money, whether it be cash, check, or money orders, must be included in the cash book. This is a method of assuring that these monies reconcile with the actual deposits with the TOS. Corrections, wire transfers and other bank to bank transfers wouldn't be necessary to include, as no one in the agency actually receives money in these cases. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 4.4)

Reconcile deposits with the cash receipts journal (cash book) to assure that all funds received were deposited. It is recommended that this be reconciled daily as approved ROCs are returned to the agency. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 4.4)

Some type of receipting method must be utilized for all money received. If the volume is not extremely high, the simplest and most effective method is to issue an official receipt (either prescribed or approved by the State Board of Accounts) to each person paying in money to the state agency. . . . Official receipts should be consecutively pre-numbered, whether paper or electronic. If a paper form, the agency clerk must complete in ink the date, entity or person submitting payment, description, and indication of the form of payment. Official receipt forms have three copies, the original for the payer, the second copy to be retained with the agency's ROC, and the third copy to remain intact in the receipt book. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 4.4)



STATE OF INDIANA

Michael R. Pence  
Governor

STATE BUDGET AGENCY

212 State House  
Indianapolis, Indiana 46204-2796  
317-232-5610

Brian E. Bailey  
Director

November 2, 2015

Paul Joyce  
State Board of Accounts  
302 West Washington Street, Room E 418  
Indianapolis, IN 46204-2765

OFFICIAL RESPONSE

Dear Mr. Joyce,

Please find the Indiana War Memorial (IWM) Commission’s official response to the State Board of Account’s compliance review covering the time period between April 1, 2012 to December 31, 2014. During this time period, State Budget Agency (SBA) Centralized Accounting performed accounting functions for IWM. The issues identified during the review include the following:

- Incomplete capital asset inventory with respect to additions and retirements
- Inadequate recording of deposits in the cash book

Efforts will be made by IWM and SBA to retain proper surplus forms when assets valued at \$500 or more are disposed of, and to properly record assets within the ENCOMPASS system. SBA has an individual whose responsibility is to monitor the assets and make sure that a physical inventory properly captures the status of fixed assets for OEA.

IWM will keep account of receipts in the receipt book. The SBA will provide the Report of Collections to IWM with supporting documentation as revenue is received, so that the deposit id may be recorded in IWM’s cash book. If no revenue is received for the month, SBA will notify IWM that no revenue has been received for the month.

IWM and SBA will also work collaboratively to ensure that revenue is deposited with the Treasurer of State no later than the next business day following receipt of funds.

Sincerely,

General Stewart Goodwin  
Indiana War Memorial

Deanna J. Oware  
State Budget Agency

November 2, 2015

**INTEGRATED PUBLIC SAFETY COMMISSION**  
April 1, 2012 to December 31, 2014

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	David Vice	01-06-04 to 06-30-17

**There were no issues identified during this review that warranted written comment.**

**OFFICE OF ENVIRONMENTAL ADJUDICATION**  
March 1, 2012 to December 31, 2014

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Mary Davidsen	09-09-03 to 01-08-17

***INTERNAL CONTROL OVER REVENUE COLLECTIONS***

The following deficiencies in the revenue collections' internal control structure were identified:

- Checks are not restrictively endorsed immediately upon receipt.
- Duties are not sufficiently segregated. The Office of Environmental Adjudication (OEA) employees responsible for collecting public funds and preparing official receipts are also responsible for recording the receipts in the Cash Book and delivering the receipts to the State Budget Agency (SBA) for deposit.
- Activity per the OEA's receipt book is not reconciled to activity per OEA's Cash Book. The receipt book included one check that was not recorded in the Cash Book, and the Cash Book included one check that was not recorded in the receipt book.
- The OEA's receipt book also reflects activity for another agency. Of the book's 16 total receipts recorded for both agencies, 8 receipts did not clearly delineate the agency for which the funds were collected, increasing the risk of improper fund classification in ENCOMPASS.
- The OEA maintains a Cash Book to record collections of copies and report fees; however, the Cash Book does not contain the corresponding ENCOMPASS Deposit IDs.
- Activity per the OEA's Cash Book is not reconciled to deposits made with the Treasurer of State (TOS) per ENCOMPASS. Of the nine receipts recorded by the OEA, two receipts totaling \$81.80 were not deposited with the TOS. The OEA was unaware there were un-deposited funds.
- Receipts for copies and report fees were not consistently deposited within the following business day. Of the nine receipts tested for the period March 1, 2012 to December 31, 2014, four were deposited two business days after receipt and one was deposited 20 business days after receipt. When receipts are not deposited timely, the possibility that funds may be misplaced or stolen increases. The agency outsources its accounting functions to the SBA's centralized accounting services division via a Memorandum of Understanding. Prior to deposit with the TOS, public funds collected must pass through both the OEA and the SBA's centralized accounting staff, thus necessitating stricter procedures for ensuring timely deposits as required by state law.

Checks should be restrictively endorsed with an endorsement stamp immediately upon receipt. This would occur upon opening the mail or otherwise receiving the instrument (check).

## **OFFICE OF ENVIRONMENTAL ADJUDICATION**

March 1, 2012 to December 31, 2014

(Continued)

Considering the materiality of collections and the size of the agency, a complete listing of collections received should be made by a person independent of the duties of processing the receipts or making deposits.

Receipts should be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. Licenses, permits, etc., should be issued timely.

Collections and other accountable items should be reconciled to the bank statements and the agency's cash book. There is no authority for an agency to maintain an "over" or "short" fund.

The duties of collecting monies, processing the receipt, license, permit, etc., preparing and making deposits, and performing reconciliations should be segregated to the fullest extent possible considering the size of the agency and the materiality of collections. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 4.3)

Each agency is responsible for establishing procedures to attain a high level of accountability for funds collected and for ensuring that these funds are deposited with the Treasurer of State, or other approved depository, in accordance with state statute.

Regardless of the receipting method, the agency should always be able to trace an individual receipt from a payer to the corresponding Report of Collection. If no receipts on file, agency must maintain either a copy of the check or note details from the check with their copy of the ROC. In the event of a lost deposit by the bank or carriers, it will be the agency's responsibility to contact the payers and recreate the deposit.

The amount deposited with the Treasurer of State and the corresponding ENCOMPASS Deposit ID must also be shown on the cash book.

Reconcile deposits with the cash receipts journal (cash book) to assure that all funds received were deposited. It is recommended that this be reconciled daily as approved ROCs are returned to the agency. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 4.4)

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 management's 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 and Policy, Section IV)

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."

### ***DISBURSEMENT DOCUMENTATION***

During our review of the OEA, we identified four out of five travel card disbursements tested did not contain adequate supporting documentation.

**OFFICE OF ENVIRONMENTAL ADJUDICATION**

March 1, 2012 to December 31, 2014

(Continued)

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, etc., must be made available for audit to provide supporting information for the validity and accountability of monies received or disbursed. Documents must be filed in such a manner as to be readily retrievable or otherwise reasonably obtainable, upon request, during an audit. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview – General Guidelines and Policy, Section IV)

***TRANSFER/DISPOSAL OF CAPITAL ASSETS***

The OEA did not maintain documentation supporting the disposal of assets during the review period.

A test of four ENCOMPASS asset deletions, which was 100 percent of the asset deletions, indicated the following:

- One asset disposal listed in ENCOMPASS as having been sent to State Surplus was not evidenced by a Form 13812, Notification of Surplus State-Owned Property, or other documentation.
- The remaining three asset disposals listed in ENCOMPASS as having been traded for another asset, were not evidenced by supporting documentation from the agency. Based upon an inspection of serial numbers, the Indiana Office of Technology (IOT) did confirm that two of these three assets were dropped off at the IOT dispatch center for the proper securing and removal of electronic data from the devices. Identifying agency asset tags were not attached to the two assets upon their disposal.

Agency personnel are responsible for accountability for all assets under their control, including capital assets. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 8.3)

All transfers, sales, retirements and other disposals of capital assets must be processed through and approved by State Surplus Property division of IDOA by submitting Form 13812, Notification of Surplus State-Owned Property. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 8.4)



# STATE OF INDIANA

Michael R. Pence  
Governor

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## STATE BUDGET AGENCY

212 State House  
Indianapolis, Indiana 46204-2796  
317-232-5610

Brian E. Bailey  
Director

October 27, 2015

Paul Joyce  
State Board of Accounts  
302 West Washington Street, Room E 418  
Indianapolis, IN 46204-2765

### OFFICIAL RESPONSE

Dear Mr. Joyce,

Please find the Office of Environmental Adjudication's official response to the State Board of Account's compliance review covering the time period between March 1, 2012 to December 31, 2014. During this time period, State Budget Agency (SBA) Centralized Accounting performed accounting functions for OEA. The issues identified during the review include the following:

- Deficiencies with internal controls for revenue collections
- Inadequate disbursement documentation for travel credit card
- Improper documentation for transfer and disposal of capital assets

Going forward all checks received will be endorsed upon receipt by an OEA employee. An OEA employee will provide a date and time stamp for all checks received, and record this information in the cash book. A separate OEA employee will then deliver the revenue to SBA for deposit. Should OEA not have anyone in the office that can deliver the revenue to SBA, OEA will contact SBA for assistance in collecting the revenue.

Additionally, the SBA will provide the Report of Collections to OEA with supporting documentation as revenue is received, so that the deposit id may be recorded in OEA's cash book. If no revenue is received for the month, SBA will notify OEA that no revenue has been received for the month.

OEA and SBA will also work collaboratively to ensure that revenue is deposited with the Treasurer of State no later than the next business day following receipt of funds.

Since launching the Procurement and Travel Card module in PeopleSoft Financials, the Auditor of State's Office requires sufficient documentation before travel card bills may be paid. Specifically, the Auditor's Office requires proper receipts/invoices and travel authorization

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October 29, 2015

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forms before paying credit card bills. This requirement should eliminate any issues with inadequate disbursement documentation in the future.

OEA followed IOT's instructions with respect to disposal of the assets in question. Going forward, efforts will be made by OEA and SBA to retain proper surplus forms when assets valued at \$500 or more are disposed of, and to properly record assets within the ENCOMPASS system. SBA has an individual whose responsibility is to monitor the assets and make sure that a physical inventory properly captures the status of fixed assets for OEA.

Sincerely,



Mary Davidsen, Director OEA  
Chief Environmental Law Judge



Deanna J. Oware, Deputy Budget Director  
State Budget Agency

**OFFICE OF MANAGEMENT AND BUDGET**  
July 1, 2012 to December 31, 2014

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Adam Horst	01-20-12 to 01-13-13
	Christopher Atkins	01-14-13 to 06-26-15
	Micah Vincent	06-27-15 to 01-08-17

**There were no issues identified during this review that warranted written comment.**

**OFFICE OF THE INSPECTOR GENERAL**

March 1, 2012 to December 31, 2014

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Inspector General	David Thomas Cynthia Carrasco	01-10-05 to 01-10-15 01-11-15 to 01-08-17

**There were no issues identified during this review that warranted written comment.**

**OFFICE OF UTILITY CONSUMER COUNSELOR**  
June 1, 2012 to December 31, 2014

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Indiana Utility Consumer Counselor	A. David Stippler	01-14-13 to 01-08-17

**There were no issues identified during this review that warranted written comment.**

**STATE BUDGET AGENCY**  
July 1, 2012 to December 31, 2014

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Adam Horst	09-17-10 to 01-13-13
	Christopher Atkins	01-14-13 to 07-14-13
	Brian Bailey	07-15-13 to 01-08-17

***FIXED ASSET INVENTORY AND TRANSFER/DISPOSAL OF CAPITAL ASSETS***

The most recent fixed asset inventory of the State Budget Agency was not accurate as to retirements, and the agency did not maintain documentation supporting the disposal of assets during the review period.

A test of 15 ENCOMPASS asset deletions indicated the following:

- Seven assets were in-service and incorrectly recorded as disposals in ENCOMPASS.
- Seven asset disposals were not evidenced by a Form 13812, Notification of Surplus State-Owned Property or other documentation.

The State of Indiana requires that assets costing \$500 and over are included in the ENCOMPASS financial system, thus available for inclusion in the financial statements. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 8.2)

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. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 8.3)

All transfers, sales, retirements and other disposals of capital assets must be processed through and approved by State Surplus Property division of IDOA by submitting Form 13812, Notification of Surplus State-Owned Property. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 8.4)



# STATE OF INDIANA

Michael R. Pence  
Governor

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## STATE BUDGET AGENCY

212 State House  
Indianapolis, Indiana 46204-2796  
317-232-5610

Brian E. Bailey  
Director

October 27, 2015

Paul Joyce, CPA  
State Board of Accounts  
302 West Washington Street, Room E 418  
Indianapolis, IN 46204-2765

### OFFICIAL RESPONSE

Dear Mr. Joyce,

Please find the Indiana State Budget Agency's official response to the State Board of Account's compliance review covering the time period between July 1, 2012 to December 31, 2014. The particular item in question relates to the fixed asset inventory for the agency. Specifically, a test of 15 ENCOMPASS assets deletions indicated the following:

- Seven assets were in-service and incorrectly recorded as disposals in ENCOMPASS.
- Seven asset disposals were not evidenced by a Form 13812, Notification of Surplus State-Owned Property or other documentation.

The seven assets that were in-service and incorrectly recorded as disposals are software licenses for the state's budgeting system. Three of these licenses were valued below \$500. All seven items have been coded correctly in ENCOMPASS, and they were not ever misplaced within the agency.

Three of seven assets that were disposed of, but for which Form 13812 could not be located were work stations that were disposed of when office cubicles were rearranged for conference space. SBA received confirmation from Brian Renner of the Indiana Department of Administration that these work stations were of no value, and were not salvageable, therefore, a surplus form was not completed.

Going forward, efforts will be made by the SBA to retain proper surplus forms when assets valued at \$500 or more are disposed of, and to properly record assets within the ENCOMPASS system. The agency has also hired an individual whose responsibility is to monitor the assets and make sure that a physical inventory properly captures the status of fixed assets for our business unit.

Sincerely,

Deanna J. Oware, Deputy Budget Director  
State Budget Agency

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October 27, 2015