

# INDIANA STATE BOARD OF ACCOUNTS

PRESENTATION TO THE  
HOUSE WAYS AND MEANS COMMITTEE

January 20, 2015

STATE EXAMINER

Paul D. Joyce CPA

DEPUTY STATE EXAMINER

Mike H. Bozymski CPA

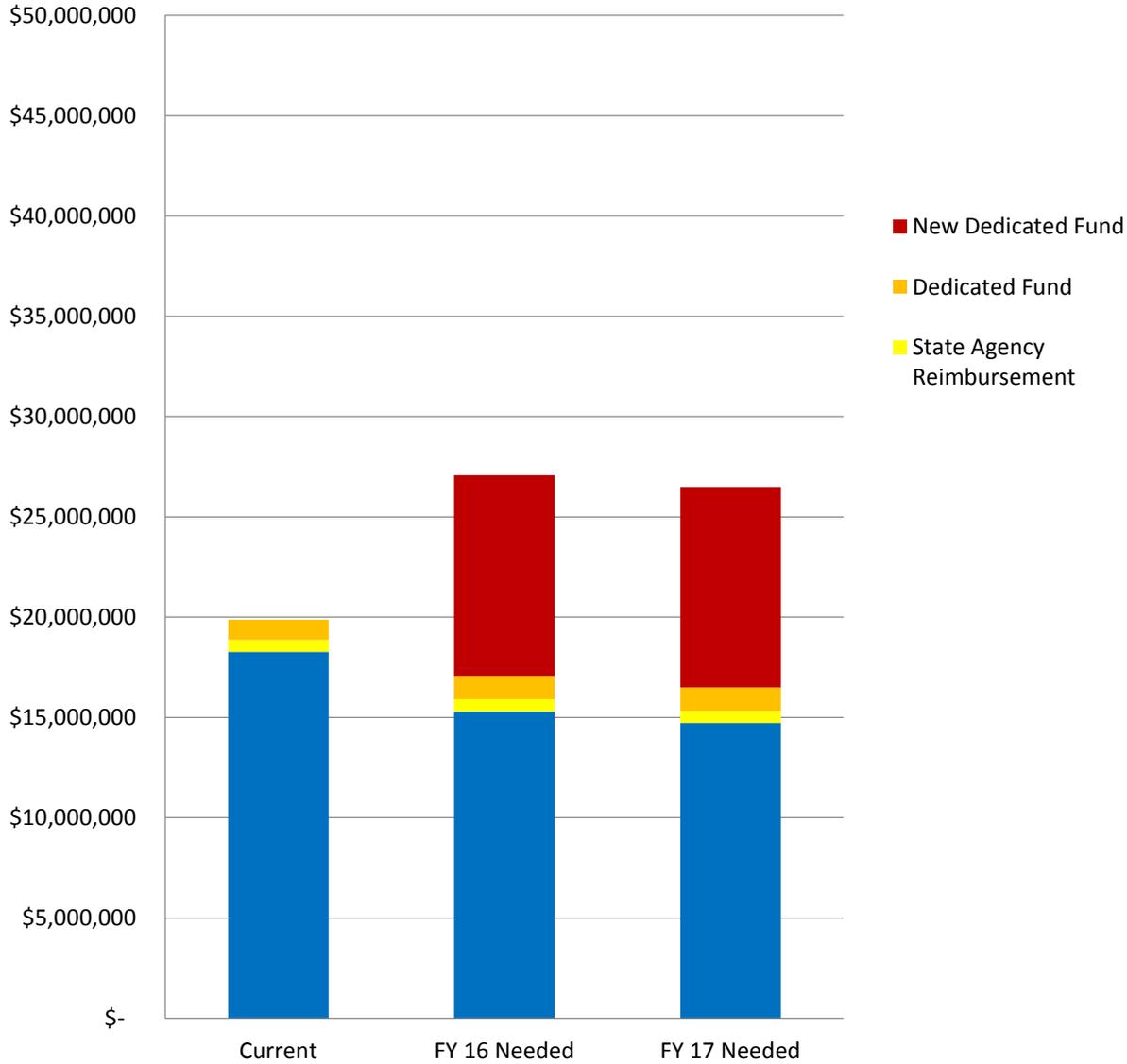
DEPUTY STATE EXAMINER

Tammy R. White CPA

# WHAT WE ARE REQUESTING

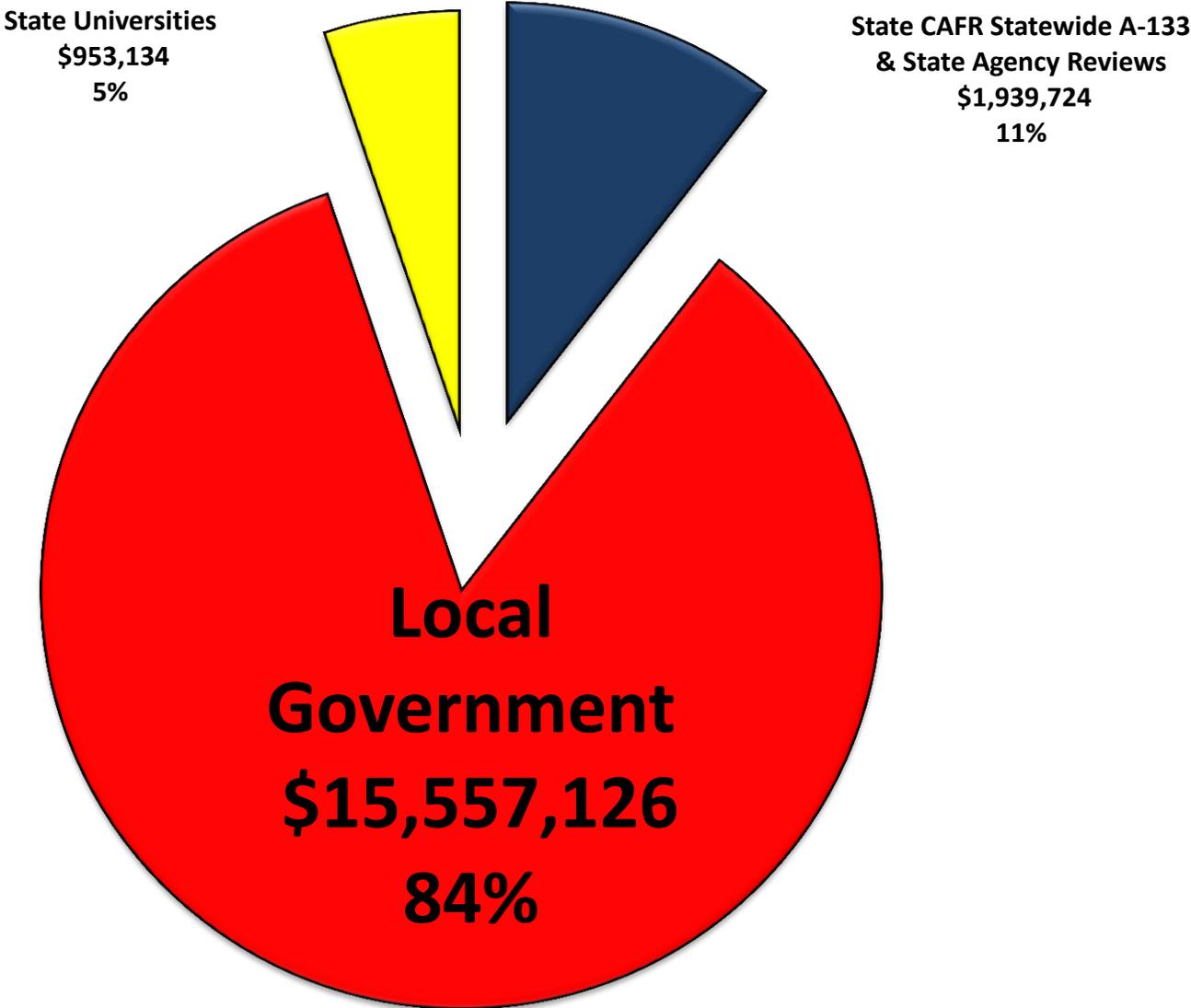
- An increase in the fee charged to taxing units the State Board of Accounts audits from \$45 per day to \$175 per day.
- Change the current law that limits the Board of Accounts to charging state colleges and Universities \$45 per day (\$6 per hour) to specify that the fee for state colleges and Universities is the direct and indirect cost of an examination (now \$83 per hour).
- Permit a state college or university to have its examination performed by an independent certified public accounting firm.
- Change the current law that requires all fees generated by the Board of Accounts to be deposited into the State General fund to allow the fees collected for examinations to be deposited in the State Board of Accounts Trust and Agency Fund and makes the fund a dedicated fund that can be used to cover expenses of doing audits.

# State Board of Accounts Needed Budgets

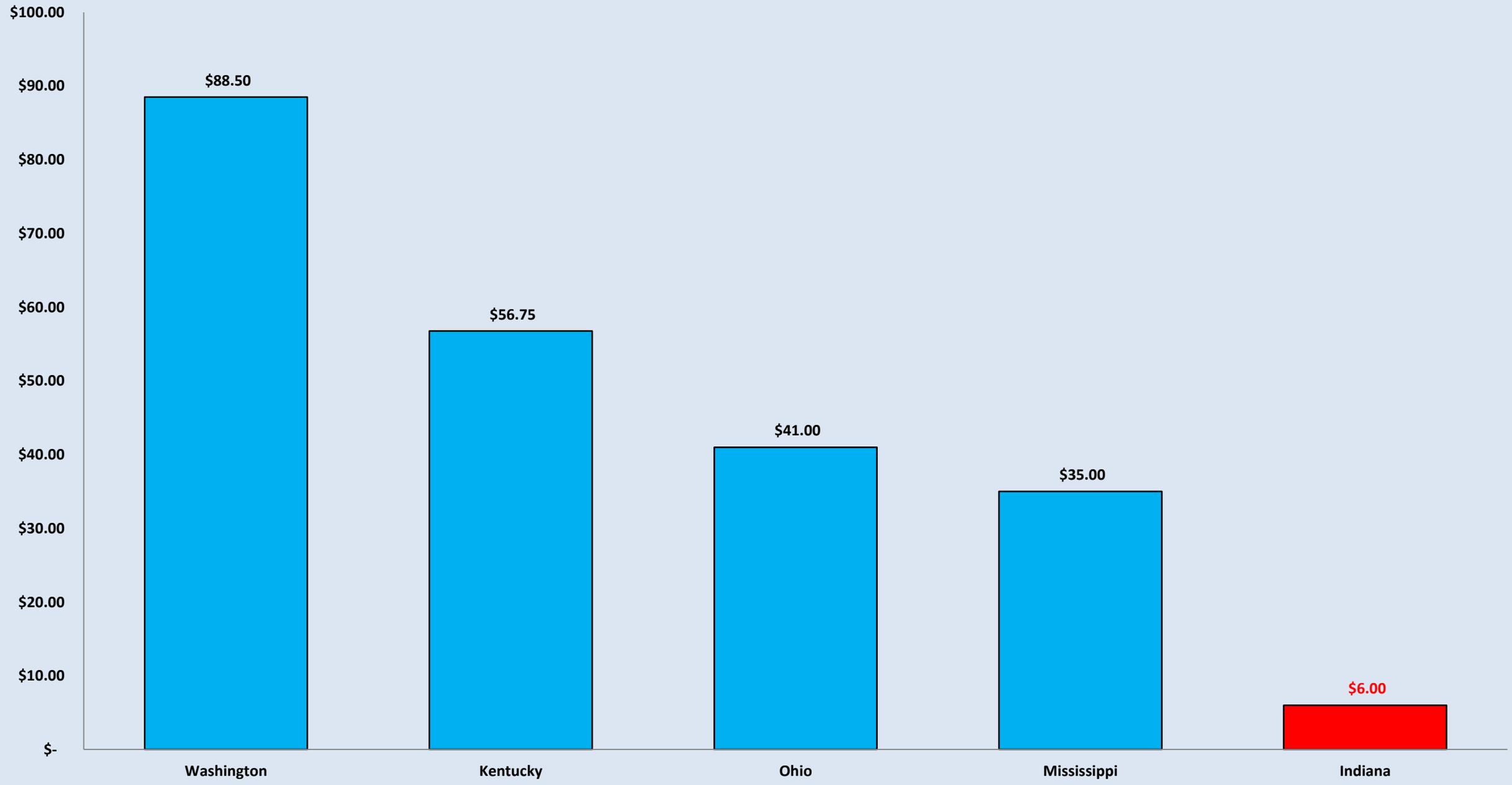


	<b>Current</b>	<b>FY 16 Needed</b>	<b>FY 17 Needed</b>
<b>General Fund Appropriation</b>	\$ 18,272,289	\$ 15,303,979	\$ 14,724,120
<b>Dedicated Fund – Processing Fees</b>	1,215,057	1,176,513	1,169,347
<b>Governor Elect</b>	0	0	40,000
<b>New Dedicated Fund – Examination Fees</b>	0	10,000,000	10,000,000
<b>Total Budget</b>	<b>\$ 19,487,346</b>	<b>\$ 26,480,492</b>	<b>\$ 25,933,467</b>

**State Board of Accounts  
2014-15 Projected Expenditures by Audit Area**



# Various State Hourly Charges for Services to Local Units of Government



# WHY WE NEED THIS

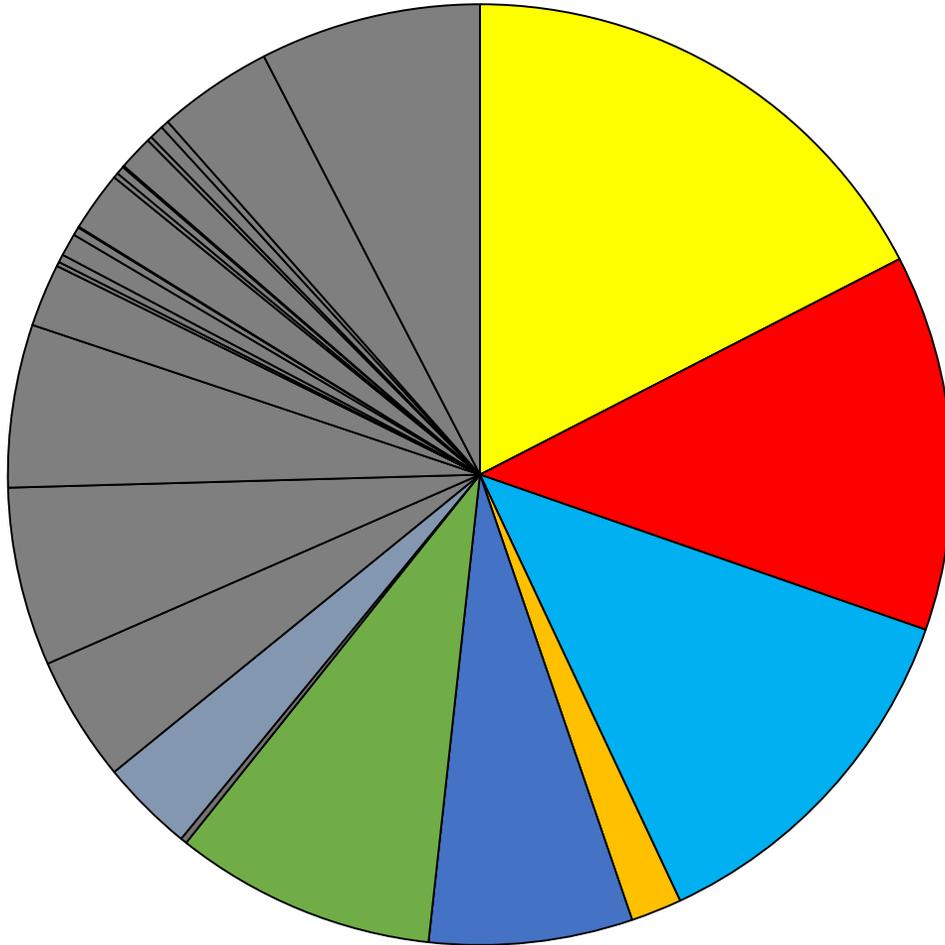
- Our reduced staffing level (315 to 208) is causing a reduction in our services to state and local governments.
- The services we provide to the State and local governments required by IC 5-11-1 have been affected. Examinations are being delayed or postponed. We currently have examinations that have not been performed for 5 years.
- The State Board of Accounts has gone from a budget of \$22,671,755 in 2008-2009, to a budget of \$19,487,346 in 2014-2015.
- Due to budgetary shortfalls, I am having extreme difficulty hiring and retaining qualified people to perform the required examinations. My beginning salary for field examiner with a BS degree in Accounting (most have 150 plus hours) is \$35,178.
- Delaying examinations may create a lack of accountability and an increased potential for fraud.
- A reduction in staff means less time to follow up on a taxpayer concerns during an examination.
- Examinations need to be performed timely to be of value.
- Federal funding may be impaired. OMB Circular A-133 requires submission of audits and examinations to the federal government within 9 months after the entity's fiscal year end. A delay or missed audit report may have an impact on federal funding.
- Consulting services may be curtailed. Our staff is no longer able to take as much time to help officials with their records or to answer various questions that arise before, during, and after the examination

# Increased Funding - Effect on Number of Examiners Per County

	Total	Per County
Local Field Examiners Numbers with Increased Funding	212	2.30
Current Local Field Examiner Numbers	<u>112</u>	<u>1.22</u>
Increase	100	1.07

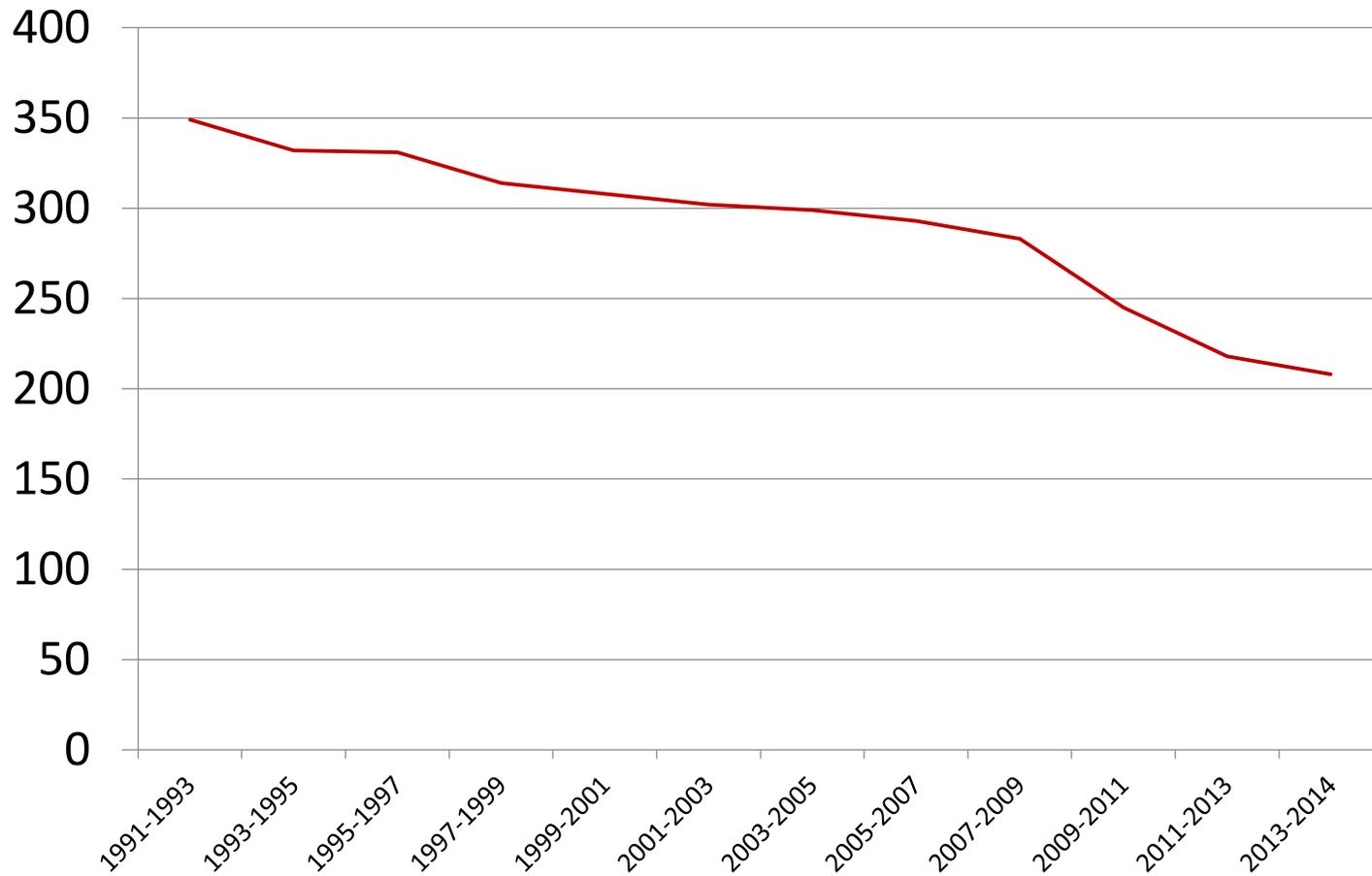
# State Board of Accounts

## Unit Types Being Examined vs Unexamined



- Examined Unit Types**
- Counties
  - Schools
  - Cities
  - Towns (annual)
  - Utilities (annual)
  - State Agencies (unbilled)
- Unexamined Unit Types**
- State Agencies (billed)
  - State Universities (billed)
  - School Extra-Curricular Accounts
  - Towns (biennial)
  - Utilities (biennial)
  - Libraries (biennial)
  - Small Claims Court (biennial)
  - Airport Authorities (biennial)
  - Conservancy Districts (beinnial)
  - Fire Protection Districts (beinnial)
  - Flood Control Districts (beinnial)
  - Other City and Town Utilities (annual)
  - Other City and Town Utilities (biennial)
  - Other Special District (biennial)
  - Port Authority (biennial)
  - Regional Water and Wastewater Districts (biennial)
  - Other Regional Districts and Commissions (biennial)
  - Solid Waste Districts (biennial)
  - Soil and Water Conservation Districts (biennial)
  - Townships
  - Special Districts

**State Board of Accounts  
Number of Employees**



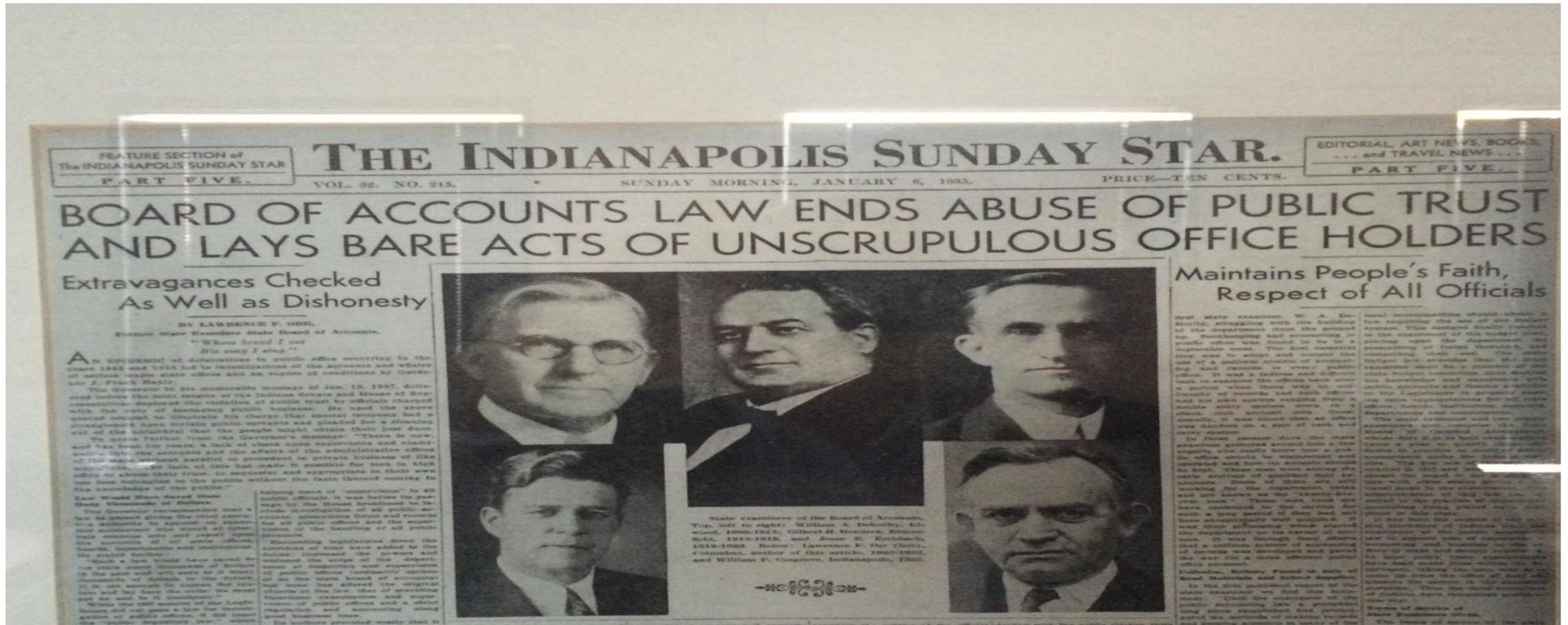
Budget Years	Number of Employees
1991-1993	349
1993-1995	332
1995-1997	331
1997-1999	314
1999-2001	308
2001-2003	302
2003-2005	299
2005-2007	293
2007-2009	283
2009-2011	245
2011-2013	218
2013-2014	208

# FRAUD RISK

The State Board of  
Accounts

Performs Examinations  
To Mitigate Fraud

# Why do we have the State Board of Accounts



“The purpose of the State Board of Accounts is to discover wrongdoing by any public officer to whom public funds are entrusted and to recover that portion of the funds for which the officer is liable by reason of his failure faithfully to discharge the duties of his trust prescribed by law.”  
(Court of Appeals)

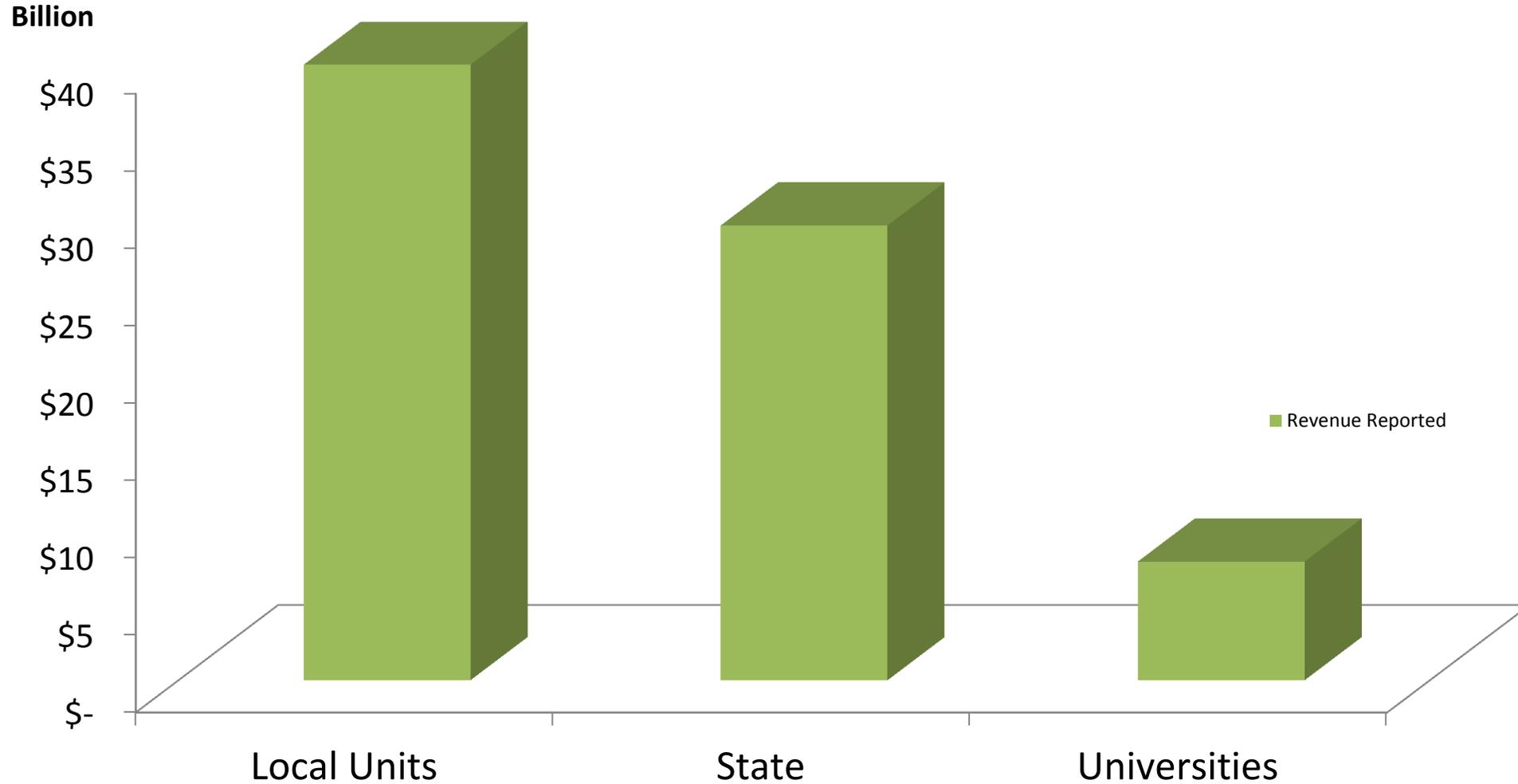
# Board of Accounts Oversight Responsibility Annually

# \$76.8 Billion



- Total amount of money passing through the various levels of government in Indiana during the last completed year of operation.

# REVENUE REPORTED



# POTENTIAL FRAUD RISK

5%

According to a 2014 Report by the Association of Certified Fraud Examiners, a typical organization **loses** 5% each to fraud.

# PROJECTED IMPACT ON INDIANA TAXPAYERS

The presence and the examinations of your State Board of Accounts  
Mitigates

**\$3.8 Billion**

of potential Fraud Annually

The Board of Accounts current General Fund Budget is \$18.2 Million Dollars