



August 24, 2018

Mr. Jason Dudich
State Budget Director
State Budget Agency
212 Statehouse
200 W. Washington Street
Indianapolis, IN 46204

RE: Office of the Auditor of State FY 2020 – FY 2021 Biennial Budget Request

Dear Director Dudich:

Please find attached the Auditor of State's budget request for the FY 2020-FY2021 biennium. It is similar to the previously approved biennial appropriation. It provides funding for operational services for the Office and includes funding to enhance business process improvements that will impact the Auditor's Office, all state agencies, state employees, state customers and clients.

The Auditor of State processes nearly every financial transaction for the State of Indiana. As part of the state's payroll system, we process the biweekly payroll warrants for more than 33,000 active state employees and another 500 on disability. We also process an additional 1,600 monthly payments for the police pension, spouses of officers killed in the line of duty, and former governors and spouses.

Within the state's financial system, we process in excess of 7,500,000 payments annually including distribution of funds to counties, school corporations, cities, and towns. The Auditor of State is also statutorily charged to maintain the centralized accounting records of the state, which is accomplished through the maintenance of the state's general ledger. The Auditor of State provides daily data to the State Budget Agency and other state agencies and also prepares the state's Comprehensive Annual Financial Report.

Since taking office mid-term 2017, I have identified key initiatives that drive this budget request. Some of you may be aware of the June relaunch of the Indiana Transparency Portal. This was a partnership between the AOS, MPH and SBA to provide citizens and agencies with analytical tools to see state financial activity in a variety of areas such as assets, expenditures, revenue, and purchase and travel cards purchases. We continue to work on other sections of the site in order to maintain Indiana's previous A ratings for transparency. It was an immediate effort to update the portal and included stakeholders from across state government, the media and advocacy groups.



In the past 19 months, we have reassessed the budget and numerous projects the Office was pursuing and have redirected dollars back into the PeopleSoft ERP system and licensing that the State currently owns. This has resulted in advancing efforts with IOT and GMIS to use modules within PeopleSoft for paperless AP procedures. This project creates statewide efficiencies by allowing workflows and attachments in the system and eliminating paper workflows and invoicing. Our Accounts Payable department has also implemented paperless vendor forms and is requiring email addresses for all vendors to eliminate paper ACH notifications. Additionally, our Payroll Department works with IOT/GMIS and agencies to reduce paper and streamline employee services. We have implemented an electronic process for all benefits changes reducing thousands of paper forms for processing which, in turn, reduces the risk of error. The department is on the verge of releasing PeopleSoft employee self-service functionality allowing employees to receive their W2s online and to change their direct deposit information online.

I inherited a legacy payroll system that not only will lose its service maintenance by 2023, but one that creates inefficiencies and is labor intensive according to our recent benchmark analysis. The previous administration began the processes to explore a new payroll system, and I am continuing that effort. We are exploring all options, including the investment into our current ERP system to capitalize on the current technology the state utilizes.

A cornerstone of my administration for the last year and a half has been to develop internal controls. While technology can offer many streamlined processes, it also can create a false sense of confidence in data and in systems. I've undertaken an effort to document processes and implement internal controls to reduce risk and error throughout the agency. With millions of dollars at stake, we must balance the use of technological advances with the human oversight necessary to combat fraud. The creation of an Internal Control Department is achieving this goal and providing successors with a roadmap for ongoing, high-quality operations with confidence that checks and balances are in place.

I have evaluated our expenses and assessed our future needs and believe the request submitted should meet our needs while allowing us to pursue systemic efficiencies throughout the biennium while providing strong customer service to all of our clients.

Thank you for your consideration.

Sincerely,

Tera K. Klutz, CPA
Auditor of State, Indiana