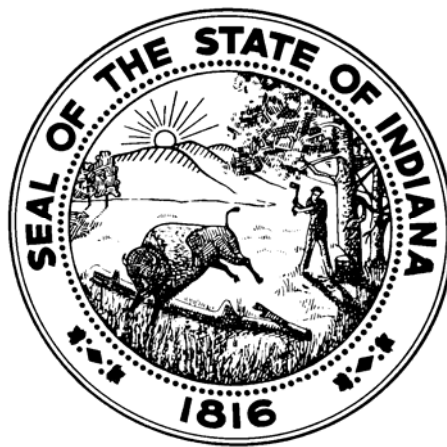


**STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769**

EXAMINATION REPORT
OF
BOARD OF LAW EXAMINERS
July 1, 2004 to June 30, 2006



FILED
02/05/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Mary Place Godsey	07-01-04 to 06-30-07
President of the Board	Cynthia S. Gillard	12-01-03 to 11-30-05
	Alonzo Weems	12-01-05 to 11-30-06
	Hon. Stephen R. Heimann	12-01-06 to 11-30-07
Chief Justice of the Supreme Court	Hon. Randall T. Shepard	03-04-02 to 03-03-07



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE BOARD OF LAW EXAMINERS

We have examined the financial information presented herein of the Board of Law Examiners (Agency), for the period of July 1, 2004 to June 30, 2006. The Board's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Board for the years ended June 30, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

January 3, 2006

BOARD OF LAW EXAMINERS
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
As Of And For The Years Ended June 30, 2005 And 2006

	<u>2005</u>	<u>2006</u>
Cash and Investments, July 1	\$ 665,014	\$ 758,497
Receipts:		
Examination Fees (See Note 5)	233,495	236,870
Foreign Licenses Fees	48,550	52,850
Professional Corporation Fees	46,310	45,612
Limited Liability Partnerships/Corporations Fees	22,470	23,181
Business Council Fees	6,100	4,500
Interest	8,997	23,307
Miscellaneous	<u>880</u>	<u>1,215</u>
Total Receipts	<u>366,802</u>	<u>387,535</u>
Disbursements:		
Board Compensation	173,330	160,000
Board and Director Travel	9,998	13,333
Bar Exam and Ceremony	65,353	69,155
Monitor Services	17,135	17,498
Legal Services	2,801	1,600
Insurance and Maintenance	1,460	2,758
Computer and Office Equipment	718	-
Miscellaneous	<u>2,524</u>	<u>2,188</u>
Total Disbursements	<u>273,319</u>	<u>266,532</u>
Excess of Receipts over Disbursements	<u>93,483</u>	<u>121,003</u>
Cash and Investments, June 30	<u>\$ 758,497</u>	<u>\$ 879,500</u>

The accompanying notes are an integral part of the schedules.

BOARD OF LAW EXAMINERS
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

As a board of the judicial branch of government, the Board of Law Examiners is an adjunct of the Indiana Supreme Court. The Board oversees the Indiana Bar examination application process, administers and grades the examination, and arranges the admission ceremony.

Note 2. Fund Accounting

The Agency uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

Indiana Code 5-13-9 authorizes the Board to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds.

Note 4. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Board contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the Agency authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus

BOARD OF LAW EXAMINERS
NOTES TO FINANCIAL INFORMATION
(Continued)

an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

Note 5. Examination Fees

Bar examination fees are stated net of refunds.

BOARD OF LAW EXAMINERS
EXAMINATION RESULTS AND COMMENTS
June 30, 2006

MONTHLY RECONCILIATIONS

The Board of Law Examiners did not properly perform monthly reconciliations between their general ledger and the bank statement. Due to the improper reconciliations performed, the board's general ledger was out of balance.

Each agency, department, institution or office should have internal controls in effect, which 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, safeguarding controls over cash and all other assets and all forms of information processing are part of an internal control system. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

DAILY DEPOSITS

As stated in our prior five reports (most recently B20634 and B24792), the Board of Law Examiners did not consistently deposit receipts collected for examination and admission fees within the following business day after receipt of the funds.

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."

BOARD OF LAW EXAMINERS
EXIT CONFERENCE

The contents of this report were discussed on January 18, 2007, with Mary Place Godsey, Executive Director; Erica Raider Rouse, Administrative Assistant; and Terri Davis, Administrative Assistant. The official response has been made a part of this report and may be found on page 9.

STATE - INDIANA

STATE BOARD OF LAW EXAMINERS

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THE HONORABLE STEPHEN R. HEIMANN, PRESIDENT COLUMBUS	JON B. LARAMORE INDIANAPOLIS
SHEILA M. CORCORAN, VICE PRESIDENT EVANSVILLE	JOELLEN LIND VALPARAISO
CYNTHIA S. GILLARD, SECRETARY ELKHART	LESLIE C. SHIVELY EVANSVILLE
GILBERT KING, JR., TREASURER GARY	EILEEN J. SIMS LEBANON
MARY PLACE GODSEY EXECUTIVE DIRECTOR	CHARLOTTE F. WESTERHAUS INDIANAPOLIS
	MICHAEL M. YODER KENDALLVILLE

January 22, 2007

State Board of Accounts
Attn: Mike Hoose
302 West Washington Street
Room E 418
Indianapolis, IN 46204-2765

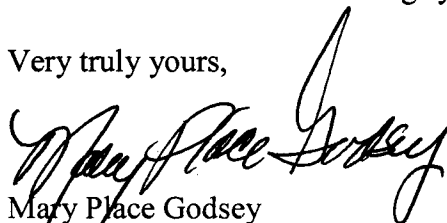
Official Response

This Audit reports improper monthly reconciliations in our records. The general ledger was out of balance in that the individual categories of the accounting system showed a different balance than our total balance from our bank statements. For the Fiscal Year of July 2004 – June 2005 there was a difference of \$13.19. For the Fiscal Year of July 2005 – June 2006, there was a difference of \$75.70. The total account balances showed that the total was in balance with the bank statements each month for this audit period. Neither this office nor our auditor could pinpoint the exact source of this discrepancy.

This office used EasyAcct until April of 2006. In April of 2006 we changed to QuickBooks. We have reconciled our books every month between the months of July 2004 – June 2005 and July 2005 – June 2006. At the end of each month our general ledger credits and debits reconciled; therefore, the error in the printout of the individual account balances was not noted immediately. In addition, we believe that the EasyAcct program did not always pull up correct numbers in the correct categories, which contributed to the differences reported in the audit. EasyAcct was not completely adaptable to our agency's accounting needs and therefore we changed that system to one that we believe will not involve these difficulties. We believe that the errors occurred during the use of EasyAcct by the individual employed at that time and were transferred to QuickBooks during the transition from one system to the other.

Our new accounting software, QuickBooks, works in application with our accounting ledger, bank statements and system of accounts. We have adjusted the method and application of our accounting in order to maintain reconciliation of our accounts and believe that our new accounting system will prevent future errors.

Very truly yours,


Mary Place Godsey
Executive Director