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

REVIEW REPORT

OF

DEPARTMENT OF VETERANS' AFFAIRS

STATE OF INDIANA

October 1, 2006 to October 31, 2008

FILED
02/12/2009

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OFFICIALS

Office	Official	Term
Executive Director	Charles T. Applegate	02-14-05 to 01-13-13
Chairperson	James Koutz	03-10-06 to 03-01-07
	Cal Cree	03-02-07 to 12-12-08

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE DEPARTMENT OF VETERANS' AFFAIRS

We have reviewed the receipts, disbursements, and assets of the Department of Veterans' Affairs for the period of October 1, 2006 to October 31, 2008. The Department of Veterans' Affair's management is responsible for the receipts, disbursements, and assets.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the receipts, disbursements, and assets. Accordingly, we do not express such an opinion.

Financial transactions of this office are included in the scope of our audits of the State of Indiana as reflected in the Indiana Comprehensive Annual Financial Reports.

Based on our review, nothing came to our attention that caused us to believe that the receipts, disbursements, and assets of the Department of Veterans' Affairs are not in all material respects in conformity with the criteria set forth in the Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, and applicable laws and regulations, except as stated in the review comments.

STATE BOARD OF ACCOUNTS

December 1, 2008

DEPARTMENT OF VETERANS' AFFAIRS
REVIEW COMMENTS
OCTOBER 31, 2008

ATTENDANCE REPORTS

We observed that employee attendance reports were frequently not dated by the supervisor.

After being completed by the employee, the attendance report should be reviewed, signed, and dated by the immediate supervisor of the employee, or by another designated individual who has knowledge of the employee's attendance. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, chapter 9)

SDO FUND SINGLE PURCHASE LIMIT

The Department of Veterans' Affairs made purchases from the Special Disbursing Officer Fund (SDO) that exceeded the single purchase limit specified on its Authority For Local Purchases (State Form 47911). Currently, the single purchase limit is $2,500. There were multiple purchases reviewed which exceeded the single purchase limit.

The single purchase limit for the SDO fund cannot be exceeded. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 7)

FIXED ASSET INVENTORY

The fixed asset inventory for assets costing more than $500 but less than $20,000 has not been maintained by the Department of Veterans' Affairs. Additionally, an annual physical inventory of assets owned has not been conducted.

Assets costing more than $500 but less than $20,000 must be maintained on an asset control system at the agency. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 10)

Once a year, after receiving a Fixed Asset Master Listing, a physical inventory is to be taken and compared to the Master Listing and the agency's listing of assets from its asset control system. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 10)

SDO FUND RECONCILIATIONS

The Department of Veterans' Affairs has not performed reconciliations of its Special Disbursing Officer (SDO) advance in a timely manner. We found multiple items that were not reimbursed by the Auditor of State and multiple items in which the Department of Veterans' Affairs should not have been reimbursed. In addition, an accurate check register balance was not kept.

Two reconciliations must be performed for the SDO fund each month. The bank statement for the checking account must be reconciled to the check register. Also, the check register must be balanced to the total SDO advance. These reconciliations must be formally documented. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, chapter 7)

SDO ADVANCE

The Special Disbursing Officer Fund (SDO) advance for the Department of Veterans' Affairs was not turned over for several months.

If a SDO advance is not used within one or two months then the SDO advance is too large and should be reduced. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, chapter 7)

DOCUMENT RETENTION

Several documents selected for our review could not be located.

Documents must be filed in such a manner as to be readily retrievable or otherwise reasonably attainable, upon request, during an audit. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

DEPARTMENT OF VETERANS' AFFAIRS
EXIT CONFERENCE

The contents of this report were discussed on January 13, 2009, with Charles T. Applegate, Executive Director; and John Newsom, Deputy Director. The official response has been made a part of this report and may be found on page 7.

STATE OF INDIANA
DEPARTMENT OF VETERANS AFFAIRS
302 WEST WASHINGTON STREET ROOM E120
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Mitchell E. Daniels, Jr., Governor
Charles T. "Tom" Applegate, Director

February 3, 2009

State Examiner
State Board of Accounts
302 W. Washington St., Room E-418
Indianapolis, Indiana 46204-2765

After a careful review of the audit findings of the Department of Veterans' Affairs on December 1, 2008, we have and will continue to, implement changes to certain procedures to insure that the Department is adhering to state requirements.

With regard to specific items from this most recent audit:

- We have changed the attendance report process—all employee attendance reports are now reviewed, dated and signed by the employee's supervisor.
- We have discontinued the practice of making major disbursements from the SDO and in the future no disbursement will exceed the $2500 single purchase limit
- We have dedicated resources to the creation and maintenance of a department-wide inventory and on or about July 15 of each year we will conduct a physical inventory of assets owned. The inventory will be reconciled to the fixed asset Master Listing.
- We are now in compliance with monthly reconciliations of the SDO Account and the maintenance of an accurate check register. Further, we identified and presented certain overpayments and non-reimburse payments to the examiner—these items will be corrected/adjusted.
- SDO Advance and cycling/turning over the fund will be addressed with the reduction of the current SDO to a maximum of $5,000.
- Copies of all fiscal operations are now stored in-house by date for four years.

The field examiner, Chris Nill, has been most helpful to our department in the identification of practices that needed to be improved or changed. He was thorough, fair, and professional. My staff and I appreciate his efforts and cooperation.

Sincerely,

Tom Applegate

Tom Applegate
Director