

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

EXAMINATION REPORT
OF
INDIANA STATE ARMORY BOARD
July 1, 2006 to June 30, 2008



FILED
05/28/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Adjutant General	Major General R. Martin Umbarger	01-10-05 to 01-13-13
President	Major General Robert G. Moorehead, Retired	07-01-06 to 06-30-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE INDIANA STATE ARMORY BOARD

We have examined the financial information presented herein of the Indiana State Armory Board (Board), for the period of July 1, 2006 to June 30, 2008. 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, 2007 and 2008, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

February 19, 2009

INDIANA STATE ARMORY BOARD
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
As Of And For The Years Ended June 30, 2007 And 2008

	<u>2007</u>	<u>2008</u>
Cash and investments, July 1	\$ 6,180,429	\$ 5,898,372
Receipts:		
Federal reimbursements	4,207,887	3,660,006
Interest income	262,865	241,323
Rental income	634,987	649,333
Sales	79,886	72,737
Miscellaneous reimbursements	<u>125,683</u>	<u>314,036</u>
Total receipts	<u>5,311,308</u>	<u>4,937,435</u>
Disbursements:		
Services by contract	1,787,879	1,314,926
Materials, parts and supplies	211,820	262,024
Equipment	126,885	94,131
Land, buildings and improvements	2,382,285	1,441,687
Other	503,342	506,924
Transfers to primary government	<u>581,154</u>	<u>171,266</u>
Total disbursements	<u>5,593,365</u>	<u>3,790,958</u>
Excess of receipts over disbursements	<u>(282,057)</u>	<u>1,146,477</u>
Cash and investments, June 30	<u>\$ 5,898,372</u>	<u>\$ 7,044,849</u>

The accompanying notes are an integral part of the financial information.

INDIANA STATE ARMORY BOARD
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Indiana State Armory Board (Board) was established under Indiana Code 10-16-3 to provide, manage and care for armories for the use of the military and naval forces of Indiana. Revenues are received from federal reimbursements, state appropriations, rental of properties, interest on investments, and other miscellaneous sources.

Note 2. Basis of Accounting

The Board's Schedules of Receipts, Disbursements, and Cash and Investment Balances are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred.

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. Risk Management

The Board is subject to risks that include personal injury, property damage, employee bodily injury, employee theft, employee medical, public officials and employee conduct, and workers' compensation. The Board has purchased insurance policies that transfer certain risks, subject to policy limits. The Board benefits from the self insurance coverage of the State of Indiana for other risks. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

Note 5. Temporary Loans

The Board has been called upon to loan funds to the Special Disbursing Officer (SDO) Fund maintained by the Adjutant General's Office (TAG). These loans are short term and are repaid upon replenishment of the SDO by the Auditor of State. At June 30, 2008, a short term loan of \$249,291.52 was outstanding. The TAG repaid that loan on July 2, 2008, with check 53252.

INDIANA STATE ARMORY BOARD
EXAMINATION COMMENT
JUNE 30, 2008

BANK RECONCILIATIONS

Bank reconciliations of the Indiana State Armory Board were not completed in a timely manner. Delays in preparation of the bank reconciliations could allow agency or bank errors to occur and go undetected.

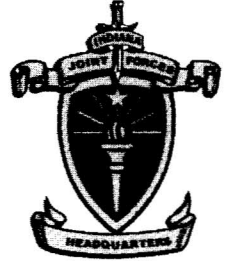
Each agency, department, quasi, institution or office that does not use the state's accounting system and has funds outside the system also should follow the responsibilities described in this chapter. For the funds outside the state's system, the governmental unit must maintain appropriate accounting records and controls. This includes performing monthly bank statement reconciliations. An agency must maintain an effective and accurate accounting system for subsidiary and supplementary records and make available for audit such documentation supporting the validity and accountability of monies received or disbursed. (Accounting and Uniform Compliance Guidelines for State and Quasi Agencies, Chapter 1)

INDIANA STATE ARMORY BOARD
EXIT CONFERENCE

The contents of this report were discussed on May 1, 2009, with Major General R. Martin Umbarger, Adjutant General; Colonel David Shorter, Director of State Operations; and Colonel John Bailey, State Controller. The official response has been made a part of this report and may be found on pages 8 and 9.



INDIANA
JOINT FORCES HEADQUARTERS
NATIONAL GUARD
2002 SOUTH HOLT ROAD
INDIANAPOLIS, INDIANA 46241-4839



May 7, 2009

State Board of Accounts
ATTN: Mr Mike Hoose
302 West Washington St, Room E 418
Indianapolis, Indiana 46204-2765

Reference: Adjutant General's Office Audit

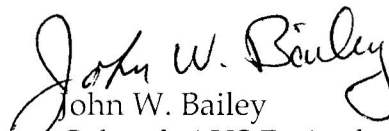
_____ "OFFICIAL RESPONSE" _____

Dear Mr. Hoose:

Enclosed are the results, comments and response to the audit performed on the Adjutant General's Agency for the period July 1, 2006 to June 30, 2008.

POC at this office is the undersigned at (317) 247-3254.

Sincerely,


John W. Bailey
Colonel, AUS Retired
State Controller

Enclosures:

Response #1.

Bank Reconciliations.

A Memorandum of Understanding outlining how bank statements are to be reconciled within three working days has been prepared by our Accounting Supervisor and signed by the State Armory Board (SAB) Clerk, who is responsible to perform the reconciliation. Once the SAB Clerk has completed the reconciliation the statement will be verified by our Field Auditor located in this office.