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

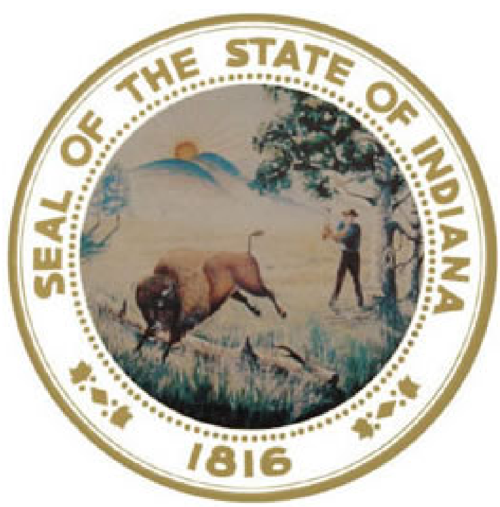
REVIEW REPORT

OF

INDIANA STATE DEPARTMENT OF HEALTH

STATE OF INDIANA

September 1, 2006 to January 31, 2010



FILED
07/23/2010

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AGENCY OFFICIALS

Office	Official	Term
Commissioner	Judith A. Monroe, M.D.	03-07-05 to 03-08-10
	Loren L. Robertson (Interim)	03-09-10 to 03-31-10
	Gregory N. Larkin, M.D.	04-01-10 to 01-13-13

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 INDIANA STATE DEPARTMENT OF HEALTH

We have reviewed the receipts, disbursements, and assets of the Indiana State Department of Health for the period of September 1, 2006 to January 31, 2010, Indiana State Department of Health'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 Indiana State Department of Health are not in all material respects in conformity with the criteria set forth in the Accounting and Uniform Compliance Guidelines Manual for State Agencies, and applicable laws and regulations except as stated in the review comments.

STATE BOARD OF ACCOUNTS

April 20, 2010

INDIANA STATE DEPARTMENT OF HEALTH
REVIEW COMMENTS
JANUARY 31, 2010

ACCOUNTABLE ITEMS NOT RECONCILED TO RECEIPTS

Our testing of revenue collections revealed deficiencies in the internal control structure regarding reconciliations not being performed of accountable items (i.e., licenses/permits/certificates issued by the Indiana State Department of Health) to collections received.

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, Organizational Review)

Licenses, permits, goods for sale, invoices, etc., are considered accountable items for which a corresponding deposit must be made. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, 4.3.2)

SDO OFFICER CHANGE NOT DOCUMENTED

We noted in our review that for SDO LPN 4663 (the last remaining SDO account at the agency), the SDO Officer on file with the Auditor of State is no longer employed by the state. State Form 49068 was not completed when the prior SDO Officer left employment and the new SDO Officer took over.

If an agency, after submitting SF49068 to the IDOA, is approved to transfer the authority for an SDO fund to another officer, the following tasks should be completed prior to the new officer assuming this responsibility: reconcile to both checking account and SDO advance on old officer expiration date. New officer must review and accept both reconciliations, file new officer's signature with bank, and assure that new officer is familiar with single purchase limit and types of expenses allowed. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, 6.4.10.9)

INDIANA STATE DEPARTMENT OF HEALTH
EXIT CONFERENCE

The contents of this report were discussed on June 23, 2010, with Loren L. Robertson, Deputy Commissioner; Michael Kistler, Chief Financial Officer; and Allen Collier, Director of Finance. The official response has been made a part of this report and may be found on pages 6 through 8.

The contents of this report were emailed on June 23, 2010, to Judith A. Monroe, M.D., former Commissioner. The official concurred with the findings.

Indiana State Department of Health
An Equal Opportunity Employer

Mitchell E. Daniels, Jr.
Governor

Gregory N. Larkin, M.D., F.A.A.F.P.
State Health Commissioner

June 24, 2010

State Board of Accounts
302 W. Washington St, Room 418E
Indianapolis, IN 46204-2738

Attn: Elizabeth White, Field Examiner

Dear Elizabeth:

The contents of this report were presented by SBOA Field Examiners Elizabeth White and David Jones on June 23, 2010 to Loren Robertson, ISDH Deputy Commissioner, Michael Kistler, ISDH CFO and Assistant Commissioner and Allen Collier, ISDH Director of Finance. This report summarizes the ISDH audit that was completed on April 20, 2010, for September 1, 2006 to January 31, 2010. The official response has been made a part of this report as follows:

SDO OFFICER CHANGE NOT DOCUMENTED

Prior to her retirement on March 31, 2009 the ISDH SDO Officer was Jodie Van Slyke, ISDH Director of Business Processes. One of the last tasks assigned to Ms. Van Slyke was the transfer of her SDO credentials to the new ISDH Director of Finance (Allen Collier). He was moved to ISDH in February 2009 from the Indiana Soldiers' and Sailors' Children's Home, where he served as the Assistant Superintendent, including duties as agency CFO and SDO Officer. Until the end of March 2010, he continued to serve a dual role in these two capacities. Evidence suggests that Ms. Van Slyke completed the assigned task with the bank that holds the SDO checking account, but failed to complete the process with the IDOA and the AOS. With the demands of his dual role, neither Mr. Collier, nor others involved in the SDO process, noticed this omission.

During this audit the ISDH Finance Director was apprised of this error and the process to rectify it was begun immediately. The *Authority for Local Purchases* form (47911, copy attached) naming Mr. Collier as the ISDH SDO Officer was signed by the IDOA on March 12, 2010 and by the AOS on March 19, 2010, prior to the completion of the audit.

ACCOUNTABLE ITEMS NOT RECONCILED TO RECEIPTS

At issue is the revenue collection function for ISDH that is accomplished by the Cashiers Office in the Finance Division. Collections (in the form of checks and money orders) are received from twenty six different revenue streams, the result of service activities performed by various ISDH Commissions. The Cashiers Office is the single collection and processing point for all ISDH receivables from such sources as inspection and licensing fees, issuance of certificates, plan reviews and lab testing fees.

2 North Meridian Street • Indianapolis, IN 46204
317.233.1325 tdd 317.233.5577
www.statehealth.in.gov

During the audit it was determined that the Cashiers Office does not perform a regular reconciliation that compares service activities against the funds collected and deposited. It appears that this reconciliation has not occurred since late 2001, when a management decision was made to end that process.

According to current Cashiers Office staff who attended a late September 2001 meeting on this topic, the ISDH Director of Finance and the ISDH Director of Business Processes met with two SBOA management level representatives to discuss issues with the consistent gathering of information (receipts, etc.) from each of the submitting entities. At that meeting it was agreed that a reconciliation of these receipts in the Cashiers Office was too time consuming with limited staff and that any activity was too incomplete (because of missing information) to be valid. The joint decision was to discontinue the existing reconciliation process immediately.

Regardless, the incumbent ISDH management group concurs with this audit that such a reconciliation process is advisable. The ISDH Director of Finance takes responsibility for developing and implementing an acceptable reconciliation process in the ISDH Cashiers Office. It must be noted that since so many entities will be involved in developing and participating in an acceptable process, and since attempts will be made to integrate the new process into the ENCOMPASS Financials database, full implementation will take some time.

Respectfully submitted,

Allen L. Collier, Director of Finance
Finance Division
Indiana State Department of Health
2 N. Meridian Street, 2-C
Indianapolis, IN 46204

AUTHORITY FOR LOCAL PURCHASES

State Form 47911 (Rev. / 4-03)

Approved by the Auditor of State and State Board of Accounts, 2003

Authority Number: LP# 4663	
Fund Center Number: 12760	
State Agency Name: Dept of Health	
Agency Number: 400	
Amount of SDO Advanced:	

NEW OFFICER

Pursuant to authority vested in me by Indiana Code 4-13-2-20, **Dr. Judith Monroe** as designated by the head of the State Agency named hereon, is hereby authorized to purchase directly from vendors in the expenditure classifications as detailed below; provided that this authority to purchase directly shall not extend to any expenditure classifications not specifically named hereon; provided that such purchases shall be made and reported in accordance with Indiana Code 4-13-2-20 and other statutes pertaining hereto; and provided further that such purchases shall be settled for in the manner hereon prescribed by the Auditor.

Commissioner, Department of Administration	Date
Myra J. Wilson	3/12/10

Per Financial Management Circular 96-3, the State Budget Agency delegates to the Department of Administration the approvals required by IC 4-13-2-20 for the appointment of Special Disbursing Officers and the related dollar limits set.

Pursuant to authority vested in me by Indiana Code 4-13-2-20, **Allen L. Collier** designated by the head of the State Agency named hereon, is hereby designed as S as Special Disbursing Officer with authority to disburse money in the settlement of all claims on purchases made in accordance with the authorization hereon granted by the Commissioner of the Department of Administration. Such authority to disburse money shall not extend to the settlement of any claims whatsoever against the State other than those provided for hereon. Funds will be made available to the above named Special Disbursing Officer by way of a Direct Deposit Account in the name of the State Agency to be used exclusively for authorized purchases. Said account may be reimbursed as necessary for any amounts expended in accordance with the above upon the submission by the Special Disbursing Officer of authenticated vouchers approved by the Commissioner of the Department of Administration and the Auditor of State. The Special Disbursing Officer named hereon shall be accountable at all times for all sums advanced to said account and shall be personally liable to the State for any amounts expended in any manner not in accordance with this authorization and approved policies.

Auditor of State	Date
Tim Berry	3-19-10

This authorization Is limited to the purchase of and settlement for the following articles and commodities only.

Local Purchase Authority for Major Object Points .1 .2 .3 .4 .5 .6 .7 .8 .9
Please circle all that apply

Single Purchase Limit: $500.00

Total of SDO Advanced: $67,000.00

Procurement and Travel Card Single Purchase Limits are defined on each Cardholder's Account Maintenance Form.

P-Card Single Purchase Limit: $________

T-Card Single Purchase Limit: $________