B38592

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

STATE OF INDIANA

SINGLE AUDIT REPORT

July 1, 2009 to June 30, 2010

FILED
03/31/2011

TABLE OF CONTENTS

Description	Page
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
Independent Auditor's Report on Compliance and Other Matters and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	5-6
Management's Discussion and Analysis	8-21
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	24-25
Statement of Activities	26
Fund Financial Statements:	
Balance Sheet – Governmental Funds	28-29
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	30
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	31-32
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	33
Statement of Fund Net Assets – Proprietary Funds	34
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	35
Statement of Cash Flows – Proprietary Funds	36-37
Statement of Fiduciary Net Assets – Fiduciary Funds	38
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	39
Combining Statement of Net Assets – Discretely Presented Component Units	40
Combining Statement of Activities – Discretely Presented Component Units	41
Combining Statement of Net Assets Discretely Presented Component Units – Proprietary Funds	42-43
Combining Statement of Activities Discretely Presented Component Units – Proprietary Funds	44-45
Combining Statement of Net Assets Discretely Presented Component Units – Colleges and Universities	46
Combining Statement of Activities Discretely Presented Component Units – Colleges and Universities	47
Notes to the Financial Statements	50-111

TABLE OF CONTENTS
(Continued)

Description	Page
Required Supplementary Information:	
Schedule of Funding Progress	
Employee Retirement Systems and Plans	113
Other Postemployment Benefits	114-115
Budgetary Information	116
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budgetary Basis)	117-120
Budget/GAAP Reconciliation – Major Funds	121
Infrastructure – Modified Reporting	
Condition Rating of the State's Highways and Bridges	122
Comparison of Needed-to-Actual Maintenance/Preservation	123
Supplemental Audit of Federal Awards:	
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	126-128
Schedule of Expenditures of Federal Awards	129-168
Notes to Schedule of Expenditures of Federal Awards	169-171
Schedule of Findings and Questioned Costs:	
Section I - Summary of Auditor's Results	172-173
Section II - Financial Statement Findings	174-178
Section III - Federal Awards Findings and Questioned Costs	178-202
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings	203-297
Corrective Action Plans	297-336

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 AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: The Honorable Mitchell E. Daniels, Jr.
The Members of the General Assembly, and
The Citizens of the State of Indiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Indiana, as of and for the year ended June 30, 2010, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Indiana's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the local government investment pool which represent 100% of the assets and revenues of the investment trust fund. We also did not audit certain component units of the State, as discussed in Note I(A), which represent 21.4% of the assets and 11.0% of the revenues of the colleges and universities and 99.6% of the assets and 98.7% of the revenues of the proprietary discretely presented component units. The financial statements of the investment trust fund and these component units were audited by other auditors whose reports thereon have been furnished to us and, our opinions, insofar as they relate to those units, are based upon the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Indiana as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note I(A) to the financial statements, the Indiana Housing and Community Development Authority, Ports of Indiana, Indiana State Fair Commission, Indiana Comprehensive Health Insurance Association and the Indiana Political Subdivision Risk Management Commission, discretely presented component units, report on a December 31, 2009, year-end. As discussed in Note IV(G) to the financial statements, the State of Indiana has restated certain beginning fund balances and net assets.

The Management Discussion and Analysis, Schedules of Funding Progress for Employee Retirement Systems and Plans and Other Postemployment Benefit Plans, and Budgetary Comparison Schedules (General and Major Special Revenue funds), as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have issued our report dated February 25, 2011, on our consideration of the State of Indiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Indiana's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations is presented for additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as listed in the Table of Contents, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

STATE BOARD OF ACCOUNTS

February 25, 2011

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 AUDITOR'S REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: The Honorable Mitchell E. Daniels, Jr.,
The Members of the General Assembly, and
The Citizens of the State of Indiana

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Indiana, as of and for the year ended June 30, 2010, which collectively comprise the State's basic financial statements, and have issued our report thereon dated February 25, 2011. We did not audit the financial statements of the local government investment pool which represents 100% of the assets and revenues of the investment trust fund. We also did not audit the financial statements of certain component units of the State, as discussed in Note I(A), which represent 21.4% of the assets of the colleges and universities discretely presented component units and 99.6% of the assets and 98.7% of the revenues of the proprietary discretely presented component units. The financial statements of these component units were audited by other auditors whose reports thereon have been furnished to us and, our opinions, insofar as they relate to those units, are based upon the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the State of Indiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of Indiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. We noted no matters involving the internal control over financial reporting and its operation that we consider to be significant control deficiencies. Significant control deficiencies involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the State of Indiana's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a significant control deficiency in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be significant control deficiencies, and accordingly, would not necessarily disclose all significant control deficiencies that are also considered to be material weaknesses. Material weaknesses are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2005-CAFR-1, 2007-CAFR-1, 2008-CAFR-1, 2008-CAFR-5, and 2009-CAFR-1.

This report is intended solely for the information of the State of Indiana's management, federal awarding agencies and pass-through entities and is not intended to be used and should not be used by anyone other than the specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts.

STATE BOARD OF ACCOUNTS

February 25, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

STATE OF INDIANA
Management's Discussion and Analysis
June 30, 2010

The following discussion and analysis of the State of Indiana's financial performance provides an overview of the State's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the transmittal letter at the front of this report and the State's financial statements, which follow this section. Because of prior period adjustments and reclassifications as described in Note IV(G) in the Notes to the Financial Statements, fiscal year (FY) 2009 numbers have been restated.

Financial Highlights

- For FY 2010, on a government-wide basis, the assets of the State of Indiana exceeded its liabilities by $15.9 billion. This compares with $17.1 billion for FY 2009, as restated. Of this amount, $3.8 billion may be used to meet the government's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, unreserved fund balance for the general fund was $1.8 billion, or 16.9% of the total general fund expenditures.
- On a government-wide basis for the primary government, the State incurred expenses net of program revenue of $14.5 billion, which are offset by general revenues totaling $13.3 billion, giving a decrease in net assets of $1.2 billion.
- General revenue for the primary government decreased by $1.2 billion, or 8.0%, from FY 2009. The driving forces behind this decrease were the declines in income and sales taxes revenue as a result of the national recession. The State's unemployment rate remained at a high level during FY 2010.
- The State of Indiana closed FY 2010 with more than $830 million in total reserves. Governor Daniels ordered spending reductions of nearly $785 million. These actions, coupled with the use of American Recovery and Reinvestment Act (ARRA) funds, position Indiana to achieve a structurally balanced budget by no later than FY 2013 while maintaining a prudent level of reserves.
- In FY 2010, states raised taxes by nearly $24 billion according to the National Association of State Budget Officers. While other states raised taxes, Indiana provided Hoosiers with the largest tax cut in state history through more than $600 million of net property tax relief.
- According to Moody's Investors Service, Indiana had the 10th lowest debt per capita in 2010.
- Indiana is one of only nine states with the top bond rating from all three major credit rating agencies. According to the independent credit rating agency Standard & Poor's Ratings Service (S&P), the rating "reflects the state's continued strong management that has led to the property tax reform that has realigned state and local spending and is not expected to impact the state's long-term financial performance. As well, the state's commitment to attract diverse jobs through its economic development efforts has translated into a shift away from traditional manufacturing employment." The report said the administration has made significant financial management changes and strengthened budgeting practices.

Key Economic Indicators

	Dec. 31, 2009	Dec. 31, 2008	% Change
Total Employed Labor Force	2,782,030	2,962,682	-6.1%
Total Goods and Service Employment	2,781,500	2,918,800	-4.7%
Service-Providing Employment	2,230,000	2,290,000	-2.6%
Goods-Producing Employment	551,500	628,800	-12.3%
Unemployment Rate	9.7%	8.0%	21.3%
Median Household Income	47,465	47,966	-1.0%

Sources: Indiana Department of Workforce Development, Bureau of Labor Statistics, and U.S. Census Bureau.

Salaries and benefits for State employees represent approximately 9.2% of governmental fund expenditures. The following table shows a ten year history of the count of full time State employees.

Full Time State Employees Paid Through The Auditor of State's Office

	Governor's Authority	Judiciary	Other Elected Officials	On Disability Leave - In Pay Status	On Disability Leave - Not in Pay Status	Total
2010	29,911	846	1,056	647	341	32,801
2009	31,254	835	1,093	624	358	34,164
2008	32,606	811	1,139	727	339	35,622
2007	31,524	772	1,123	789	313	34,521
2006	31,822	753	1,102	941	279	34,897
2005	34,673	743	1,058	1,077	269	37,820
2004	35,794	756	1,020	1,012	266	38,848
2003	34,909	741	1,003	988	248	37,889
2002	35,474	731	1,017	1,078	252	38,552
2001	36,376	728	1,002	969	238	39,313

For more information on people paid through the Auditor of State's Office, please read the Statistical Section.

Overview of the Financial Statements

This Financial Section consists of four parts: management's discussion and analysis (this part), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements include two kinds of statements that present different views of the State. The first two statements are government-wide financial statements that provide both long-term and short-term information about the State's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the State government, reporting the State's operations in more detail than the government-wide statements.

- The governmental fund statements tell how general government services such as public safety, education, and welfare were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as the Unemployment Compensation Fund.
- Fiduciary fund statements provide information about the financial relationships in which the State acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong, such as the retirement plan for the State's employees.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* and *other supplementary information* that further explain and support the information in the financial statements.

Government-wide Financial Statements

The government-wide financial statements report information about the State as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the State's net assets and how they have changed. Net assets, the difference between the State's assets and liabilities, is one way to measure the State's financial health, or position. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the State of Indiana is improving or deteriorating. To assess the overall health of the State, additional non-financial factors should be considered, such as changes in the State's tax base, the condition of the State's roads and the State's student population. The government-wide financial statements of the State are divided into three categories:

- **Governmental activities**. Most of the State's basic services are included here, such as the State's roads and bridges, and health and environmental programs. State sales and income taxes and federal grants finance most of these activities.
- **Business-type activities**. The State provides goods and services through these activities that are financed or recovered primarily through fees and user charges. The Unemployment Compensation Fund, the Inns and Concessions Fund, and the Indiana Residual Malpractice Insurance Authority are included here.
- **Discretely Presented Component Units**. These are legally separate discretely presented entities for which the State is financially accountable. These include, among others, the Indiana Finance Authority, the Indiana Bond Bank, the Board for Depositories, the Indiana Housing and Community Development Authority, and colleges and universities that receive State funding.

Fund Financial Statements

The fund financial statements provide more detailed information about the State's most significant funds, not the State as a whole. Funds are accounting devices that the State uses to keep track of specific sources of funding and spending for particular purposes. The State of Indiana uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The State has three kinds of funds: governmental funds, proprietary funds, and fiduciary funds.

1. **Governmental funds**. Most of the State's basic services are included in governmental funds, which focus on (1) cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer

financial resources that can be spent in the near future to finance the State's programs.

*Relationship and Reconciliation***.** Because the information provided in the governmental funds statements does not encompass the additional long-term focus of the government-wide statements, reconciliation pages are provided. On the page following each governmental fund's financial statement, these reconciliations explain the differences between the government-wide and the fund financial statement. Government-wide statements use full accrual accounting. Revenues are recognized when they are earned and expenses are recognized as soon as the liability is incurred, regardless of the timing of related cash inflows and outflows. Governmental fund financial statements use the modified accrual basis of accounting. Revenues are recognized when earned so long as they are collectible within the current period or soon enough afterwards to pay liabilities of the current period. Debt service payments and a number of specific accrued liabilities are recognized as expenditures when payment is due because that is when they are normally liquidated with expendable available financial resources.

Non-current assets such as infrastructure, land, and property, plant and equipment appear on the government-wide statements but not on the governmental fund statements where they are expensed as acquired rather than capitalized. Non-current liabilities such as revenue bonds payable and net pension obligations also appear on the government-wide statements but not on the fund statements. Internal service funds are included as part of the governmental activities in the government-wide statements but not the governmental fund financial statements because they provide services to the governmental funds.

2. **Proprietary funds**. Services for which the State charges customers a fee are generally reported in proprietary funds. These funds use the economic resources measurement focus and the accrual basis of accounting. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. In fact, the State's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information such as cash flows. The State uses internal service funds (the other type of proprietary fund) to report activities that provide supplies and services for the State's other programs and activities. An example would be the State Employee Health Insurance Fund.

3. **Fiduciary funds**. The State is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds use the economic resources measurement focus and the accrual basis of accounting. All of the State's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the State's government-wide financial statements because the State cannot use these assets to finance its operations.

Financial Analysis of the State as a Whole

Net Assets

The following is condensed from the Statement of Net Assets:

State of Indiana
Condensed Schedule of Net Assets
(in millions of dollars)

	Primary Government					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Current and other assets	$ 10,750.1	$ 11,507.8	$ 153.6	$ 173.3	$ 10,903.7	$ 11,681.1
Capital assets	11,930.1	11,615.9	0.1	0.1	11,930.2	11,616.0
Total assets	22,680.2	23,123.7	153.7	173.4	22,833.9	23,297.1
Current liabilities	2,668.8	2,744.2	1,721.4	915.7	4,390.2	3,659.9
Long-term liabilities	2,483.5	2,500.6	42.4	42.8	2,525.9	2,543.4
Total liabilities	5,152.3	5,244.8	1,763.8	958.5	6,916.1	6,203.3
Net assets:						
Invested in capital assets, net of related debt	10,660.3	10,315.3	0.1	0.1	10,660.4	10,315.4
Restricted	1,466.8	1,323.6	-	-	1,466.8	1,323.6
Unrestricted	5,400.8	6,240.0	(1,610.2)	(785.2)	3,790.6	5,454.8
Total net assets	$ 17,527.9	$ 17,878.9	$ (1,610.1)	$ (785.1)	$ 15,917.8	$ 17,093.8

At the end of the current fiscal year, net assets for the primary governmental were $15.9 billion as compared to $17.1 billion in 2009. There was a decrease of $1.2 billion.

Current and other assets decreased by $777.4 million with a decrease in cash, cash equivalents, and investments making up the bulk of this. Because of total revenue being down substantially, cash and investments on hand were needed to meet the operating budget.

Capital assets increased by $314.2 million. The principal reason for the increase in capital assets was the increase in land, infrastructure, and construction in progress at the Indiana Department of Transportation due to the State's Major Moves initiative.

Total liabilities increased by $712.8 million. This increase is explained principally from an increase in amounts borrowed from the federal government to pay unemployment insurance benefits. Liabilities for governmental activities decreased by $92.5 million, which is explained mainly by a decrease in securities on loan as of June 30, 2010.

Other liabilities that increased included accounts payable (AP), OPEB, and unearned revenue. The AP increase can be explained from implementing the new state accounting system which has a fully functioning AP module. The OPEB liability increase is mainly due to the increase in the net pension obligation per the GASB 45 Financial Report for the fiscal year ended June 30, 2010. The unearned revenue increase is due to the increase in federal grants with cash greater than expenses at fiscal year end.

The State maintains a Counter-Cyclical Revenue and Economic Stabilization Fund ("Rainy Day Fund"). This fund was established to assist in stabilizing revenue of the State's General Fund during periods of economic recession. In other words, in good times the balance in the fund should increase, and in bad times, the money can be used to offset deficits. The fund had no available assets of the total governmental activities unrestricted net assets. This is because the entire available balance in the Rainy Day Fund was transferred to the General Fund at fiscal year end as the growth rate in adjusted personal income from 2008 to 2009 was -7.1% (Indiana Code 4-10-18-4).

Changes in Net Assets

The following is condensed from the Statement of Activities:

State of Indiana
Condensed Schedule of Change in Net Assets
(in millions of dollars)

	Primary Government					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues:						
Charges for services	$ 1,280.8	$ 1,353.9	$ 2,421.1	$ 1,251.9	$ 3,701.9	$ 2,605.8
Operating grants and contributions	11,224.0	10,495.0	-	10.5	11,224.0	10,505.5
Capital grants and contributions	-	21.4	-	-	-	21.4
General revenues:						
Individual and corporate income taxes	4,437.3	5,135.4	-	-	4,437.3	5,135.4
Sales taxes	5,937.2	6,146.4	-	-	5,937.2	6,146.4
Other	2,965.7	3,220.6	3.7	6.3	2,969.4	3,226.9
Total revenues	25,845.0	26,372.7	2,424.8	1,268.7	28,269.8	27,641.4
Program Expense						
General government	1,671.1	4,288.9	-	-	1,671.1	4,288.9
Public safety	1,497.2	1,467.6	-	-	1,497.2	1,467.6
Health	394.6	369.4	-	-	394.6	369.4
Welfare	9,773.8	9,111.4	-	-	9,773.8	9,111.4
Conservation, culture and development	638.0	674.0	-	-	638.0	674.0
Education	10,315.0	8,926.6	-	-	10,315.0	8,926.6
Transportation	1,908.3	1,267.6	-	-	1,908.3	1,267.6
Interest expense	0.6	0.7	-	-	0.6	0.7
Unemployment compensation fund	-	-	3,223.1	2,341.3	3,223.1	2,341.3
Other	-	-	24.1	25.5	24.1	25.5
Total expenses	26,198.6	26,106.2	3,247.2	2,366.8	29,445.8	28,473.0
Excess (deficiency) before transfers	(353.6)	266.5	(822.4)	(1,098.1)	(1,176.0)	(831.6)
Transfers	2.6	(2.1)	(2.6)	2.1	-	-
Change in net assets	(351.0)	264.4	(825.0)	(1,096.0)	(1,176.0)	(831.6)
Beginning net assets, as restated	17,878.9	17,614.5	(785.1)	310.9	17,093.8	17,925.4
Ending net assets	$ 17,527.9	$ 17,878.9	$ (1,610.1)	$ (785.1)	$ 15,917.8	$ 17,093.8

Governmental Activities

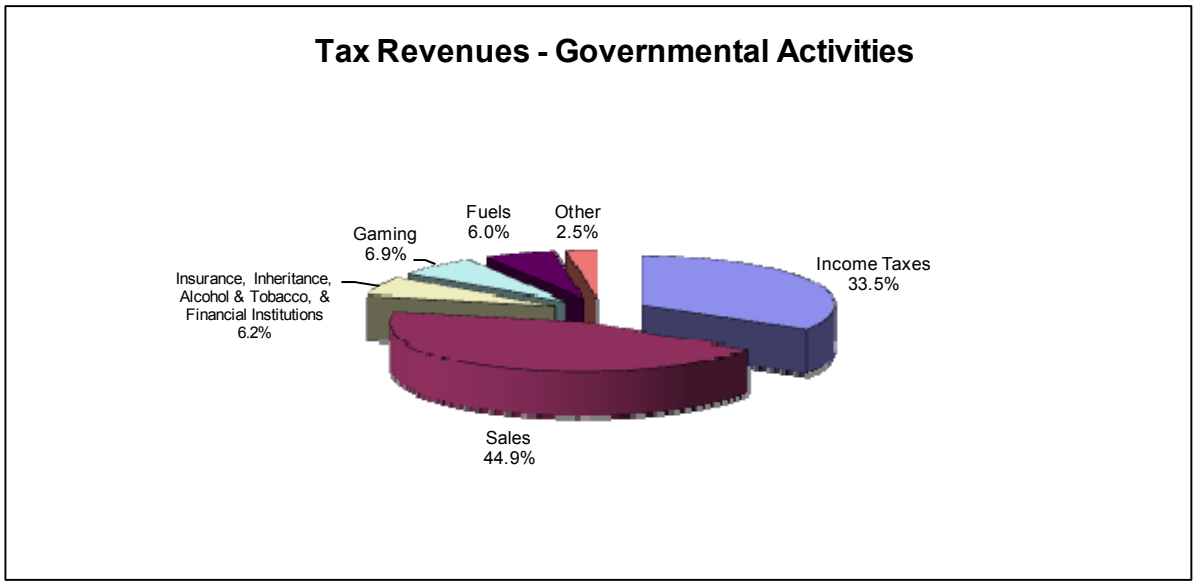
Program expenses exceeded program revenues by $13.7 billion. General revenues and transfers were $13.3 billion. The decrease in net assets was $351.0 million, which is 1.4% of total revenues and 1.3% of total expenses.

The decrease to excess (deficiency) before transfers of $620.1 million was brought about by a decrease of total revenues of $527.7 million and by an increase in total expenses of $92.4 million.

Revenues decreased mainly because of the decline in individual and corporate income taxes of $698.1 million. The continued recession and high unemployment explains the income taxes decrease and the decrease in sales taxes.

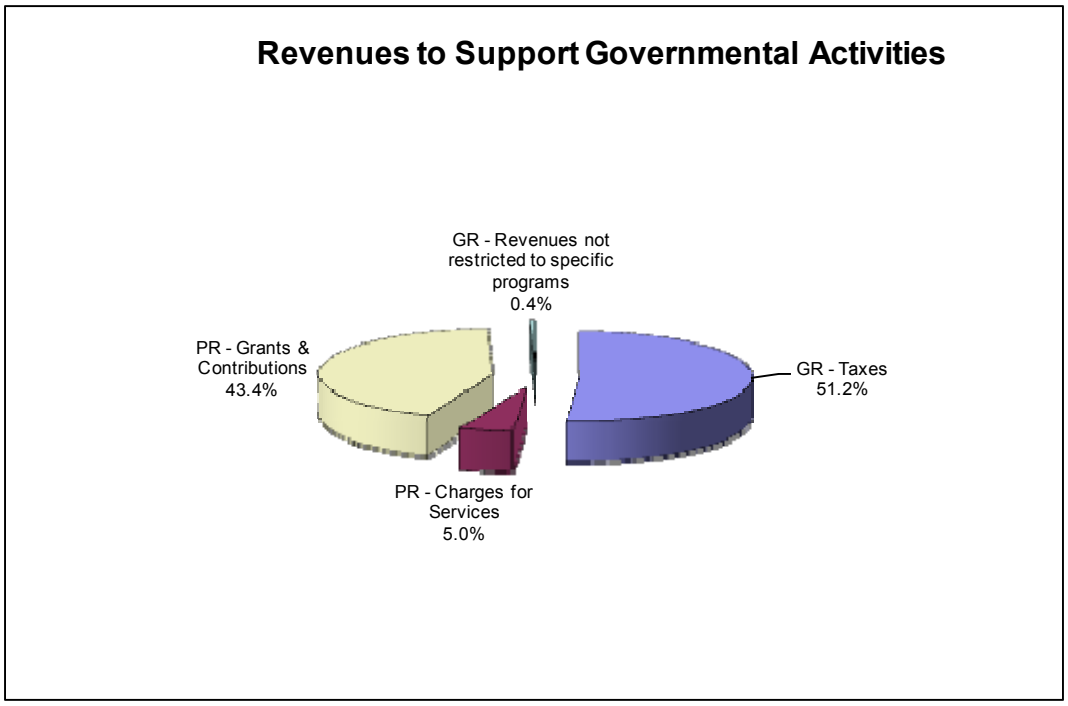
Expenses increased by only $92.4 million or by 0.4%. While Education, Welfare, and Transportation expenses increased, General Government expenses decreased significantly. General Government expenses decreased because of spending cuts of at least 10% by state agencies, from using dedicated funds, and from the increase in General Fund expenses for Education instead of the now defunct Property Tax Replacement Fund.

Tax revenues for governmental activities were broken down as follows:



Tax revenues of $13.2 billion represent 51.2% of total revenues for governmental activities. This compares to $14.4 billion in FY 2009 or 54.5% of total revenues in FY 2009. Program revenues accounted for $12.5 billion or 48.4% of total revenues. In FY 2009, program revenues accounted for $11.9 billion or 45.0% of total revenues. General revenues other than tax revenues were $111.6 million or 0.4% of total revenues. Of this $32.7 million was investment earnings. This compares to 2009, when general revenues other than taxes were $130.3 million or 0.5% of total revenues and $91.3 million was investment earnings. Investment earnings decreased by $58.6 million from FY 2009 to FY 2010 or 64.2% due to less investable cash and lower interest rates.

Total revenues for governmental activities were broken down as follows:



PR = program revenues
GR = general revenues

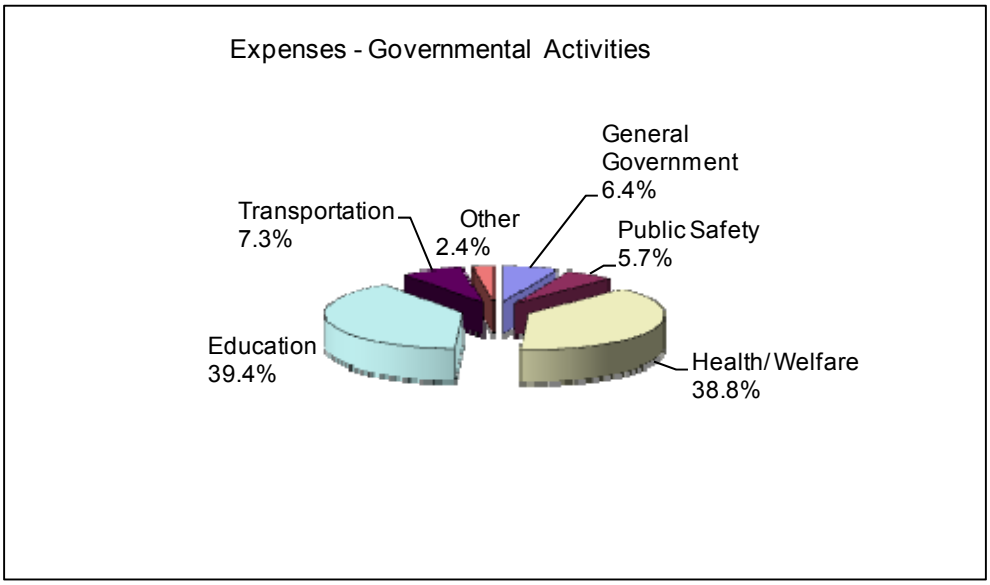
Total revenues were 98.7% of expenses which was a decrease from 101.0% in FY 2009. Total revenues decreased 2.0% from $26.4 billion in FY 2009 to $25.8 billion in FY 2010. Expenses grew 0.4% from $26.1 billion in FY 2009 to $26.2 billion in FY 2010.

The largest portion of the State's expenses is Education, which is $10.3 billion, or 39.4% of total expenses. This compares with $8.9 billion, or 34.2% of total expenses in FY 2009. The change in expenses was an increase of $1.4 billion or 15.6%. Expenses increased due to the increase in the General Fund's expenses, which is responsible for a larger portion of Education expenses with the closing of the Property Tax Replacement Fund. Some of the major expenses were tuition support, $6.1 billion, General Fund appropriations for State colleges and universities, $1.4 billion, federal grant programs from the U.S. Department of Education Fund, $670.0 million, Teachers' Retirement Pension, $629.1 million, $454.5 million for K-12 and higher education from the ARRA of 2009 Fund, and the national school lunch program, $320.1 million. All but $1.5 billion of Education expenses in FY 2010 were funded from general revenues.

Health and Welfare comprises 38.8%, or $10.2 billion, of the State's expenses. In FY 2009, Health and Welfare accounted for 36.3%, or $9.5 billion, of expenses. The change in expenses was an increase of $687.6 million, or 7.3%. Some of the major expenses were Medicaid assistance, $5.4 billion, the U.S. Department of Health and Human Services Fund, $1.5 billion, and the federal food stamp program, $1.4 billion.

$1.7 billion, or 6.4% of expenses, was spent for General Government. General Government comprised $4.3 billion or 16.4% of expenses in FY 2009. General Government includes local distributions and money for State administration and those functions that serve the State as a whole. Spending cuts and use of dedicated funds were two of the major reasons for the decrease in General Government expenses. A third reason for the decline is that substantially more of the General Fund expenses went for Education rather than General Government purposes.

Total expenses for governmental activities were broken down as follows:



Business-type Activities

Business-type activities represent 8.6% of the Primary Government's revenues and 11.0% of the expenses. The Unemployment Compensation Fund accounts for 98.9% of business-type activities' operating revenues and 99.3% of operating expenses. The change in net assets for business-type activities was a decline of $825.0 million.

The Unemployment Compensation Fund collects employer taxes and the federal share of unemployment compensation. Benefits are paid to eligible individuals and the fund covers general and administrative expenses. Benefits and administrative expenses paid exceeded revenue in the fund by $829.4 million. This compares to FY 2009 when this fund's expenses exceeded revenue by $1.1 billion. Employer contributions into the fund increased by $103.9 million, from $392.3 million in FY 2009 to $496.2 million in FY 2010. Federal revenues into the fund increased by $1.1 billion, from $831.4 million in FY 2009 to $1.9 billion in FY 2010. The decrease in net assets is due to the increase in the amount due to the federal government for continued borrowings in order to pay unemployment benefits.

Net Cost of Primary Government
(in millions)

	June 30, 2010	June 30, 2009	% Change
Governmental Activities:			
General government	$ 641.6	$ 3,225.4	-80.1%
Public safety	829.4	738.2	12.4%
Health	116.7	131.3	-11.1%
Welfare	2,626.2	2,481.9	5.8%
Conservation, culture, and development	186.0	224.7	-17.2%
Education	8,888.5	7,399.9	20.1%
Transportation	404.8	33.8	1097.6%
Unallocated interest expense	0.6	0.7	-14.3%
Business-type Activities:			
Unemployment Compensation Fund	829.4	1,107.1	-25.1%
Malpractice Insurance Authority	(0.4)	(4.3)	-90.7%
Inns and Concessions	(2.8)	16.1	-117.4%
TOTAL	$ 14,520.0	$ 15,354.8	-5.4%

This schedule shows the net expense (revenue) attributable to each function of government. Each function of Indiana government is either self-supporting (a negative number) or requires additional general revenues to cover expenses (a positive number).

Financial Analysis of the State's Funds

The following is an analysis of the State's major governmental funds. Please note that transfers in and transfers out for these funds are explained in much greater detail in note IV(B) in the Notes to the Financial Statements.

General Fund

The General Fund is maintained to account for resources obtained and used for those services traditionally provided by State government which are not required to be accounted for in another fund. The fund balance of the General Fund at June 30, 2010 was $2.3 billion, which is 60.2% of assets. This compares to a fund balance at June 30, 2009 of $1.6 billion, which was 51.5% of assets. This indicates that the State's financial position in the General Fund increased from the prior year by $785.2 million. The fund balance of $2.3 billion is composed of reserves of $558.4 million and unreserved of $1.8 billion. Major reserves are:

- Encumbrances of $38.7 million, which is money set aside to pay for future obligations.
- Loans of $510.4 million, which consists of $18.8 million in loans to entities outside the primary government and $491.6 million in interfund loans.

The unreserved, undesignated fund balance of $1.5 billion plus the unreserved fund balance designated for appropriations of $101.3 million, plus the unreserved fund balance designated for allotments of $230.0 million equals the total unreserved fund balance of $1.8 billion. For more information on designations of unreserved fund balance, see the chart in the Notes to the Financial Statements III(B).

The General Fund's revenues decreased 6.8%, or $843.0 million, from FY 2009, because of the decrease in total taxes revenue which included income taxes down by $680.7 million. Income taxes decreased 13.5% from FY 2009. Sales tax revenues decreased by $97.2 million, or 1.6%, from FY 2009. The decrease in tax revenues is explained by the continued recession in 2010.

General Fund expenditures remained flat, as expenditures totaled $10.6 billion in FY 2010 and $10.5 billion in FY 2009. Expenditures remained consistent due to prudent fiscal management. Spending cuts, primarily in General Government, and use of dedicated funds enabled expenditures to remain at 2009 levels.

The General Fund had transfers in of $2.9 billion compared to $2.6 billion in FY 2009. Transfers out were $3.0 billion compared to $5.7 billion in FY 2009. More detail on these transfers can be found in the Notes to the Financial Statements IV(B).

Overall, the increased position of the General Fund in the amount of $785.2 million can be attributed to spending reductions made by state agencies at the direction of the Governor, use of dedicated funds, and from use of reserves.

Public Welfare-Medicaid Assistance Fund

Medicaid is an insurance program for low-income people. It is jointly funded by the Federal government and the State. The Medicaid Assistance Fund received $4.0 billion in Federal revenue as compared to $3.6 billion in FY 2009. State funding comes through the $1.5 billion of transfers in from the General Fund which was a decrease of $286.4 million from FY 2009. Transfers out were $160.6 million compared with $329.4 million in FY 2009. The Fund distributed $5.4 billion in Medicaid assistance during the year, which is the same as in FY 2009. The change in fund balance increased by $91.3 million from FY 2009 to FY 2010.

State Highway Department Fund

The State Highway Department Fund was created to fund the construction, reconstruction, operation, maintenance, and control of State highways and tollways. The fund collected $754.1 million in grants and received $991.8 million in transfers in, which are taxes and revenues collected in other funds, compared with $970.8 million and $839.8 million in FY 2009, respectively. The fund expended $1.9 billion during the year, which is consistent with FY 2009. The fund balance decreased by $27.4 million from FY 2009 to FY 2010. The decrease is principally from the decrease in federal grants revenue.

Major Moves Construction Fund

The Major Moves Construction Fund was created in fiscal year 2006 as part of the leasing of the Indiana Toll Road to Cintra-Mcquarie, a private company. This fund distributes money received from the Toll Road lease for new constructions and major preservation of highways and bridges throughout Indiana.

The Major Moves Construction Fund transferred $535.3 million to the State Highway Department Fund. The fund received $337.5 million in investment income and distributed $10.0 million to the Northwest

Indiana Regional Development Authority. The change in fund balance from FY 2009 to FY 2010 was a decline of $208.3 million.

ARRA of 2009 Fund

The ARRA of 2009 Fund was created in FY 2009 upon the American Recovery and Reinvestment Act of 2009 becoming law on February 17, 2009. The objective for ARRA of 2009 Fund spending is to stimulate the economy and create jobs. The programs expected to receive the largest amount of funds include Medicaid, Education, Infrastructure, Nutrition, and Weatherization.

The ARRA of 2009 Fund received $1.6 billion in federal grants revenues compared to $996.6 million in FY 2009. The fund expended $1.9 billion during the year, compared with $985.0 million in FY 2009. Grant revenues and expenditures of the fund increased primarily due to this being the second year of funding, which was a full fiscal year. The largest increases in expenditures were for Welfare of $349.6 million and for Transportation of $337.1 million. The Welfare expenditures were for the Medicaid program. The Transportation expenditures primarily were for highway construction projects.

The change in fund balance decreased by $302.3 million from FY 2009 to FY 2010.

U.S. Department of Health and Human Services Fund

The U.S. Department of Health and Human Services Fund is a new fund created during the fiscal year with the implementation of the new statewide accounting system to account for federal grants that are used to carry out health and human services programs.

The US DHHS Fund received $1.1 billion in federal grant revenues and expended $1.5 billion. The US DHHS Fund received transfers in of $366.6 million mostly from the General Fund for various health and human services programs. The change in fund balance from FY 2009 to FY 2010 was a decline of $75.6 million. In FY 2009, this fund comprised several funds whose funding sources were federal funds from the US DHHS.

General Fund Budgetary Highlights

Actual state general fund revenue collections decreased by $719.5 million, or 5.6%, in FY 2010. This follows a decrease of $962.9 million, or 7.4%, in general fund revenue collections in FY 2009, when normalized for the impact of HEA 1001 (2008). At the time the budget was enacted in June 2009, state reserves were projected to remain flat in FY 2010 as a result of projected revenue growth, an overall reduction in appropriations, and the use of American Recovery and Reinvestment Act (ARRA) funds. With state general fund revenues falling nearly $1 billion short of the May 2009 forecast, Governor Daniels ordered reductions in state spending coupled with the prudent use of a portion of the state's reserves. Consequently, actual expenditure growth, normalizing for the impact of ARRA funds, was -1.9% in FY 2010 compared with FY 2009. Annual expenditure growth has averaged less than 1.7% over the past six years in comparison to growth of nearly 5.9% between FY 1996 and FY 2004.

At year-end, the state had $830.7 million in reserves, with all of the reserves residing in the general fund.

Capital Asset and Debt Administration

Capital Assets

Capital assets were $11.9 billion, which was 53.7% of total assets for the primary government. Related debt was $1.3 billion. Total capital assets net of related debt for the primary government was $10.7 billion. Related debt was 10.6% of capital assets. Total capital assets increased by $314.2 million or 2.7% and is attributable to increases in the Indiana Department of Transportation's land, infrastructure, and construction in progress (CIP). INDOT's capital assets increase of $433.1 million combined with decreases of $89.0 million in the primary government's capital assets, $28.1 million in DOA Public Works' CIP, and $1.7 million in capital lease assets accounts for the net increase in capital assets. CIP consisting of right of way and work in progress increased $231.2 million, infrastructure consisting of

interstate roads, non-interstate roads, and bridges increased $107.7 million, and land increased by $94.2 million. More detailed information about the State's capital assets is presented in Note IV(D) to the Financial Statements.

The following table shows the percentage change from fiscal year 2009 to fiscal year 2010.

State of Indiana
Capital Assets
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government		Total % Change
	2010	2009	2010	2009	2010	2009	
Land	$ 1,500.5	$ 1,405.1	$ -	$ -	$ 1,500.5	$ 1,405.1	6.8%
Infrastructure	8,062.5	7,954.8	-	-	8,062.5	7,954.8	1.4%
Construction in Progress	1,488.9	1,285.6	-	-	1,488.9	1,285.6	15.8%
Property, plant and equipment	1,932.4	2,018.0	0.4	0.4	1,932.8	2,018.4	-4.2%
Computer software	35.3	34.6	-	-	35.3	34.6	2.0%
Less accumulated depreciation	(1,089.5)	(1,082.2)	(0.3)	(0.3)	(1,089.8)	(1,082.5)	0.7%
Total	**$11,930.1**	**$11,615.9**	**$ 0.1**	**$ 0.1**	**$11,930.2**	**$11,616.0**	**2.7%**

Long-term Obligations

Major long-term obligations items are included in the following table. These items comprised 100% of total long-term liabilities and 40.1% of total liabilities.

The following table shows the percentage change from fiscal year 2009 to fiscal year 2010.

State of Indiana
Long-term Liabilities
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government		Total % Change
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	
Accrued liability for compensated absences	$ 66.6	$ 67.1	$ 0.3	$ 0.3	$ 66.9	$ 67.4	-0.7%
Intergovernmental payable	40.0	50.0	-	-	40.0	50.0	-20.0%
Capital lease payable	1,222.7	1,252.1	-	-	1,222.7	1,252.1	-2.3%
Claims payable	-	-	42.1	42.5	42.1	42.5	-0.9%
Net pension obligations	948.1	957.5	-	-	948.1	957.5	-1.0%
Other postemployment benefits	112.4	71.8	-	-	112.4	71.8	56.5%
Pollution remediation	43.7	52.1	-	-	43.7	52.1	N/A
Due to component units	50.0	50.0	-	-	50.0	50.0	0.0%
Total	**$ 2,483.5**	**$ 2,500.6**	**$ 42.4**	**$ 42.8**	**$ 2,525.9**	**$ 2,543.4**	**-0.7%**

Total long-term liabilities decreased by 0.7% or $17.5 million. The largest decreases were in capital leases payable of $29.4 million and intergovernmental payable of $10.0 million.

The decrease in capital leases payable is because there was a decrease of $29.6 million in the direct financing lease with the Highway Revenue Bonds fund of the Indiana Finance Authority. We had other capital leases that increased by a total of $0.2 million.

The $10.0 million decrease in intergovernmental payables resulted from a distribution for infrastructure projects under the Major Moves Construction Fund.

The decrease in net pension obligations (NPO) is due to increased employer contributions for the Teachers Retirement Fund Pre-1996 Plan. The NPOs of two other pension plans increased by $5.8 million.

The long term liability for pollution remediation liability decreased by $8.4 million. The pollution remediation liability for waste tires decreased by $7.1 million and the long-term liability for the Department of Natural Resources' sites decreased by $1.3 million.

Other postemployment benefits increased $40.6 million. This increase in OPEB liability is based on the OPEB financial report for the fiscal year ending June 30, 2010. The Indiana State Police Plan's liability increased by $32.2 million, the Indiana State Personnel Plan increased by $4.2 million, the Conservation Excise Police Plan increased by $4.0 million, and the Legislature Plan increased by $0.2 million.

Claims payable for business activities decreased by $0.4 million. This was the amount of decrease in claims payable for the Indiana Residual Malpractice Insurance Authority.

More detailed information about the State's long term obligations is presented in Note IV(F) to the Financial Statements.

Infrastructure

As required by GASB Statement No. 34, the State has capitalized its infrastructure. This amounts to $8.0 billion in roads and bridges using the modified approach, $1.3 billion in right of way classified as land, and $24.0 million in property (septic, sewer, and water systems; and streets/sidewalks/curbs) and dams being depreciated. In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the State.
- Document that the assets are being preserved approximately at or above the established condition level.

Under the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 11,000 centerline miles of pavement on 211 routes and approximately 5,200 bridges that the State is responsible to maintain.

The State has consistently maintained the assessed conditions of roads over the past three years. It is the State's policy to maintain a network average International Roughness Index (IRI) of no more than 95 for Interstate Roads, NHS Non-Interstate and Non-NHS Roads (a good rating is in the range of 80–115). The most recent condition assessment, completed for FY 2010, indicated that the average IRI for roads was in an acceptable range.

The State has maintained the assessed conditions of bridges at levels which are above the established benchmarks. It is the State's policy to maintain Interstate bridges at an average sufficiency rating of 87%, NHS Non-Interstate bridges at an average sufficiency rating of 85%, and Non-NHS bridges at an average sufficiency rating of 83% (a good rating is 80% - 90%). The most recent condition assessment, completed in FY 2010, indicated that the average sufficiency rating for bridges exceeded the minimum acceptable standard.

INDOT's total actual maintenance and preservation costs for infrastructure presented as required supplementary information were lower than the total planned amount. This is because the planned amounts for projects are estimates forecasted with no budget limitations. For FY10, INDOT's priority was new road construction.

Economic Factors

The economic and revenue forecasts upon which the FY 2010 – FY 2011 state budget was based were presented to the State Budget Committee on May 27, 2009. At that time, real Gross Domestic Product (real GDP) was forecasted to decrease by 1.2% in FY 2010. Corporate profits were forecasted to decline by 3.3%, while the value of U.S. household financial assets was projected to increase by 3.5%. Indiana personal income (IPI) was forecasted to decrease in FY 2010 by 0.6%, with a larger decline of 1.9% projected for Indiana wage and salary disbursements.

The May 2009 forecast was updated on December 15, 2009. Real GDP was forecasted to increase by 0.3%, while nominal GDP was forecasted to increase by 1.0%. Corporate profits were forecasted to increase by 10.8%. Indiana wage and salary disbursements were forecasted to decline by 2.7% in FY 2010. U.S. personal consumption expenditures, the value of U.S. household financial assets, and IPI were replaced as forecast variables by U.S. personal savings and IPI, net of government transfer payments. U.S. personal savings was forecasted to increase by 16.2% in FY 2010. IPI, net of government transfer payments, was forecasted to decline by 1.9%.

The U.S. Bureau of Economic Analysis (BEA) currently estimates that real and nominal GDP increased by 0.7% and 1.2%, respectively, in FY 2010. U.S. personal savings increased by 8.2%, while corporate profits increased by 27.0% in FY 2010. BEA currently estimates that IPI, net of government transfer payments, declined by 2.0% in FY 2010.

Contacting the Auditor of State

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Auditor of State, Room 240 State House, 200 West Washington Street, Indianapolis, Indiana 46204-2793, telephone (317) 232-3300.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE

FINANCIAL STATEMENTS

State of Indiana
Statement of Net Assets
June 30, 2010
(amounts expressed in thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets:				
Current assets:				
Cash, cash equivalents and investments	$ 6,189,153	$ 84,751	**$ 6,273,904**	$ 3,917,411
Securities lending collateral	803,661	-	**803,661**	318,610
Receivables (net)	2,364,302	68,253	**2,432,555**	773,263
Due from agency fund	360,138	-	**360,138**	418,365
Inventory	6,511	566	**7,077**	19,085
Prepaid expenses	-	78	**78**	30,796
Loans	75,418	-	**75,418**	1,165
Due from primary government	-	-	**-**	7,075
Due from component unit	37,014	-	**37,014**	-
Investment in direct financing lease	-	-	**-**	68,389
Funds held in trust by others	-	-	**-**	98,306
Other current assets	-	-	**-**	73,792
Total current assets	9,836,197	153,648	**9,989,845**	5,726,257
Noncurrent assets:				
Cash, cash equivalents and investments - restricted	-	-	**-**	2,498,297
Taxes, interest, and penalties receivable	435,062	-	**435,062**	4,745
Pollution remediation recovery	8,766	-	**8,766**	-
Other receivables	201	-	**201**	4,665,662
Investments - unrestricted	-	-	**-**	3,956,375
Loans	378,111	-	**378,111**	5,551
Bond issuance costs net of amortization	-	-	**-**	45,527
Intergovernmental loans	-	-	**-**	1,859,834
Due from primary government	-	-	**-**	50,000
Investment in direct financing lease	-	-	**-**	1,990,704
Deferred outflow - derivative instrument	-	-	**-**	134,374
Net pension assets	91,766	-	**91,766**	100
Other postemployment benefits	-	-	**-**	12,766
Other noncurrent assets	-	-	**-**	70,622
Capital assets:				
Land	1,500,467	-	**1,500,467**	436,197
Infrastructure	8,062,495	-	**8,062,495**	615,446
Construction in progress	1,488,896	-	**1,488,896**	1,055,568
Property, plant, and equipment	1,932,438	381	**1,932,819**	10,024,695
Computer software	35,327	-	**35,327**	-
Less accumulated depreciation/amortization	(1,089,563)	(293)	**(1,089,856)**	(4,407,836)
Total capital assets, net of depreciation/amortization	11,930,060	88	**11,930,148**	7,724,070
Total noncurrent assets	12,843,966	88	12,844,054	23,018,627
Total assets	**22,680,163**	**153,736**	22,833,899	**28,744,884**
Liabilities:				
Current liabilities:				
Accounts payable	1,395,886	525	**1,396,411**	392,559
Claims payable	-	3,331	**3,331**	48,506
Interest payable	-	-	**-**	176,889
Current portion of long-term debt	-	-	**-**	1,240,986
Line of credit	-	-	**-**	307,475
Intergovernmental payable	122,445	-	**122,445**	-
Due to primary government	-	-	**-**	37,014
Due to component unit	7,075	-	**7,075**	-
Capital lease payable	47,106	-	**47,106**	1,410
Accrued prize liability	-	-	**-**	64,196
Salaries, health, disability, and benefits payable	130,896	515	**131,411**	21,123
Tax refunds payable	41,376	-	**41,376**	-
Unearned revenue	26,301	4,905	**31,206**	296,398
Accrued liability for compensated absences	79,181	200	**79,381**	85,001
Due to federal government (net)	-	1,711,441	**1,711,441**	-
Pollution remediation payable	14,547	-	**14,547**	-
Securities lending payable	247	-	**247**	6
Securities lending collateral	803,661	-	**803,661**	318,610
Deposits held in custody for others	-	-	**-**	75,317
Other current liabilities	37	494	**531**	38,296
Total current liabilities	2,668,758	1,721,411	**4,390,169**	3,103,786

State of Indiana
Statement of Net Assets
June 30, 2010
(amounts expressed in thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Long-term liabilities:				
Accrued liability for compensated absences	66,621	296	**66,917**	71,750
Claims payable	-	42,142	**42,142**	-
Intergovernmental payable	40,000	-	**40,000**	-
Accrued prize liability	-	-	**-**	103,803
Net pension obligations	948,080	-	**948,080**	-
Other postemployment benefits	112,405	-	**112,405**	41,978
Pollution remediation payable	43,714	-	**43,714**	4,164
Due to component unit	50,000	-	**50,000**	-
Unearned revenue	-	-	**-**	3,548,882
Capital lease payable	1,222,703	-	**1,222,703**	3,823
Funds held in trust for others	-	-	**-**	162,614
Advances from federal government	-	-	**-**	30,393
Revenue bonds/notes payable	-	**-**	**-**	11,814,752
Derivative instrument liability	-	-	**-**	134,237
Other noncurrent liabilities	-	-	**-**	96,720
Total long-term liabilities	2,483,523	42,438	2,525,961	16,013,116
Total liabilities	**5,152,281**	**1,763,849**	**6,916,130**	**19,116,902**
Net Assets:				
Invested in capital assets net of related debt	10,660,251	88	**10,660,339**	3,752,199
Restricted-nonexpendable:				
Grants/constitutional restrictions	-	-	**-**	19,685
Permanent funds	1,159,704	-	**1,159,704**	19,399
Future debt service	-	-	**-**	197,325
Capital projects	-	-	**-**	1,939
Instruction and research	-	-	**-**	227,965
Student aid	-	-	**-**	215,348
Other purposes	-	-	**-**	29,895
Total restricted-nonexpendable	1,159,704	-	**1,159,704**	711,556
Restricted-expendable:				
Instruction and research	-	-	**-**	502,279
Grants/constitutional restrictions	307,073	-	**307,073**	15,249
Endowments	-	-	**-**	356,226
Future debt service	-	-	**-**	214,851
Pension fund distribution	-	-	**-**	2,370
Public safety programs	-	-	**-**	7,013
Student aid	-	-	**-**	654,459
Auxiliary enterprises	-	-	**-**	6,248
Capital projects	-	-	**-**	229,080
Water pollution and drinking water projects	-	-	**-**	1,068,970
Other purposes	-	-	**-**	102,439
Total restricted-expendable	307,073	-	**307,073**	3,159,184
Unrestricted	5,400,854	(1,610,201)	**3,790,653**	2,005,043
Total net assets	**$ 17,527,882**	**$ (1,610,113)**	**$ 15,917,769**	**$ 9,627,982**

The notes to the financial statements are an integral part of this statement.

State of Indiana
Statement of Activities
For the Year Ended June 30, 2010
(amounts expressed in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units
Primary government:								
Governmental activities:								
General government	$ 1,671,106	$ 552,008	$ 477,491	$ -	$ (641,607)	$ -	$ (641,607)	$ -
Public safety	1,497,187	483,421	184,364	9	(829,393)	-	(829,393)	-
Health	394,626	8,076	269,852	-	(116,698)	-	(116,698)	-
Welfare	9,773,841	23,344	7,124,261	-	(2,626,236)	-	(2,626,236)	-
Conservation, culture and development	637,984	159,252	292,711	-	(186,021)	-	(186,021)	-
Education	10,314,994	8,489	1,418,027	-	(8,888,478)	-	(8,888,478)	-
Transportation	1,908,307	46,231	1,457,255	-	(404,821)	-	(404,821)	-
Unallocated interest expense	592	-	-	-	(592)	-	(592)	-
Total governmental activities	26,198,637	1,280,821	11,223,961	9	(13,693,846)	-	(13,693,846)	-
Business-type activities								
Unemployment Compensation Fund	3,223,194	2,393,810	-	-	-	(829,384)	(829,384)	-
Malpractice Insurance Authority	3,678	4,062	-	-	-	384	384	-
Inns and Concessions	20,389	23,218	-	-	-	2,829	2,829	-
Total business-type activities	3,247,261	2,421,090	-	-	-	(826,171)	(826,171)	-
Total primary government	$ 29,445,898	$ 3,701,911	$ 11,223,961	$ 9	(13,693,846)	(826,171)	(14,520,017)	-
Component units:								
Governmental	56,126	148	6,582	-	-	-	-	(49,396)
Proprietary	1,850,062	1,279,799	682,205	16,691	-	-	-	128,633
Colleges and universities	5,916,141	2,974,126	1,190,537	87,367	-	-	-	(1,664,111)
Total component units	$ 7,822,329	$ 4,254,073	$ 1,879,324	$ 104,058	$ -	$ -	$ -	$ (1,584,874)
		General Revenues:						
		Income tax			4,437,275	-	4,437,275	-
		Sales tax			5,937,225	-	5,937,225	-
		Fuels tax			799,356	-	799,356	-
		Gaming tax			911,633	-	911,633	-
		Unemployment tax			807	-	807	-
		Inheritance tax			127,673	-	127,673	-
		Alcohol & Tobacco tax			458,420	-	458,420	-
		Insurance tax			179,024	-	179,024	-
		Financial Institutions tax			55,611	-	55,611	-
		Other tax			324,201	-	324,201	-
		Total taxes			13,231,225	-	13,231,225	-
		Revenue not restricted to specific programs						
		Investment earnings			32,741	3,713	36,454	626,499
		Payments from State of Indiana			-	-	-	1,488,067
		Other			76,289	-	76,289	567,298
		Transfers within primary government			2,572	(2,572)	-	-
		Total general revenues and transfers			13,342,827	1,141	13,343,968	2,681,864
		Changes in net assets			(351,019)	(825,030)	(1,176,049)	1,096,990
		Net assets - beginning, as restated			17,878,901	(785,083)	17,093,818	8,530,992
		Net assets - ending			$ 17,527,882	$ (1,610,113)	$ 15,917,769	$ 9,627,982

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

State of Indiana
Balance Sheet
Governmental Funds
June 30, 2010
(amounts expressed in thousands)

	General Fund	Public Welfare-Medicaid Assistance Fund	State Highway Department	Major Moves Construction Fund
Assets:				
Cash, cash equivalents and investments-unrestricted	$ 779,992	$ 145,920	$ 352,978	$ 2,054,336
Securities lending collateral	638,280	-	-	107,767
Receivables:				
Taxes (net of allowance for uncollectible accounts)	1,584,643	-	3,145	-
Securities lending	136	-	-	62
Accounts	6,938	43	1,256	-
Grants	9,233	180,652	38,373	-
Interest	6,909	-	-	21
Interfund loans	491,607	-	-	-
Due from agency fund	360,138	-	-	-
Due from component unit	205	-	-	-
Loans	18,767	-	11,478	-
Total assets	$ 3,896,848	$ 326,615	$ 407,230	$ 2,162,186
Liabilities:				
Accounts payable	$ 145,974	$ 242,595	$ 152,191	$ 39
Salaries and benefits payable	35,883	-	10,006	-
Interfund loans	-	-	-	-
Interfund services used	3,848	-	773	-
Intergovernmental payable	38,939	-	-	-
Due to component unit	-	-	-	-
Tax refunds payable	35,554	-	-	-
Deferred revenue	648,223	12,026	3,795	-
Accrued liability for compensated absences-current	2,668	-	896	-
Pollution remediation payable	-	-	41	-
Securities lending payable	136	-	-	62
Securities lending collateral	638,280	-	-	107,767
Total liabilities	1,549,505	254,621	167,702	107,868
Fund balance:				
Reserved:				
Encumbrances	38,748	-	853,799	-
Special purposes	-	-	-	-
Tuition support	-	-	-	-
Interfund loans	491,607	-	-	-
Long-term loans and advances	18,767	-	11,478	-
Restricted purposes	9,233	-	11,171	-
Unreserved:				
Unreserved fund balance reported in:				
General fund	1,788,988	-	-	-
Special revenue funds	-	71,994	(636,920)	2,054,318
Capital projects funds	-	-	-	-
Permanent funds	-	-	-	-
Total fund balances	2,347,343	71,994	239,528	2,054,318
Total liabilities and fund balances	$ 3,896,848	$ 326,615	$ 407,230	$ 2,162,186

The notes to the financial statements are an integral part of this statement.

ARRA of 2009	Us Department Of Health & Human Services	Non-major Governmental Funds	Total
$ -	$ -	$ 2,761,927	**$ 6,095,153**
-	-	57,614	**803,661**
-	-	183,765	**1,771,553**
-	-	49	**247**
-	78	29,363	**37,678**
84,413	76,977	209,608	**599,256**
-	-	79	**7,009**
-	-	36,665	**528,272**
-	-	-	**360,138**
-	-	36,809	**37,014**
-	-	423,284	**453,529**
$ 84,413	$ 77,055	$ 3,739,163	**$ 10,693,510**
$ 90,625	$ 52,207	173,468	**$ 857,099**
1,313	5,619	26,627	**79,448**
272,807	86,214	169,251	**528,272**
-	1,687	4,563	**10,871**
-	-	73,506	**112,445**
7,075	-	-	**7,075**
-	-	5,822	**41,376**
2,496	1,913	68,174	**736,627**
-	355	1,794	**5,713**
-	-	3	**44**
-	-	49	**247**
-	-	57,614	**803,661**
374,316	147,995	580,871	**3,182,878**
219,320	46,694	376,106	**1,534,667**
-	-	4,264	**4,264**
-	-	-	**-**
-	-	36,665	**528,272**
-	-	423,284	**453,529**
40,910	76,475	169,284	**307,073**
-	-	-	**1,788,988**
(550,133)	(194,109)	1,313,271	**2,058,421**
-	-	89,829	**89,829**
-	-	745,589	**745,589**
(289,903)	(70,940)	3,158,292	**7,510,632**
$ 84,413	$ 77,055	$ 3,739,163	**$ 10,693,510**

State of Indiana
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2010
(amounts expressed in thousands)

Total fund balances-governmental funds			$ 7,510,632
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:			
Land	$ 1,500,467		
Infrastructure assets	8,062,495		
Construction in progress	1,488,764		
Property, plant, and equipment	1,871,922		
Computer software	35,327		
Accumulated depreciation	(1,050,216)		
Total capital assets, net of depreciation			11,908,759
The State's pension funds have net pension assets not reported as assets in the funds.			91,766
Some of the state's receivables will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.			
Taxes receivable	$ 710,333		
Accounts receivable	67,778		
			778,111
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as expenditures in the funds.			
Accounts payable	$ (286,031)		
Salaries, health, disability and benefits payable	(1,084)		
Pollution remediation	(49,451)		
			(336,566)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.			82,274
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:			
Accrued liability for compensated absences	$ (135,490)		
Other postemployment benefits	(112,405)		
Loan from the Indiana Board for Depositories	(50,000)		
Capital lease payable	(1,261,119)		
Net pension obligations	(948,080)		
Total long-term liabilities			(2,507,094)
Net assets of governmental activities			$ 17,527,882

The notes to the financial statements are an integral part of this statement.

State of Indiana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010
(amounts expressed in thousands)

	General Fund	Public Welfare-Medicaid Assist	State Highway Department	Major Moves Construction Fund
Revenues:				
Taxes:				
Income	$ 4,354,395	$ -	$ -	$ -
Sales	5,912,564	-	-	-
Fuels	1	-	27,531	-
Gaming	93,791	-	-	-
Unemployment	-	-	-	-
Inheritance	127,674	-	-	-
Alcohol and tobacco	277,332	-	-	-
Insurance	175,032	-	-	-
Financial Institutions	-	-	-	-
Other	277,001	-	-	-
Total taxes	11,217,790	-	27,531	-
Current service charges	202,984	115,299	12,833	-
Investment income	28,691	-	194	337,516
Sales/rents	767	-	711	-
Grants	32,942	4,024,949	754,136	-
Other	75,522	-	83,607	-
Total revenues	11,558,696	4,140,248	879,012	337,516
Expenditures:				
Current:				
General government	582,063	372	374	-
Public safety	705,219	-	22,907	-
Health	60,138	-	-	-
Welfare	529,366	5,422,088	-	-
Conservation, culture and development	80,265	-	305	-
Education	8,629,877	-	-	-
Transportation	1,704	-	1,881,242	10,531
Total expenditures	10,588,632	5,422,460	1,904,828	10,531
Excess (deficiency) of revenues over (under) expenditures	970,064	(1,282,212)	(1,025,816)	326,985
Other financing sources (uses):				
Transfers in	2,858,825	1,534,157	991,834	-
Transfers (out)	(3,044,075)	(160,632)	(7,281)	(535,271)
Proceeds from capital lease	390	-	13,887	-
Total other financing sources (uses)	(184,860)	1,373,525	998,440	(535,271)
Net change in fund balances	785,204	91,313	(27,376)	(208,286)
Fund Balance July 1, as restated	1,562,139	(19,319)	266,904	2,262,604
Fund Balance June 30	**$ 2,347,343**	**$ 71,994**	**$ 239,528**	**$ 2,054,318**

The notes to the financial statements are an integral part of this statement.

ARRA of 2009	US Department of Health and Human Services	Non-Major Governmental Funds	Total
$ -	$ -	$ 22,228	**$ 4,376,623**
-	-	66,355	**5,978,919**
-	-	769,092	**796,624**
-	-	817,757	**911,548**
-	-	807	**807**
-	-	-	**127,674**
-	-	180,777	**458,109**
-	-	3,992	**179,024**
-	-	56,726	**56,726**
-	44	54,117	**331,162**
-	44	1,971,851	**13,217,216**
-	589	1,068,783	**1,400,488**
-	9	82,629	**449,039**
-	-	16,645	**18,123**
1,580,791	1,117,745	2,959,282	**10,469,845**
98	8,352	192,396	**359,975**
1,580,889	1,126,739	6,291,586	**25,914,686**
252,906	11,231	845,661	**1,692,607**
10,781	4,274	655,017	**1,398,198**
16,864	242,796	64,451	**384,249**
775,154	1,231,459	1,848,840	**9,806,907**
32,359	10,724	491,696	**615,349**
454,534	641	1,226,361	**10,311,413**
349,096	-	120,760	**2,363,333**
1,891,694	1,501,125	5,252,786	**26,572,056**
(310,805)	(374,386)	1,038,800	**(657,370)**
8,467	366,585	3,120,919	**8,880,787**
-	(67,830)	(5,024,387)	**(8,839,476)**
-	-	195	**14,472**
8,467	298,755	(1,903,273)	**55,783**
(302,338)	(75,631)	(864,473)	**(601,587)**
12,435	4,691	4,022,765	**8,112,219**
$ (289,903)	**$ (70,940)**	**$ 3,158,292**	**$ 7,510,632**

State of Indiana
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2010
(amounts expressed in thousands)

Net change in fund balances-total governmental funds	$	(601,587)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report net capital outlays for infrastructure as expenditures. However in the statement of activities these outlays are capitalized and under the modified approach not depreciated. This is the amount of the net capital outlays for infrastructure under the modified approach in the current period.		433,084
Governmental funds report net capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which net capital outlays ($29,085) exceeds depreciation of $89,682 in the current period.		(118,767)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Tax revenue		17,758
Non-tax revenue		(16,478)
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds.		
Operating expenses		(46,119)
Statutory expenses		10,000
Amounts due to component units		27,218
The change in net pension assets and net pension obligations do not provide or require the use of current financial resources:		
Decrease in net pension assets		7,993
Increase in net pension obligations		9,419
The change in other postemployment benefits do not provide or require the use of current financial resources.		(40,574)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, data processing, telecommunications, fleet management, and printing, to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities.		(32,966)
Change in net assets of governmental activities.	$	(351,019)

The notes to the financial statements are an integral part of this statement.

State of Indiana
Statement of Fund Net Assets
Proprietary Funds
June 30, 2010
(amounts expressed in thousands)

	Unemployment Compensation Fund	Non-Major Enterprise Funds	Total	Internal Service Funds
Assets				
Current assets:				
Cash, cash equivalents and investments - unrestricted	$ 11,956	$ 72,795	**$ 84,751**	$ 93,999
Receivables:				
Accounts	65,408	676	**66,084**	21,213
Interest	-	718	**718**	-
Grants	1,451	-	**1,451**	-
Interfund services provided	-	-	**-**	10,871
Inventory	-	566	**566**	6,511
Prepaid expenses	-	78	**78**	-
Total current assets	78,815	74,833	**153,648**	132,594
Noncurrent assets:				
Capital assets:				
Construction in progress	-	-	**-**	132
Property, plant, and equipment	-	381	**381**	60,516
Less accumulated depreciation	-	(293)	**(293)**	(39,347)
Total capital assets, net of depreciation	-	88	**88**	21,301
Total noncurrent assets	-	88	**88**	21,301
Total assets	**78,815**	**74,921**	**153,736**	**153,895**
Liabilities				
Current liabilities:				
Accounts payable	-	525	**525**	7,924
Claims payable	-	3,331	**3,331**	-
Salaries and benefits payable	-	515	**515**	1,786
Capital lease payable	-	-	**-**	272
Health/disability benefits payable	-	-	**-**	48,578
Accrued liability for compensated absences	-	200	**200**	2,412
Due to federal government (net)	1,711,441	-	**1,711,441**	-
Deferred revenue	-	4,905	**4,905**	7
Other liabilities	-	494	**494**	37
Total current liabilities	1,711,441	9,970	**1,721,411**	61,016
Noncurrent liabilities:				
Accrued liability for compensated absences	-	296	**296**	2,187
Capital lease payable	-	-	**-**	8,418
Claims payable	-	42,142	**42,142**	-
Total noncurrent liabilities	-	42,438	**42,438**	10,605
Total liabilities	**1,711,441**	**52,408**	**1,763,849**	**71,621**
Net assets				
Invested in capital assets net of related debt	-	88	**88**	12,611
Unrestricted	(1,632,626)	22,425	**(1,610,201)**	69,663
Total net assets	**$ (1,632,626)**	**$ 22,513**	**$ (1,610,113)**	**$ 82,274**

The notes to the financial statements are an integral part of this statement.

State of Indiana
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2010

(amounts expressed in thousands)

	Unemployment Compensation Fund	Non-Major Enterprise Funds	Total	Internal Service Funds
Operating revenues:				
Sales/rents/premiums	$ -	$ 27,095	**$ 27,095**	$ 496,206
Employer contributions	496,172	-	**496,172**	-
Charges for services	-	-	**-**	6,364
Federal revenues	1,893,842	-	**1,893,842**	-
Other	-	185	**185**	787
Total operating revenues	2,390,014	27,280	**2,417,294**	503,357
Cost of sales	-	4,125	**4,125**	24,807
Gross margin	2,390,014	23,155	**2,413,169**	478,550
Operating expenses:				
General and administrative expense	1,207	16,768	**17,975**	135,440
Claims expense	-	3,115	**3,115**	-
Health / disability benefit payments	-	-	**-**	327,566
Unemployment compensation benefits	3,221,634	-	**3,221,634**	-
Depreciation and amortization	-	33	**33**	8,673
Other	292	25	**317**	-
Total operating expenses	3,223,133	19,941	**3,243,074**	471,679
Operating income (loss)	(833,119)	3,214	**(829,905)**	6,871
Nonoperating revenues (expenses):				
Interest and other investment income	-	3,713	**3,713**	8
Interest and other investment expense	(61)	-	**(61)**	(592)
Gain (Loss) on disposition of assets	-	-	**-**	(486)
Federal grants	3,796	-	**3,796**	-
Other	-	-	**-**	(28)
Total nonoperating revenues (expenses)	3,735	3,713	**7,448**	(1,098)
Income before contributions and transfers	(829,384)	6,927	**(822,457)**	5,773
Transfers (out)	-	(2,573)	**(2,573)**	(38,739)
Change in net assets	(829,384)	4,354	**(825,030)**	(32,966)
Total net assets, July 1, as restated	**(803,242)**	**18,159**	**(785,083)**	**115,240**
Total net assets, June 30	**$ (1,632,626)**	**$ 22,513**	**$ (1,610,113)**	**$ 82,274**

The notes to the financial statements are an integral part of this statement.

State of Indiana
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2010
(amounts expressed in thousands)

	Unemployment Compensation Fund	Non-Major Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities:				
Cash received from customers	$ 1,817,540	$ 26,611	**$ 1,844,151**	$ 503,671
Cash paid for general and administrative	(1,499)	(16,892)	**(18,391)**	(134,148)
Cash paid for salary/health/disability benefit payments	-	-	**-**	(328,226)
Cash paid to suppliers	-	(4,083)	**(4,083)**	(19,013)
Cash paid for claims expense	(3,543,215)	(3,346)	**(3,546,561)**	-
Other operating income	-	-	**-**	-
Net cash provided (used) by operating activities	(1,727,174)	2,290	**(1,724,884)**	22,284
Cash flows from noncapital financing activities:				
Transfers out	-	(2,573)	**(2,573)**	(38,739)
Loan from federal government	2,294,804	-	**2,294,804**	-
Repayment of loan from federal government	(583,363)	-	**(583,363)**	-
Federal grants	6,833	-	**6,833**	-
Other	-	**-**	**-**	(24)
Net cash provided (used) by noncapital financing activities	1,718,274	(2,573)	**1,715,701**	(38,763)
Cash flows from capital and related financing activities:				
Acquisition/construction of capital assets	-	-	**-**	(9,340)
Proceeds from sale of assets	-	-	**-**	497
Principal payments -- capital leases	-	-	**-**	(275)
Interest paid	-	-	**-**	(593)
Debt issue expense	-	-	**-**	-
Net cash provided (used) by capital and related financing activities	-	-	**-**	(9,711)
Cash flows from investing activities:				
Proceeds from sales of investments	-	6,010	**6,010**	-
Purchase of investments	-	(8,745)	**(8,745)**	(400)
Interest income (expense) on investments	(61)	2,764	**2,703**	7
Net cash provided (used) by investing activities	(61)	29	**(32)**	(393)
Net increase (decrease) in cash and cash equivalents	(8,961)	(254)	**(9,215)**	(26,583)
Cash and cash equivalents, July 1	20,918	5,127	**26,045**	119,181
Cash and cash equivalents, June 30	**$ 11,957**	**$ 4,873**	**$ 16,830**	**$ 92,598**
Reconciliation of cash , cash equivalents and investments:				
Cash and cash equivalents unrestricted at end of year	$ 11,956	$ 4,873	**$ 16,829**	$ 92,599
Investments unrestricted	-	67,922	**67,922**	1,400
Cash, cash equivalents and investments per balance sheet	**$ 11,956**	**$ 72,795**	**$ 84,751**	**$ 93,999**
Noncash investing, capital and financing activities:				
Increase in fair value of investments	$ -	$ 963	**$ 963**	$ -

State of Indiana
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2010
(amounts expressed in thousands)

	Unemployment Compensation Fund	Non-Major Enterprise Funds	Total	Internal Service Funds
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	$ (833,119)	$ 3,214	**$ (829,905)**	$ 6,871
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation/amortization expense	-	33	**33**	8,673
(Increase) decrease in receivables	10,889	150	**11,039**	765
(Increase) decrease in interfund services provided	-	-	**-**	(393)
(Increase) decrease in inventory	-	42	**42**	(98)
(Increase) decrease in prepaid expenses	-	(29)	**(29)**	4,858
(Increase) decrease in claims payable	-	(231)	**(231)**	-
Increase (decrease) in health and disability benefits payable	-	-	**-**	(659)
Increase (decrease) in accounts payable	(904,944)	(17)	**(904,961)**	1,268
Increase (decrease) in deferred revenue	-	(836)	**(836)**	(57)
Increase (decrease) in salaries payable	-	7	**7**	339
Increase (decrease) in compensated absences	-	(12)	**(12)**	717
Increase (decrease) in other payables	-	(31)	**(31)**	-
Net cash provided (used) by operating activities	**$ (1,727,174)**	**$ 2,290**	**$ (1,724,884)**	**$ 22,284**

The notes to the financial statements are an integral part of this statement.

State of Indiana
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010
(amounts expressed in thousands)

	Pension and Other Employee Benefit Trust Funds	Private-Purpose Trust Funds	Investment Trust Fund	Agency Funds
Assets:				
Cash, cash equivalents and non-pension investments	$ 2,086,264	$ 32,656	$ -	$ 336,564
Securities lending collateral	3,384,054	-	-	-
Receivables:				
Taxes	-	4,456	-	14,681
Contributions	203,486	-	-	-
Interest	79,482	6	188	-
Member loans	1,272	-	-	-
Due from other funds	24,355	-	-	-
Due from component unit	1,538	-	-	-
From investment sales	1,117,534	-	-	-
Other	1,161	-	-	32
Total receivables	1,428,828	4,462	188	14,713
Due from local governmental units	-	-	-	360,138
Pension and other employee benefit investments at fair value:				
Equity Securities	7,384,407	-	-	-
Debt Securities	8,536,569	-	-	-
Mutual Funds and Collective Trust Funds	1,370,491	-	-	-
Other	3,333,431	-	-	-
Total investments	20,624,898	-	-	-
Pool Investments at Amortized Cost:				
Cash and cash equivalents	-	-	366,293	-
Money Market Mutual Funds	-	-	2,150	-
U.S. Government Agencies	-	-	41,560	-
Commercial Paper	-	-	-	-
Total investments	-	-	410,003	-
Property, plant and equipment net of accumulated depreciation	10,137	-	-	-
Total assets	**27,534,181**	**37,118**	**410,191**	**$ 711,415**
Liabilities:				
Accounts/escrows payable	18,250	1,375	-	336,596
Salaries and benefits payable	1,073	-	-	-
Management fee payable	-	-	40	-
Due to other funds	24,356	-	-	-
Benefits payable	70,738	-	-	-
Distributions payable	-	-	4	-
Due to component unit	1,538	-	-	-
Deferred revenue	26	-	-	-
Compensated absences	460	-	-	-
Securities purchased payable	1,350,925	-	-	-
Securities lending collateral	3,384,054	-	-	-
Due to general fund	-	-	-	360,138
Other	-	-	19	14,681
Total liabilities	**4,851,420**	**1,375**	**63**	**$ 711,415**
Net assets:				
Held in trust for:				
Employees' pension benefits	22,403,799	-	-	
OPEB benefits	169,923	-	-	
Future death benefits	10,335	-	-	
State and local units	98,704	-	-	
Trust beneficiaries	-	35,743	-	
Local government investment pool participants	-	-	410,128	
Total net assets	**$ 22,682,761**	**$ 35,743**	**$ 410,128**	

The notes to the financial statements are an integral part of this statement.

State of Indiana
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2010

(amounts expressed in thousands)

	Pension and Other Employee Benefit Trust Funds	Private-Purpose Trust Funds	Investment Trust Fund
Additions:			
Member contributions	$ 339,294	$ 86,089	$ 674,238
Employer contributions	1,404,630	-	-
Contributions from the State of Indiana	225,617	-	-
Net investment income (loss)	2,820,965	(17)	1,782
Taxes	-	4,456	-
Less investment expense	(124,281)	-	(3)
Donations/escheats	-	60,281	-
Transfers in	8,154	-	-
Reinvestment of distributions	-	-	1,263
Other	176	-	-
Total additions	4,674,555	150,809	677,280
Deductions:			
Pension and disability benefits	1,709,285	-	-
Retiree health benefits	7,264	-	-
Death benefits	1,464	-	-
Payments to participants/beneficiaries	-	143,254	1,263
Refunds of contributions and interest	53,297	-	559,028
Administrative	35,559	-	349
Pension relief distributions	213,035	-	-
Capital projects	2,884	-	-
Depreciation	330	-	-
Transfers out	8,176	-	-
Other	96	-	160
Total deductions	2,031,390	143,254	560,800
Net increase (decrease) in net assets	2,643,165	7,555	116,480
Net assets held in trust, July 1, as restated	20,039,596	28,188	293,648
Net assets held in trust, June 30	**$ 22,682,761**	**$ 35,743**	**$ 410,128**

The notes to the financial statements are an integral part of this statement.

State of Indiana
Combining Statement of Net Assets
Discretely Presented Component Units
June 30, 2010
(amounts expressed in thousands)

	Governmental	Proprietary	Colleges and Universities	Total
Assets:				
Current assets:				
Cash, cash equivalents and investments	$ 134,421	$ 2,038,965	$ 1,744,025	**$ 3,917,411**
Securities lending collateral	-	924	317,686	**318,610**
Receivables (net)	957	376,091	396,215	**773,263**
Intergovernmental receivable	-	418,365	-	**418,365**
Inventory	-	639	18,446	**19,085**
Prepaid expenses	-	4,386	26,410	**30,796**
Loans	1,165	-	-	**1,165**
Due from primary government	-	-	7,075	**7,075**
Investment in direct financing lease	-	68,389	-	**68,389**
Funds held in trust by others	-	-	98,306	**98,306**
Other current assets	-	17,395	56,397	**73,792**
Total current assets	136,543	2,925,154	2,664,560	**5,726,257**
Noncurrent assets:				
Cash, cash equivalents and investments - restricted	-	703,297	1,795,000	**2,498,297**
Taxes, interest, and penalties receivable	-	4,745	-	**4,745**
Other receivables	-	4,299,272	366,390	**4,665,662**
Investments - unrestricted	-	479,168	3,477,207	**3,956,375**
Loans	5,551	-	-	**5,551**
Bond issuance costs net of amortization	-	45,318	209	**45,527**
Intergovernmental loans	-	1,859,834	-	**1,859,834**
Due from primary government	-	50,000	-	**50,000**
Investment in direct financing lease	-	1,990,704	-	**1,990,704**
Deferred outflow - derivative instrument	-	134,293	81	**134,374**
Net pension assets	-	100	-	**100**
Other postemployment benefits	-	-	12,766	**12,766**
Other noncurrent assets	-	6,696	63,926	**70,622**
Capital assets:				
Land	-	236,871	199,326	**436,197**
Infrastructure	-	317,767	297,679	**615,446**
Construction in progress	-	475,257	580,311	**1,055,568**
Property, plant, and equipment	300	1,384,583	8,639,812	**10,024,695**
Less accumulated depreciation	(126)	(537,207)	(3,870,503)	**(4,407,836)**
Capital assets, net of accumulated depreciation	174	1,877,271	5,846,625	**7,724,070**
Total noncurrent assets	5,725	11,450,698	11,562,204	**23,018,627**
Total assets	**142,268**	**14,375,852**	**14,226,764**	**28,744,884**
Liabilities:				
Current liabilities:				
Accounts payable	4,867	60,117	327,575	**392,559**
Claims payable	-	22,173	26,333	**48,506**
Interest payable	-	136,707	40,182	**176,889**
Current portion of long-term debt	-	951,877	289,109	**1,240,986**
Line of credit	-	307,475	-	**307,475**
Due to primary government	-	37,014	-	**37,014**
Capital lease payable	-	-	1,410	**1,410**
Accrued prize liability	-	64,196	-	**64,196**
Salaries, health, disability, and benefits payable	252	144	20,727	**21,123**
Deferred revenue	-	73,993	222,405	**296,398**
Accrued liability for compensated absences	285	230	84,486	**85,001**
Securities lending payable	6	-	-	**6**
Securities lending collateral	-	924	317,686	**318,610**
Deposits held in custody for others	-	30,285	45,032	**75,317**
Other current liabilities	-	24,388	13,908	**38,296**
Total current liabilities	5,410	1,709,523	1,388,853	**3,103,786**
Long-term liabilities:				
Accrued liability for compensated absences	109	195	71,446	**71,750**
Accrued prize liability	-	103,803	-	**103,803**
Other postemployment benefits	-	-	41,978	**41,978**
Pollution remediation payable	-	4,164	-	**4,164**
Deferred revenue	-	3,486,008	62,874	**3,548,882**
Capital lease payable	-	-	3,823	**3,823**
Funds held in trust for others	-	-	162,614	**162,614**
Advances from federal government	-	1,486	28,907	**30,393**
Revenue bonds/notes payable	-	9,395,684	2,419,068	**11,814,752**
Derivative instrument liability	-	134,156	81	**134,237**
Other noncurrent liabilities	-	6,237	90,483	**96,720**
Total long-term liabilities	109	13,131,733	2,881,274	**16,013,116**
Total liabilities	**5,519**	**14,841,256**	**4,270,127**	**19,116,902**
Net Assets:				
Invested in capital assets net of related debt	174	328,953	3,423,072	**3,752,199**
Restricted-nonexpendable:				
Grants/constitutional restrictions	-	19,685	-	**19,685**
Permanent funds	-	-	19,399	**19,399**
Future debt service	-	197,325	-	**197,325**
Capital projects	-	-	1,939	**1,939**
Instruction and research	-	-	227,965	**227,965**
Student aid	-	-	215,348	**215,348**
Other purposes	-	-	29,895	**29,895**
Total restricted-nonexpendable	-	217,010	494,546	**711,556**
Restricted-expendable:				
Instruction and research	-	-	502,279	**502,279**
Grants/constitutional restrictions	938	130	14,181	**15,249**
Endowments	-	-	356,226	**356,226**
Future debt service	-	203,720	11,131	**214,851**
Pension fund distribution	-	2,370	-	**2,370**
Public safety programs	-	-	7,013	**7,013**
Student aid	-	306	654,153	**654,459**
Auxiliary enterprises	-	60	6,188	**6,248**
Capital projects	-	55,311	173,769	**229,080**
Water pollution and drinking water projects	-	1,068,970	-	**1,068,970**
Other purposes	-	1,699	100,740	**102,439**
Total restricted-expendable	938	1,332,566	1,825,680	**3,159,184**
Unrestricted	135,637	(2,343,933)	4,213,339	**2,005,043**
Total net assets	**$ 136,749**	**$ (465,404)**	**$ 9,956,637**	**$ 9,627,982**

The notes to the financial statements are an integral part of this statement.

State of Indiana
Combining Statement of Activities
Discretely Presented Component Units
For the Fiscal Year Ended June 30, 2010
(amounts expressed in thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental	Proprietary	Colleges and Universities	Net (Expense) Revenue
Governmental	$ 56,126	$ 148	$ 6,582	$ -	$ (49,396)	$ -	$ -	$ (49,396)
Proprietary	1,850,062	1,279,799	682,205	16,691	-	128,633	-	128,633
Colleges and universities	5,916,141	2,974,126	1,190,537	87,367	-	-	(1,664,111)	(1,664,111)
Total component units	$ 7,822,329	$ 4,254,073	$ 1,879,324	$ 104,058	(49,396)	128,633	(1,664,111)	(1,584,874)
General Revenues:								
Investment earnings					-	64,472	562,027	626,499
Payments from State of Indiana					30,607	10,836	1,446,624	1,488,067
Other					-	1,014	566,284	567,298
Total general revenues					30,607	76,322	2,574,935	2,681,864
Change in net assets					(18,789)	204,955	910,824	1,096,990
Net assets - beginning, as restated					155,538	(670,359)	9,045,813	8,530,992
Net assets - ending					$ 136,749	$ (465,404)	$ 9,956,637	$ 9,627,982

The notes to the financial statements are an integral part of this statement.

State of Indiana
Combining Statement of Net Assets
Discretely Presented Component Units - Proprietary Funds
June 30, 2010
(amounts expressed in thousands)

	Indiana Finance Authority	Indiana Bond Bank	Indiana Housing and Community Development Authority	Board for Depositories	Secondary Market for Education Loans
Assets					
Current assets:					
Cash, cash equivalents and investments	$ 971,824	$ 139,752	$ 386,210	$ 200,615	$ 89,543
Securities lending collateral	-	-	-	924	-
Receivables (net)	215,396	24,558	214	605	118,383
Intergovernmental receivable	-	418,365	-	-	-
Inventory	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
Investment in direct financing lease	59,110	-	-	-	-
Other current assets	105	-	14,880	-	2,410
Total current assets	1,246,435	582,675	401,304	202,144	210,336
Noncurrent assets:					
Cash, cash equivalents and investments - restricted	-	30,467	541,973	-	2,500
Taxes, interest, and penalties receivable	-	-	4,745	-	-
Loans receivable	2,710,102	-	1,027,892	-	1,539,211
Investments - unrestricted	428,029	-	-	51,139	-
Bond issuance costs, net of amortization	14,586	21,937	8,356	-	-
Intergovernmental loans	-	1,859,834	-	-	-
Due from primary government	-	-	-	50,000	-
Investment in direct financing lease	1,341,242	-	-	-	-
Deferred outflow - derivative instrument	116,708	17,585	-	-	-
Net pension assets	-	-	-	-	-
Other noncurrent assets	-	-	-	3	6,693
Capital assets:					
Land	85,885	-	-	-	-
Infrastructure	265,252	-	-	-	-
Construction in progress	197,466	-	-	-	-
Property, plant, and equipment	1,235,168	-	4,276	212	2,212
Less accumulated depreciation	(411,808)	-	(2,818)	(185)	(1,687)
Total capital assets, net of depreciation	1,371,963	-	1,458	27	525
Total noncurrent assets	5,982,630	1,929,823	1,584,424	101,169	1,548,929
Total assets	**7,229,065**	**2,512,498**	**1,985,728**	**303,313**	**1,759,265**
Liabilities					
Current liabilities:					
Accounts payable	13,578	652	1,606	32	7,985
Claims payable	-	-	-	-	-
Interest payable	70,054	39,342	26,617	-	394
Current portion of long-term debt	205,885	500,969	243,488	-	-
Line of credit	-	-	307,475	-	-
Due to primary government	205	-	-	-	-
Accrued prize liability	-	-	-	-	-
Salaries, health, disability, and benefits payable	-	-	-	-	-
Deferred revenue	64,533	-	-	-	-
Accrued liability for compensated absences	-	-	-	-	-
Securities lending collateral	-	-	-	924	-
Deposits held in custody for others	-	30,127	158	-	-
Other current liabilities	5,424	-	15,609	3	-
Total current liabilities	359,679	571,090	594,953	959	8,379
Long-term liabilities:					
Accrued liability for compensated absences	-	-	-	-	-
Accrued prize liability	-	-	-	-	-
Pollution remediation payable	4,164	-	-	-	-
Deferred revenue	3,480,559	492	-	-	-
Advances from federal government	1,486	-	-	-	-
Revenue bonds/notes payable	4,718,395	1,904,816	1,110,729	-	1,648,925
Derivative instrument liability	116,571	17,585	-	-	-
Other noncurrent liabilities	-	-	1,096	-	5,141
Total long-term liabilities	8,321,175	1,922,893	1,111,825	-	1,654,066
Total liabilities	**8,680,854**	**2,493,983**	**1,706,778**	**959**	**1,662,445**
Net assets					
Invested in capital assets net of related debt	114,947	-	1,458	27	525
Restricted-nonexpendable					
Grants/constitutional restrictions	-	-	19,450	-	-
Future debt service	-	-	197,325	-	-
Total restricted-nonexpendable	-	-	216,775	-	-
Restricted-expendable					
Grants/constitutional restrictions	-	-	-	-	-
Future debt service	181,357	3,148	-	-	15,097
Pension fund distribution	-	-	-	2,370	-
Student aid	-	-	-	-	-
Auxiliary enterprises	-	-	-	-	-
Capital projects	-	-	-	-	-
Water pollution and drinking water projects	1,068,970	-	-	-	-
Other purposes	-	-	-	-	-
Total restricted-expendable	1,250,327	3,148	-	2,370	15,097
Unrestricted (deficit)	(2,817,063)	15,367	60,717	299,957	81,198
Total net assets	**$ (1,451,789)**	**$ 18,515**	**$ 278,950**	**$ 302,354**	**$ 96,820**

The notes to the financial statements are an integral part of this statement.

continued on next page

State Lottery Commission	Indiana Stadium and Convention Building Authority	Non-Major	IFA & ISCBA Elimination	Total Component Units
$ 89,139	$ 114,687	$ 47,195	$ -	**$ 2,038,965**
-	-	-	-	**924**
21,687	8,633	5,172	(18,557)	**376,091**
-	-	-	-	**418,365**
450	-	189	-	**639**
3,998	-	388	-	**4,386**
-	9,125	154	-	**68,389**
-	-	-	-	**17,395**
115,274	132,445	53,098	(18,557)	**2,925,154**
119,253	-	9,104	-	**703,297**
-	-	-	-	**4,745**
-	-	-	(977,933)	**4,299,272**
-	-	-	-	**479,168**
-	-	439	-	**45,318**
-	-	-	-	**1,859,834**
-	-	-	-	**50,000**
-	648,834	628	-	**1,990,704**
-	116,571	-	(116,571)	**134,293**
-	-	100	-	**100**
-	-	-	-	**6,696**
-	-	150,986	-	**236,871**
-	-	52,515	-	**317,767**
-	276,490	1,301	-	**475,257**
6,594	-	136,121	-	**1,384,583**
(5,163)	-	(115,546)	-	**(537,207)**
1,431	276,490	225,377	-	**1,877,271**
120,684	1,041,895	235,648	(1,094,504)	**11,450,698**
235,958	**1,174,340**	**288,746**	**(1,113,061)**	**14,375,852**
23,836	10,131	2,297	-	**60,117**
-	-	22,173	-	**22,173**
-	9,433	299	(9,432)	**136,707**
-	9,125	1,535	(9,125)	**951,877**
-	-	-	-	**307,475**
36,809	-	-	-	**37,014**
64,196	-	-	-	**64,196**
-	-	144	-	**144**
442	-	9,018	-	**73,993**
-	-	230	-	**230**
-	-	-	-	**924**
-	-	-	-	**30,285**
1,872	-	1,480	-	**24,388**
127,155	28,689	37,176	(18,557)	**1,709,523**
-	-	195	-	**195**
103,803	-	-	-	**103,803**
-	-	-	-	**4,164**
-	-	4,957	-	**3,486,008**
-	-	-	-	**1,486**
-	977,933	12,819	(977,933)	**9,395,684**
-	116,571	-	(116,571)	**134,156**
-	-	-	-	**6,237**
103,803	1,094,504	17,971	(1,094,504)	**13,131,733**
230,958	**1,123,193**	**55,147**	**(1,113,061)**	**14,841,256**
1,432	-	210,564	-	**328,953**
-	-	235	-	**19,685**
-	-	-	-	**197,325**
-	-	235	-	**217,010**
-	-	130	-	**130**
-	-	4,118	-	**203,720**
-	-	-	-	**2,370**
-	-	306	-	**306**
-	-	60	-	**60**
-	51,147	4,164	-	**55,311**
-	-	-	-	**1,068,970**
-	-	1,699	-	**1,699**
-	51,147	10,477	-	**1,332,566**
3,568	-	12,323	-	**(2,343,933)**
$ 5,000	**$ 51,147**	**$ 233,599**	**$ -**	**$ (465,404)**

State of Indiana
Combining Statement of Activities
Discretely Presented Component Units - Proprietary Funds
For the Fiscal Year Ended June 30, 2010

(amounts expressed in thousands)

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Indiana Finance Authority	Net (Expense) Revenue and Changes in Net Assets: Indiana Bond Bank	Net (Expense) Revenue and Changes in Net Assets: Indiana Housing and Community Development Authority
Indiana Finance Authority (IFA)	$ 379,763	$ 387,847	$ 136,510	$ -	$ 144,594	$ -	$ -
Indiana Bond Bank	106,570	936	106,170	-	-	536	-
Indiana Housing and Community Development Authority	431,146	71,465	357,883	-	-	-	(1,798)
Board for Depositories	8,665	-	2,796	-	-	-	-
Secondary Market for Educational Loans	30,207	-	41,398	-	-	-	-
State Lottery Commission	746,531	740,516	-	-	-	-	-
Indiana Stadium and Convention Building Authority (ISCBA)	42,180	-	39,484	16,578	-	-	-
Non-Major Proprietary	156,354	125,942	2,411	113	-	-	-
IFA & ISCBA Interfund Eliminations	(51,354)	(46,907)	(4,447)	-	-	-	-
Total component units	$ 1,850,062	$ 1,279,799	$ 682,205	$ 16,691	144,594	536	(1,798)
General revenues:							
Investment earnings					33,012	391	24,487
Payments from State of Indiana					-	-	-
Other					-	-	-
Total general revenues					33,012	391	24,487
Change in net assets					177,606	927	22,689
Net assets - beginning, as restated					(1,629,395)	17,588	256,261
Net assets - ending					$ (1,451,789)	$ 18,515	$ 278,950

The notes to the financial statements are an integral part of this statement.

continued on next page

State of Indiana
Combining Statement of Activities
Discretely Presented Component Units - Proprietary Funds
For the Fiscal Year Ended June 30, 2010

(amounts expressed in thousands)

	Net (Expense) Revenue and Changes in Net Assets						
	Board for Depositories	Secondary Market for Education Loans	State Lottery Commission	Indiana Stadium and Convention Building Authority	Non-Major	IFA & ISCBA Interfund Eliminations	Net (Expense) Revenue
Indiana Finance Authority (IFA)	$ -	$ -	$ -	$ -	$ -	$ -	$ 144,594
Indiana Bond Bank	-	-	-	-	-	-	536
Indiana Housing and Community Development Authority	-	-	-	-	-	-	(1,798)
Board for Depositories	(5,869)	-	-	-	-	-	(5,869)
Secondary Market for Educational Loans	-	11,191	-	-	-	-	11,191
State Lottery Commission	-	-	(6,015)	-	-	-	(6,015)
Indiana Stadium and Convention Building Authority (ISCBA)	-	-	-	13,882	-	-	13,882
Non-Major Proprietary	-	-	-	-	(27,888)	-	(27,888)
IFA and ISCBA Interfund Eliminations	-	-	-	-	-	-	-
Total component units	(5,869)	11,191	(6,015)	13,882	(27,888)	-	128,633
General revenues:							
Investment earnings	-	-	6,015	-	567	-	64,472
Payments from State of Indiana	-	-	-	-	10,836	-	10,836
Other	-	-	-	-	1,014	-	1,014
Total general revenues	-	-	6,015	-	12,417	-	76,322
Change in net assets	(5,869)	11,191	-	13,882	(15,471)	-	204,955
Net assets - beginning, as restated	308,223	85,629	5,000	37,265	249,070	-	(670,359)
Net assets - ending	$ 302,354	$ 96,820	$ 5,000	$ 51,147	$ 233,599	$ -	$ (465,404)

State of Indiana
Combining Statement of Net Assets
Discretely Presented Component Units - Colleges and Universities
June 30, 2010
(amounts expressed in thousands)

	Indiana University	Purdue University	Non-Major Colleges and Universities	Totals
Assets				
Current assets:				
Cash, cash equivalents and investments	$ 871,561	$ 507,339	$ 365,125	**$ 1,744,025**
Securities lending collateral	147,855	169,831	-	**317,686**
Receivables (net)	123,372	146,418	126,425	**396,215**
Inventory	13,021	-	5,425	**18,446**
Prepaid expenses	-	-	26,410	**26,410**
Due from primary government	1,914	15	5,146	**7,075**
Funds held in trust by others	-	-	98,306	**98,306**
Other current assets	34,265	20,225	1,907	**56,397**
Total current assets	1,191,988	843,828	628,744	**2,664,560**
Noncurrent assets:				
Cash, cash equivalents and investments - restricted	-	1,751,105	43,895	**1,795,000**
Other receivables	254,268	75,265	36,857	**366,390**
Investments - unrestricted	2,080,881	670,251	726,075	**3,477,207**
Bond issuance costs net of amortization	-	-	209	**209**
Deferred outflow - derivative instrument	-	-	81	**81**
Other postemployment benefits	-	-	12,766	**12,766**
Other noncurrent assets	-	34,407	29,519	**63,926**
Capital assets:				
Land	53,183	23,634	122,509	**199,326**
Infrastructure	155,243	63,694	78,742	**297,679**
Construction in progress	168,155	205,053	207,103	**580,311**
Property, plant, and equipment	3,654,656	2,856,103	2,129,053	**8,639,812**
Less accumulated depreciation	(1,668,761)	(1,302,281)	(899,461)	**(3,870,503)**
Total capital assets, net of depreciation	2,362,476	1,846,203	1,637,946	**5,846,625**
Total noncurrent assets	4,697,625	4,377,231	2,487,348	**11,562,204**
Total assets	**5,889,613**	**5,221,059**	**3,116,092**	**14,226,764**
Liabilities				
Current liabilities:				
Accounts payable	171,038	75,258	81,279	**327,575**
Claim payable	-	26,333	-	**26,333**
Interest payable	24,746	13,174	2,262	**40,182**
Current portion of long-term debt	60,848	178,778	49,483	**289,109**
Capital lease payable	1,149	-	261	**1,410**
Salaries, health, disability, and benefits payable	-	5,172	15,555	**20,727**
Deferred revenue	151,319	38,202	32,884	**222,405**
Accrued liability for compensated absences	42,608	25,213	16,665	**84,486**
Securities lending collateral	147,855	169,831	-	**317,686**
Deposits held in custody for others	-	22,782	22,250	**45,032**
Other current liabilities	-	-	13,908	**13,908**
Total current liabilities	599,563	554,743	234,547	**1,388,853**
Long-term liabilities:				
Accrued liability for compensated absences	21,415	32,782	17,249	**71,446**
Other postemployment benefits	13,903	18,646	9,429	**41,978**
Deferred revenue	62,874	-	-	**62,874**
Capital lease payable	2,600	-	1,223	**3,823**
Funds held in trust for others	88,625	50,777	23,212	**162,614**
Advances from federal government	-	19,970	8,937	**28,907**
Revenue bonds/notes payable	882,731	744,518	791,819	**2,419,068**
Derivative instrument liability	-	-	81	**81**
Other noncurrent liabilities	54,768	7,917	27,798	**90,483**
Total long-term liabilities	1,126,916	874,610	879,748	**2,881,274**
Total liabilities	**1,726,479**	**1,429,353**	**1,114,295**	**4,270,127**
Net assets				
Invested in capital assets net of related debt	1,555,422	984,844	882,806	**3,423,072**
Restricted-nonexpendable				
Permanent funds	19,399	-	-	**19,399**
Capital projects	-	-	1,939	**1,939**
Instruction and research	-	225,154	2,811	**227,965**
Student aid	-	180,470	34,878	**215,348**
Other purposes	-	25,061	4,834	**29,895**
Total restricted-nonexpendable	19,399	430,685	44,462	**494,546**
Restricted-expendable				
Instruction and research	114,316	297,064	90,899	**502,279**
Grants/constitutional restrictions	-	-	14,181	**14,181**
Endowments	-	316,562	39,664	**356,226**
Future debt service	6,300	-	4,831	**11,131**
Public safety programs	-	-	7,013	**7,013**
Student aid	25,067	518,572	110,514	**654,153**
Auxiliary enterprises	-	2,640	3,548	**6,188**
Capital projects	10,115	50,770	112,884	**173,769**
Other purposes	-	80,518	20,222	**100,740**
Total restricted-expendable	155,798	1,266,126	403,756	**1,825,680**
Unrestricted (deficit)	2,432,515	1,110,051	670,773	**4,213,339**
Total net assets	**$ 4,163,134**	**$ 3,791,706**	**$ 2,001,797**	**$ 9,956,637**

The notes to the financial statements are an integral part of this statement.

State of Indiana
Combining Statement of Activities
Discretely Presented Component Units - Colleges and Universities
For the Year Ended June 30, 2010

(amounts expressed in thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Indiana University	Purdue University	Non-Major Colleges and Universities	Net (Expense) Revenue
Indiana University	$ 2,641,019	$ 1,492,891	$ 677,625	$ 20,328	$ (450,175)	$ -	$ -	$ (450,175)
Purdue University	1,820,009	914,213	384,286	46,428	-	(475,082)	-	(475,082)
Non-Major Colleges and Universities	1,455,113	567,022	128,626	20,611	-	-	(738,854)	(738,854)
Total component units	$ 5,916,141	$ 2,974,126	$ 1,190,537	$ 87,367	(450,175)	(475,082)	(738,854)	(1,664,111)
General revenues:								
Investment earnings					219,024	295,738	47,265	562,027
Payments from State of Indiana					549,755	387,561	509,308	1,446,624
Other					108,851	112,376	345,057	566,284
Total general revenues					877,630	795,675	901,630	2,574,935
Change in net assets					427,455	320,593	162,776	910,824
Net assets - beginning, as restated					3,735,679	3,471,113	1,839,021	9,045,813
Net assets - ending					$ 4,163,134	$ 3,791,706	$ 2,001,797	$ 9,956,637

The notes to the financial statements are an integral part of this statement.


SEAL OF THE STATE OF INDIANA
1816

NOTES TO THE FINANCIAL STATEMENTS

STATE OF INDIANA

Notes to the Financial Statements
June 30, 2010

I. Summary of Significant Accounting Policies 51
A. Reporting Entity 51
B. Government-Wide and Fund Financial Statements 55
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation 56
D. Eliminating Internal Activity 57
E. Assets, Liabilities and Equity 58
1. Deposits, Investments and Securities Lending 58
2. Receivables and Payables 59
3. Interfund Transactions and Balances 59
4. Inventories and Prepaid Items 59
5. Restricted Net Assets 60
6. Capital Assets 60
7. Compensated Absences 61
8. Long-Term Obligations 61
9. Fund Equity 61

II. Reconciliation of Government-Wide and Fund Financial Statements 62
A. Reconciliation of the Government Funds Balance Sheet to the Statement of Net Assets 62
B. Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Government Funds to the Statement of Activities 62

III. Stewardship, Compliance and Accountability 63
A. Deficit Fund Equity 63
B. Unreserved Fund Balance 63

IV. Detailed Notes on All Funds 64
A. Deposits, Investments and Securities Lending 64
1. Primary Government – Other than Major Moves and Next Generation Funds, Investment Trust Funds, and Pension Trust Funds 64
2. Pension and Other Employee Benefit Trust Funds – Primary Government 71
3. Pension Trust Funds – Discrete Component Units 74
B. Interfund Transactions 85
C. Taxes Receivable/Tax Refunds Payable 92
D. Capital Assets 92
E. Leases 94
F. Long-Term Obligations 95
G. Prior Period Adjustments and Reclassifications 95

V. Other Information 96
A. Risk Management 96
B. Contingencies and Commitments 97
C. Other Revenue 99
D. Economic Stabilization Fund 99
E. Employee Retirement Systems and Plans 99
F. Other Postemployment Benefits – Defined Benefit and Defined Contribution Plans 106
G. Pollution Remediation Obligations 111

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

As required by generally accepted accounting principles, these financial statements present the government (State of Indiana) and its component units. Blended component units, although legally separate entities, are in substance part of the government's operations; data from these units are combined with data of the primary government. Discretely presented component units are reported in one column in the government-wide financial statements. This column contains the governmental fund types, proprietary fund types and colleges and universities. This is to emphasize that, as well as being legally separate from the government, they also provide services to and benefit local governments and/or the citizens of the State of Indiana. Of the component units, the Indiana Housing and Community Development Authority, Ports of Indiana, Indiana State Fair Commission, Indiana Comprehensive Health Insurance Association, and the Indiana Political Subdivision Risk Management Commission have a December 31, 2009, fiscal year-end.

Blended Component Units

The following component units are reported under the blended method as the primary government appoints a voting majority of the board and is able to impose its will. These units, although legally separate from the State, are reported as part of the State because they provide services entirely or almost entirely to the State. These component units are audited by the State Board of Accounts.

The Bureau of Motor Vehicle Commission (BMVC) was established by state law to develop and update Bureau of Motor Vehicles (BMV) policy, establish standards for the operation and maintenance of license branches, and submit budget proposals for the BMVC, BMV, and license branches. The BMVC has significant interrelated operations with the BMV and license branches. The BMV is responsible for the accurate and timely distribution of the fees and taxes (excise and wheel) collected at the license branches for driver licenses, auto and watercraft registrations, and license plates.

The BMVC consists of four individuals appointed by the governor and the chairperson who is the commissioner of the BMV. No more than three of the members may be of the same political party. The BMVC is reported as a non-major governmental fund.

The State Student Assistance Commission of Indiana (SSACI) was established by state law to increase the opportunity to receive a higher education for every person who resides in Indiana and who, though being highly qualified and desiring to receive a higher education, is deterred by financial considerations; and to accomplish this goal by establishing a system of higher education awards that will assist the student in selecting and attending a qualified public or private postsecondary institution.

The SSACI consists of ten citizens appointed by the governor. Each of Indiana's nine congressional districts must be represented by a resident of the district. An at-large student member who is a student at an approved postsecondary educational institution is also an appointed member. The SSACI is reported as a non-major governmental fund.

Discretely Presented Component Units

The following are discretely presented component units of the State of Indiana. The primary government appoints a voting majority of their boards and is able to impose its will. All governmental and proprietary component units are audited by outside auditors except for the Indiana Economic Development Corporation and State Fair Commission which are audited by the State Board of Accounts. The State Board of Accounts audits the colleges, universities, and the discrete pension trust funds. College and university foundations are audited by outside auditors.

The Indiana Economic Development Corporation (IEDC) was created to improve the quality of life for the citizens of Indiana by encouraging the diversification of Indiana's economy, by the orderly economic development and growth of Indiana, the

creation of new jobs, the retention of existing jobs, the growth and modernization of existing industry and the promotion of Indiana. The IEDC is composed of 12 members, none of whom may be members of the general assembly. These members consist of the governor and 11 individuals appointed by the governor. At least five members must belong to the same political party as the governor. At least three members must belong to a major political party other than the party of which the governor is a member. The IEDC is reported as a non-major governmental fund. The IEDC does not issue their own separately audited financial statements.

Formed on May 15, 2005, the Indiana Finance Authority (IFA) combined five formerly independent bodies under one entity. The entities combined included the Indiana Development Finance Authority, State Office Building Commission, Indiana Transportation Finance Authority, Recreational Development Commission and the State Revolving Fund. Effective July 1, 2005, all records, money, and other property held by the Auditor of State with respect to the Supplemental Drinking Water and Wastewater Assistance Programs were transferred to the IFA as the successor entity. The IFA is a body both corporate and politic, and though separate from the State of Indiana (State); the exercise by the IFA of its powers constitutes an essential governmental function. Indiana's constitution restricts State incurrence of debt. As a result, the General Assembly created the IFA and authorized it to issue revenue bonds and other obligations to finance projects for lease to the State.

The IFA finances and refinances state hospitals, state office buildings, state garages, correctional facilities, recreational facilities, highways, bridges, airport facilities, and other related facilities for the benefit of the State. The IFA also provides low interest loans to Indiana communities for environmental improvements. It also promotes business and employment opportunities by issuing tax-exempt financing for industrial development projects, rural development projects, childcare financing, and educational facility projects.

The IFA's revenue bonds and notes are special and limited obligations of the IFA, payable from lease rental revenue, bond or note proceeds and investment income. The IFA's revenue bonds are not general obligations of the IFA nor are they State debt within the meaning of any constitutional provision or limitation. The IFA cannot compel the General Assembly to make appropriations to pay lease rentals. The Authority is reported as a proprietary fund.

The Indiana Bond Bank, created in 1984, is controlled by a board composed of the Treasurer of State, Director of Public Finance and five appointees of the Governor. The Bond Bank issues debt obligations and invests the proceeds in various projects of State and local governments. The unit is reported as a proprietary fund.

The Indiana Housing and Community Development Authority was created in 1978 for the purpose of financing residential housing for persons and families of low and moderate incomes. The Authority's board consists of the Public Finance Director of the Indiana Finance Authority, the Lieutenant Governor, the State Treasurer and four persons appointed by the Governor. The Lieutenant Governor chairs the board. The unit is reported as a proprietary fund.

The Indiana Board for Depositories was established to ensure the safekeeping and prompt payment of all public funds deposited in Indiana banks. The Board, consisting of the Governor, Treasurer of State, Auditor of State, Chairman of the Commission for Financial Institutions, State Examiner of the State Board of Accounts and four members appointed by the Governor, provides insurance on public funds in excess of the Federal Deposit Insurance Corporation limit. The unit is reported as a proprietary fund.

The Indiana Secondary Market for Education Loans, Inc. (ISM) was formed at the request of the Governor to purchase education loans in the secondary market. The Governor appointed the original Board of Directors. ISM provides in its articles of incorporation that changes in the composition of its directors or in its bylaws are subject to the approval of the Governor. The unit is reported as a proprietary fund.

The State Lottery Commission of Indiana is composed of five members appointed by the Governor. Net proceeds from the Lottery are distributed to the State to be used to supplement teachers' retirement, public employees' retirement, and the Build Indiana Fund. A portion of the Build Indiana Fund is then used to supplement the Motor Vehicle Excise Tax Replacement Fund. The Commission is reported as a proprietary fund.

Effective May 15, 2005, the Indiana Stadium and Convention Building Authority was established pursuant to House Bill 1120, which has now been codified at Indiana Code 5-1-17, as an entity of the

State to finance, design, construct and own the new Indiana Stadium in Indianapolis and the upcoming expansion of the adjacent Indiana Convention Center. The Building Authority is governed by a seven member board, comprised of four appointments by the Governor, two appointments by the Mayor of the City of Indianapolis and one appointment by the Governor following nomination from one of the counties surrounding Marion County. The Authority is reported as a proprietary fund.

The White River State Park Development Commission has the responsibility to design and implement a plan for the establishment and development of park, exposition, educational, athletic, and recreational projects to be located within one mile from the banks of the Indiana White River in a consolidated first-class city and county. The Commission is reported as a non-major proprietary fund.

The Ports of Indiana is created under Indiana Code 8-10-1-3 to construct, maintain, and operate public ports with terminal facilities and traffic exchange points for all forms of transportation on Lake Michigan and the Ohio and Wabash Rivers. The Commission consists of seven members appointed by the governor. The Commission is reported as a non-major proprietary fund.

The State Fair Commission was established per Indiana Code 15-13-2 as the trustee for and on behalf of the people of the State of Indiana to administer the State Fairgrounds as trust property of the State of Indiana. The Commission is responsible for holding the annual Indiana State Fair in August, as well as providing accessible, cost-effective, secure and modern facilities for the variety of events held at the Fairgrounds and other properties it owns. The Commission consists of eight members appointed by the governor. The Commission is reported as a non-major proprietary fund.

The Indiana Comprehensive Health Insurance Association was created by the State of Indiana to assure that health insurance is made available throughout the year to each eligible Indiana resident applying to the Association for coverage. The board of directors of the Association consists of nine members whose principal residence is in Indiana. Four members are appointed by the insurance commissioner from the members of the Association, one of which must be a representative of a health maintenance organization. Two members are appointed by the commissioner and shall be consumers representing policyholders. Other members are the state budget director or designee and the commissioner of the department of insurance or designee. One member appointed by the commissioner must be a representative of health care providers. The Association is reported as a non-major proprietary fund.

The Indiana Political Subdivision Risk Management Commission was created per Indiana Code 27-1-29 to administer the Political Subdivision Risk Management Fund (Basic fund) and the Political Subdivision Catastrophic Liability Fund (Catastrophic fund). These funds aid political subdivisions in protecting themselves against liabilities. The Commission consists of eleven members appointed by the governor. The Commission is reported as a non-major proprietary fund.

Effective July 1, 2000, the Public Employees' Retirement Fund (PERF) became an independent body corporate and politic. PERF is not a department or agency for the State but is an independent instrumentality exercising essential government functions. The PERF board is composed of five trustees appointed by the Governor and the director of the budget agency or the director's designee as an ex officio voting member of the board. The board of trustees administers the following funds: Public Employees' Retirement Fund, Judges' Retirement System, Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Plan, the 1977 Police Officers' and Firefighters' Pension and Disability Fund, the Legislators' Retirement System Defined Benefit Plan, the Legislators' Retirement System Defined Contribution Plan, the Prosecuting Attorneys' Retirement Fund, the Pension Relief Fund, and two death benefit funds. For more information on PERF see Note V(E) Employee Retirement Systems and Plans. All of these funds have been aggregated for presentation from PERF's financial statements.

Effective July 1, 2000, the Teachers' Retirement Fund (TRF) became an independent body corporate and politic. TRF is not a department or agency for the State but is an independent instrumentality exercising essential government functions. The TRF board is composed of five trustees appointed by the Governor and the director of the budget agency or director's designee as an ex officio voting member of the board. For more information on TRF see Note V(E) Employee Retirement Systems and Plans.

The Public Employees' Retirement Fund and the Teachers' Retirement Fund were determined to be

significant for note disclosure purposes involving the discretely presented fiduciary component units.

Each of the seven colleges and universities included in this report was established by individual legislation to provide higher education opportunities to the citizens of Indiana. The authority to administer the operations of each institution is granted to a separate board of trustees for each of the seven institutions. The number and makeup of the board of trustees of each college and university is prescribed by legislation specific for that institution. Four universities have nine member boards; two have ten member boards; Ivy Tech Community College has a fourteen-member board of trustees. Appointments to the boards of trustees are made by the Governor and by election of the alumni of the respective universities. Indiana University and Purdue University are reported as a major discretely presented component unit.

The primary government's officials are also responsible for appointing the members of the boards of other organizations, but the primary government's accountability for these organizations does not extend beyond making the appointments.

The financial statements of the individual component units whom issue separately audited financial statements may be obtained from their administrative offices as follows:

Indiana Finance Authority
One North Capitol Ave., Suite 900
Indianapolis, IN 46204

Indiana Stadium and Convention Building Authority
425 W. South Street
Indianapolis, IN 46225

Indiana Board for Depositories
One North Capitol Ave, Suite 444
Indianapolis, IN 46204

Ports of Indiana
150 West Market Street, Suite 100
Indianapolis, IN 46204

Ivy Tech Community College
Assistant Treasurer
50 West Fall Creek Parkway North Drive
Indianapolis, IN 46208

Ball State University
Administration Bldg., 301
2000 West University Avenue
Muncie, IN 47306

Purdue University
Accounting Services
401 South Grant Street
West Lafayette, IN 47907-2024

Indiana Bond Bank
10 West Market St. Suite 2980
Indianapolis, IN 46204

Indiana Housing and Community Development Authority
40 South Meridian, Suite 1000
Indianapolis, IN 46204

Indiana White River State Park Development Commission
801 West Washington Street
Indianapolis, IN 46204

Indiana State Fair Commission
1202 E. 38th Street
Indianapolis, IN 46205

University of Southern Indiana
8600 University Boulevard
Evansville, IN 47712

Indiana State University
Office of the Controller
210 N. 7th Street
Terre Haute, IN 47809

State of Indiana
Public Employees' Retirement Fund
One North Capitol Ave., Suite 001
Indianapolis, IN 46204

State Lottery Commission of Indiana
Pan Am Plaza
201 S. Capitol, Suite 1100
Indianapolis, IN 46225

Secondary Market for Education Loans, Inc.
Capital Center, Suite 400
251 N. Illinois
Indianapolis, IN 46204

Indiana Comprehensive Health Insurance Association
9465 Counselors Row, Suite 200
Indianapolis, IN 46240

Indiana Political Subdivision Risk Management Commission
c/o Indiana Department of Insurance
311 W. Washington St., Suite 300
Indianapolis, IN 46204

Indiana University
Poplar's Room. 500, 107 S. Indiana Ave.
Bloomington, IN 47405-1202

Vincennes University
1002 North 1st Street
Vincennes, IN 47591

Indiana State Teachers' Retirement Fund
150 West Market Street, Suite 300
Indianapolis, IN 46204-2809

B. Government-Wide and Fund Financial Statements

The government-wide financial statements consist of a statement of net assets and a statement of activities. These statements report information about the overall government. They exclude information about fiduciary activities, including component units, which are fiduciary in nature, such as the public employee retirement systems. They distinguish between the primary government and its discretely presented component units as defined under the reporting entity above. They also distinguish between governmental activities and business-type activities of the State. Governmental activities rely on taxes and intergovernmental revenues for their support. Business-type activities, on the other hand, rely on fees and charges for services provided for their support.

The statement of activities matches the State's direct functional expense with the functional program revenue to identify the relative financial burden of each of the State's functions. This format identifies the extent to which each function of the government draws from the general revenues of the government or is self-financing through fees and intergovernmental aid. Certain indirect costs are included in the program expense reported for individual functions of government. Program revenues derive directly from the program itself or from parties outside the State's taxpayers, as a whole. They reduce the net cost of the function to be financed from the general revenues. Program revenues include charges for services, program-specific operating grants and contributions, and program-specific capital grants and contributions. Revenues that do not meet the criteria of program revenues are general revenues. These include all taxes, even those levied for a specific purpose and are reported by type of tax. Investment income is also a general revenue.

Separate financial statements are presented for the State's governmental, proprietary and fiduciary funds. Governmental fund financial statements are the balance sheet and the statement of revenues, expenditures, and changes in fund balances. Major governmental funds are presented in separate columns and non-major funds are aggregated in a separate column. Proprietary and fiduciary funds are reported using the statement of net assets and the statement of changes in net assets. In addition proprietary funds include a statement of cash flows.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement Focus and Basis of Accounting

The government-wide statements and the proprietary and fiduciary fund statements use the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Government-mandated nonexchange revenues and voluntary nonexchange revenues, including federal government mandates on the State, certain grants and entitlements, and most donations, are recognized in the period when all applicable eligibility requirements have been met.

For the government-wide financial statements and enterprise and fiduciary fund statements, the State applies all applicable FASB pronouncements issued before December 1, 1989, and those issued after that date which do not contradict any previously issued GASB pronouncements.

Governmental funds are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For the State of Indiana, “available” means collectible within one month of the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and related liabilities, and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Individual and corporate income tax, sales tax, inheritance tax, cigarette tax, alcoholic beverage tax, motor fuel tax, fines, and penalties are accrued using one month’s revenues.

Gaming taxes and fees and vehicle licenses are received daily via electronic funds transfer with a one to three working day delay, so the first several working days in July revenues are reviewed for materiality and accrued accordingly.

Financial Statement Presentation

A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

Governmental funds are used to account for the government's general government activities. Governmental funds include the general fund, special revenue funds, capital projects funds, debt service funds and permanent funds.

The *General Fund* is the State’s primary operating fund. It is maintained to account for resources obtained and used for those services traditionally provided by State government, which are not required to be accounted for in another fund. The General Fund is a major fund.

The *special revenue* funds account for revenue sources that are legally restricted to expenditure for specific purposes except for major capital projects.

The following special revenue funds are presented as major.

- The *Medicaid Assistance Fund* receives federal grants and State appropriations which are used to administer the Medicaid and Children’s Health Insurance programs.

- The *State Highway Department Fund* receives federal grants and State appropriations that are used for State transportation programs.

- The *Major Moves Construction Fund* distributes money received from the Toll Road lease. This money is used for new construction and major preservation of highways and bridges throughout Indiana.

- The *ARRA of 2009* Fund is used to account for funds received under the American Recovery and Reinvestment Act of 2009 which became law on February 17, 2009. These funds are supplementing existing federal programs in areas such as Medicaid, education, transportation, housing, and employment services.

- The *U.S. Department of Health and Human Services Fund* receives federal grants that are used to carry out health and human services programs.

The *capital projects funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or fiduciary funds. There are no major capital project funds.

The *permanent funds* are used to account for resources that are legally restricted to the extent that only earnings and not principal may be used for the benefit of the government or its citizens. There are no major permanent funds.

Proprietary funds focus on the determination of operating income, changes in net assets, financial position and cash flows. Operating revenues and expenses are the revenues and expenses that pertain to the fund's principal operations. Nonoperating revenues and expenses are those revenues resulting from secondary or auxiliary activities of the fund. Nonoperating items include interest/investment revenue and expense. Proprietary funds include both enterprise funds and internal service funds.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The State reports the following major enterprise fund:

- The *Unemployment Compensation Fund* collects employer taxes and the federal share of unemployment compensation. Benefits are paid to eligible individuals.

Internal service funds account for operations that provide goods and services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The goods and services provided include fleet management, information technology and communication, aviation, printing, products of correctional industries, and self-insurance. Major fund reporting requirements do not apply to internal service funds. Combined totals for all internal service funds are reported as a separate column on the face of the proprietary fund financial statements.

When both restricted and unrestricted resources are available for use, it is the primary government's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds account for assets held by or on behalf of the government in a trustee capacity or as an agent on behalf of others. They cannot be used to support the State's own programs. Fiduciary funds include pension (and other employee benefit) trust funds, private-purpose trust funds, investment trust funds, and agency funds.

Pension (and other employee benefit) trust funds are used to report resources held in trust for the members and beneficiaries of defined benefit pension plans, and defined contribution pension plans. Pension and other employee benefits trust funds include the Public Employees' Retirement Fund, Teachers' Retirement Fund, State Police Pension Fund and the Retiree Health Benefit Trust Fund.

Private-purpose trust funds are used to account for trust arrangements in which both the principal and interest may be spent for the benefit of individuals, private organizations or other governments. Private Purpose funds include the Abandoned Property Fund and the Private Purpose Trust Fund.

Investment trust funds are used to report the external portion of investment pools operated by a sponsoring government. The Treasurer of State, local units of government, and quasi-governmental units in Indiana have the opportunity to invest in a common pool of investments that preserves the principal of the public's funds, remains highly-liquid, and maximizes the return on the investment of public funds. The State's investment trust fund is TrustINdiana operated by the state treasurer. The amounts reported represent the external portion of the pool.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets that the government holds for others in an agency capacity. Agency Funds include Employee Payroll Withholding and Benefits, Local Distributions, Child Support and Department of Insurance.

D. Eliminating Internal Activity

Interfund loans including those from cash overdrafts in funds, interfund services provided or used, and prepaid expenditures of internal service funds are eliminated as internal balances in the government-wide statement of net assets. This is to minimize the "grossing-up" effect on assets and liabilities within the governmental and business-type activities columns of the primary government. As a result, interfund loans and interfund services provided and/or used reported in the governmental funds balance sheet have been eliminated in the government-wide statement of net assets.

Eliminations were made in the statement of activities to remove the "doubling-up" effect of internal service fund activity. The effect of similar internal events that are, in effect, allocations of overhead expenses from one function to another or within the same function have also been eliminated, so that the allocated expenses are reported only by the function to which they were allocated. The effect of interfund services provided and used between functions has not been eliminated in the statement of activities since to do so would misstate both the expenses of the purchasing function and the program revenues of the selling function.

E. Assets, Liabilities and Equity

1. Deposits, Investments and Securities Lending

For purposes of reporting cash flows, cash and cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and near their maturity (generally three months or less from the date of acquisition).

Cash balances of most State funds are commingled in general checking accounts and several special purpose banking accounts. The available cash balance not necessary beyond immediate need is pooled and invested. Interest earned from investments purchased with pooled cash is deposited in the general fund, except as otherwise provided by statute.

Investments and secured lending transactions are stated at fair value. However, money market investments and participating interest-earning investment contracts that mature within one year of acquisition are reported at amortized cost, which approximates fair value. Fair value is determined by quoted market prices which approximate fair value.

Indiana Code 5-13-9 and 5-13-10.5 authorizes the Treasurer to invest in deposit accounts issued or offered by a designated depository; securities backed by the full faith and credit of the United States Treasury; securities issued by any U.S. government agency; AAA money market mutual funds with a portfolio limited to direct obligations of the U.S., obligations of any federal agency, and/or repurchase agreements fully collateralized with U.S. government obligations or U.S. agency obligations; AAA rated commercial paper, and repurchase agreements that are fully collateralized, as determined by the current market value computed on the day the agreement is effective, by interest-bearing obligations that are issued, fully insured or guaranteed by the United States or any U.S. government agency.

The Treasurer of State is authorized by statute to accept as collateral safekeeping receipts for securities from: (1) a duly designated depository or (2) a financial institution located either in or out of Indiana, having physical custody of securities, with a combined capital and surplus of at least $10 million, according to the last statement of condition filed by the financial institution with its governmental supervisory body. The Treasurer may not deposit aggregate funds in deposit accounts in any one designated depository in an amount aggregating at any one time more than 50% of the combined capital, surplus and undivided profits of that depository as determined by the last published statement.

Investments which are authorized for the State Teachers' Retirement Fund (TRF) include: U.S. Treasury and Agency obligations, U.S. Government securities, common stock, international equity, corporate bonds, notes and debentures, repurchase agreements secured by U.S. Treasury obligations, mortgage securities, commercial paper, banker's acceptances, limited liability partnerships, real estate securities, options, and swaps. The investments of TRF are subject to the provisions of IC 5-10.4-3-10.

Investments which are authorized for the State Police Retirement fund include: U.S. Treasury and Agency obligations, State and municipal obligations, domestic corporate bonds/notes, common stock and equity securities, foreign stocks and bonds, mortgage pool investments, and repurchase agreements. The investments of the State Police Retirement fund are subject to the provisions of IC 10-12-2-2.

The remaining six retirement systems and the Pension Relief Fund are administered by the Public Employees' Retirement Fund (PERF) Board of Trustees. The PERF Board of Trustees is required to diversify investments in accordance with the prudent investor standard. The investment policy statement adopted by the PERF Board of Trustees and the asset allocation approved by the PERF Board of Trustees contain limits and goals for each type of investment portfolio and specifies prohibited transactions. These guidelines authorize investments of: U.S. Treasury and Agency obligations, domestic corporate bonds/notes, common stock and equity securities, foreign stocks and bonds, mortgage securities, mutual funds, collective trust funds, asset backed, commercial mortgage backed, international stocks, and real

estate. The investments of PERF are subject to the provisions of IC 5-10.3-5-3.

2. Receivables and Payables

In the government-wide and proprietary fund financial statements, revenues are recognized on the flow of economic resources measurement focus. Material receivables are recognized as follows. Uncollected taxes due in the following periods are subject to accrual.

Individual income tax – Individual withholding tax is due from employers by the 20th day after the end of the month collected. Estimated payments are due from individuals by the 15th of the month immediately following each quarter or the calendar year.

Corporate income tax - Due quarterly on the 20th day of April, June, September, and December with the last payment due on April 15th for a calendar year taxpayer.

Sales tax – Due by the 20th day after the end of the month collected.

Fuel tax – Gasoline tax is due the 20th day after the end of the month collected. Special fuel tax, depending on the status of the taxpayer, is due by the 15th day after the end of the month collected or the 15th day after the end of the quarter collected. Motor carrier surtax is due at the end of the month following the end of the quarter.

Financial institutions tax – same laws as corporate income taxes (see above) for making payments.

Alcohol and tobacco taxes – Cigarette distributors must purchase tax stamps within 6 days after they accept delivery of the cigarettes. Cigarette tax is due within 30 days of the issuance of the tax stamp. Alcoholic beverage tax is due by the 20th day after the end of the month collected.

Inheritance tax – except as otherwise provided in IC 6-4.1-6-6(b), the inheritance tax imposed as a result of a decedent's death is due twelve (12) months after the person's date of death.

In the governmental fund financial statements, revenue is recognized on the flow of current financial resources. Material receivables are subject to accrual for receipts collected in the month of July. The State of Indiana does not collect property tax, which is collected by local units of government; a minor portion is remitted to the State semiannually (June and December) for distribution to the State Fair Commission, Department of Natural Resources and Family and Social Services Administration.

Deferred revenue is the liability for the full accrual income taxes receivable net of the allowance for doubtful accounts plus cash on hand from federal grant programs.

3. Interfund Transactions and Balances

The State has the following types of interfund transactions in the governmental fund and proprietary financial statements:

Interfund service provided and used (reciprocal interfund activity) – Charges for goods or services rendered by one fund to another are treated as revenues of the recipient fund and expenditures/expenses of the disbursing fund.

Interfund Transfers (non-reciprocal interfund activity) – Legally authorized transfers whereby the two parties do not receive equivalent cash, goods or services are reported as transfers.

The types of assets and liabilities resulting from these transactions are:

Interfund loans – These are balances arising from the short-term and long-term portion of interfund transactions.

Interfund services provided/used – These are balances arising in connection with reciprocal interfund activity or reimbursements. Balances relating to discretely presented component units are presented as 'Due from/to component units'.

Interfund services provided and interfund loans are eliminated in the government-wide statements because they are provided by one governmental activity on behalf of another or by one business-type activity on behalf of another.

4. Inventories and Prepaid Items

Inventories for the Inns & Concessions, Institutional Industries and Administrative Services Revolving funds are valued at cost. The costs of governmental fund-type inventories are recorded as expenditures when purchased. The first in/first out (FIFO) method is used for valuation of inventories.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Restricted Net Assets

Certain net assets are classified as restricted net assets because their use is completely restricted by bond indentures, contracts, grantors, contributors, laws or regulations of other governments, or through constitutional provisions or enabling legislation.

6. Capital Assets

Capital outlays are reported as expenditures in the governmental funds and as assets in the government-wide statements to the extent the State's $20,000 capitalization threshold for external financial reporting is met. In accordance with GASB Statement No. 34, all infrastructure assets have been capitalized retroactively.

The Indiana Department of Transportation (INDOT) uses the modified approach for reporting its infrastructure. The Department of Natural Resources (DNR) uses the depreciation approach for reporting its infrastructure.

Under the modified approach, the State has determined that the condition level for INDOT infrastructure assets to be maintained is:

- a network average International Roughness Index (IRI) of no more than 95 and no more than 10% of all pavements in the unacceptable range for Interstates, National Highway Safety (NHS) Non-Interstate roads, and Non-NHS roads,
- an average sufficiency rating of 87% for interstate bridges,
- an average sufficiency rating of 85% for NHS Non-Interstate bridges, and
- an average sufficiency rating of 83% for Non-NHS bridges.

The Program Engineering Division of INDOT is responsible for determining the appropriate condition level of the infrastructure assets.

No amounts are capitalized in connection with improvements that lengthen the lives of such assets, unless the improvements also increase their service potential.

INDOT projects are capitalized based on capitalization and preservation percentages assigned to three hundred sixty-two (362) work types. For example, the cost for constructing a new bridge would likely be 100% capitalized; whereas, the cost for adding travel lanes to a road would likely be assigned a work type code resulting in capitalization at 50% and preservation at 50%.

The State maintains an inventory of these infrastructure assets and performs periodic condition assessments to establish that the predetermined condition level is being maintained. Road pavement condition assessments are performed annually on all INDOT state routes, including interstates. Condition assessments of all bridges are determined on a bi-annual basis. Sufficiency ratings of all bridges are determined on an annual basis by the Federal Highway Administration based on annual submittal of bridge condition data.

The State makes annual estimates of the amounts that must be expended to preserve and maintain these infrastructure assets at the predetermined condition levels.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation.

Capital assets are depreciated in the proprietary and similar trust funds using the straight-line method on both the fund basis and the government-wide basis. Both the government-wide statements and proprietary and similar trust funds use the following estimated useful lives:

Assets	Months
Buildings and other structures including improvements to buildings and other structures	240-480
Computer software	36
Infrastructure (not using modified approach)	240-720
Furniture, machinery and equipment	12-168
Motor pool vehicles	96-168

The State of Indiana maintains several collections of works of art, historical treasures, and similar assets that are not capitalized. While the collections are maintained by different agencies, each collection is:

- Held for public exhibition, education, or research in furtherance of public service, rather than financial gain.
- Protected, kept unencumbered, cared for, and preserved.
- Subject to an organizational policy that either prohibits sale or requires the proceeds from

sales of collection items to be used to acquire other items for collections.

The State's major collections are:

- The State Museum Collection, which is a part of the Indiana Department of Natural Resources, consists of historical buildings and furnishings; personal artifacts; tools and equipment; communication, transportation, recreational and societal artifacts; and art objects.
- The Commission on Public Records, State Archives Collection consists of historical and legal documents, that are generated on: paper or paper substitutes; photographic or chemically based media; magnetic or machine readable media; or any other materials, regardless of form or characteristics.
- The State Library has two collections, the Manuscript Collection and the Indiana History Collection. These collections include historical documents and works of art, most of it of Indiana origin.

Other collections include the Historical Bureau's Indiana Governors' Portrait Collection, the Department of Administration's Statehouse Collection, and the Indiana Arts Commission's Collection. These collections consist primarily of art objects.

7. Compensated Absences

Full-time employees of the State of Indiana are permitted to accumulate earned but unused vacation and sick pay benefits. Vacation leave accumulates at the rate of one day per month and sick leave at the rate of one day every two months plus an extra day every four months. Bonus vacation days are awarded upon completion of five, ten and twenty years of employment.

Personal leave days are earned at the rate of one day every four months; any personal leave accumulated in excess of three days automatically becomes part of the sick leave balance. Upon separation of service, in good standing, employees will be paid for a maximum of thirty (30) unused vacation leave days. In addition, qualifying retiring employees are paid an additional payment up to a maximum of $5,000, which is made up of unused vacation leave over 30 days, unused personal leave, and unused sick leave.

Employees of the legislative and judicial branches as well as those of the Auditor of State may convert a portion of accrued but unused vacation and sick leave into the deferred compensation plan. An employee must have at least 300 hours of vacation or sick leave accrued in order to participate in this plan. There is a sliding scale which determines how many hours are converted from those hours the employee has accrued. The hours converted are deposited into the deferred compensation program's 401(a) plan at 60% of the employee's hourly rate. However, due to budgetary constraints there were no participants in this plan for FY 2011.

Vacation and personal leave and salary-related payments that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available financial resources are reported as long term liabilities in the government-wide, proprietary, and fiduciary fund financial statements.

8. Long-Term Obligations

Long-term debt and other obligations are reported in the government-wide statements and the proprietary funds statements as liabilities in the applicable governmental activities, business-type activities, or proprietary fund.

In the governmental fund financial statements, bond issuance costs and bond discounts are treated as period costs in the year of issue. Proceeds of long term debt, issuance premiums or discounts and certain payments to escrow agents for bond refundings are reported as other financing sources and uses.

9. Fund Equity

In the fund financial statements, reservations of fund equity represent those portions of fund balances that are legally restricted by outside parties for a specific purpose or are not appropriable. In the accompanying balance sheet, reserves for encumbrances and tuition support are examples of the former. Reserves for intergovernmental loans and advances receivables are examples of the latter. The following is a brief description of each reserve and the purpose for which it was established:

Reserve for Encumbrances – established to recognize money set aside out of one year's budget for goods and/or services ordered during that year that will not be paid for until they are received in a subsequent year.

Reserve for Special Purposes – established to recognize that money has been set aside for specific purposes as designated by the

governmental entity or fund pursuant to its management's direction or in accordance with any rules, laws, or procedures.

Reserve for Tuition Support – established to recognize that the legislature has set aside money, as determined by the State Budget Agency, for paying the monthly distributions to local school units at the beginning of the succeeding fiscal year.

Reserve for Interfund Loans – established to recognize short-term and long-term loans issued to other funds within this government and therefore not currently available for expenditure.

Reserve for Long-Term Loans and Advances – established to recognize short-term and long-term loans issued by various governmental activities' funds to entities outside this government and therefore, not currently available for expenditure. The majority of these loans are made from the Common School Fund to school corporations for construction and/or technology initiatives.

Reserve for Restricted Purposes – established to recognize legal limitations that specify the purpose or purposes for which resources derived from government-mandated and voluntary nonexchange transactions are to be used.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

As described in Note I, Summary of Significant Accounting Policies, differences exist between the government-wide and the governmental fund financial statements. These differences are summarized in the reconciliations that follow the governmental fund financial statements.

A. Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

In the government-wide financial statements, capital assets are considered economic resources and are capitalized at cost or estimated historical cost at time of acquisition. Where applicable these costs are offset by accumulated depreciation.

The government-wide statements use the flow of economic resources and accrue receivables that are not available soon enough in the subsequent period to pay for the current period's expenditures. Also under the flow of economic resources, expenses reported in the statement of activities do not require the use of current financial resources. Both these receivables and payables are accrued in the government-wide statements, but not in the fund financial statements.

Internal service funds are used by management to charge the costs of certain activities to individual funds. In the government-wide financial statements, the assets and liabilities of internal service funds are included in governmental activities in the statement of net assets. In the proprietary fund financial statements internal service fund balances are segregated and reported as their own fund type.

B. Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

In the government-wide financial statements, the cost for capital outlays, except for governmental infrastructure, is allocated over the assets' useful lives and is reported as depreciation expense. In the fund financial statements, capital outlays are reported as expenditures in the functional line items.

The government-wide statements use the flow of economic resources and therefore do not report revenues and expenses dependent on the availability of financial resources, as is reported in the fund financial statements. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements. Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the fund financial statements. Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental fund financial statements, but the repayment reduces long-term liabilities in the statement of net assets.

Internal service funds are used by management to charge the costs of certain activities to individual funds. In the government-wide financial statements, the expenses of internal service funds are included in governmental activities in the statement of activities. In the proprietary fund financial statements internal service fund balances are segregated and reported as their own fund type.

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Equity

At June 30, 2010, various funds had a deficit fund balance caused by overdrafts from pooled cash and investments and the posting of accruals to the balance sheet. Temporary cash overdrafts are reported as interfund loans from the general fund.

Fund	Overdraft from pooled cash	Accrual deficits
Governmental Funds		
ARRA of 2009	(272,807)	(17,096)
US Department of Health & Human Services	(86,214)	15,274
Motor Vehicle Highway	(10,094)	11,653
Motor Vehicle Commission	-	(13,901)
US Department of Agriculture	(55,647)	38,495
US Department of Labor	(9,500)	-
US Department of Education	(57,345)	31,572

B. Unreserved Fund Balance

The State of Indiana designates its unreserved fund balance as designated for appropriations, designated for allotments, and undesignated. In order for money to be spent out of a fund it must be appropriated by the legislature and then allotted by the State Budget Agency. The following are the designations of unreserved fund balance at June 30, 2010:

Unreserved Fund Balance

	Designations of Unreserved Fund Balance			
	Designated for Appropriations	Designated for Allotments	Undesignated	Total Unreserved Fund Balance
Governmental Funds				
General Fund	$ 101,262	$ 230,043	$ 1,457,683	$ 1,788,988
Medicaid Assistance	27,800	44,194	-	71,994
State Highway Department	-	-	(636,920)	(636,920)
Major Moves Construction Fund	764,665	-	1,289,653	2,054,318
ARRA of 2009	-	-	(550,133)	(550,133)
US Department of Health and Human Services	-	-	(194,109)	(194,109)
Non-Major Special Revenue Funds	655,805	810,125	(152,659)	1,313,271
Non-Major Capital Projects Funds	-	84,313	5,516	89,829
Non-Major Permanent Funds	658	135,250	609,681	745,589
Total Governmental Funds	$ 1,550,190	$ 1,303,925	$ 1,828,712	$ 4,682,827

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits, Investments and Securities Lending

1. Primary Government – Other than Major Moves Construction Fund and Next Generation Trust Fund, Investment Trust Funds, and Pension and Other Employee Benefit Trust Funds.

Investment Policy

Indiana Code, Title 5, Article13, Chapters 9, 10, and 10.5, establishes the investment powers and guidelines regarding the State of Indiana investments. However, the Major Moves Construction Fund and the Next Generation Trust Fund have separate investment authority as established under Indiana Code 8-14-14 and Indiana Code 8-14-15, respectively. The Treasurer of State shall invest these funds in the same manner as the public employees' retirement fund under Indiana Code 5-10.3-5 with the exception that monies may not be invested in equity securities. For more information, please see the PERF policy in note IV(A)3. There is no formal investment policy for the investment of these funds other than compliance to State statute. State statute does not establish any parameters or guidelines related to the concentration of investment risk, investment credit risk, nor interest rate risk.

Indiana Code 5-13-9 authorizes the Treasurer to invest in deposit accounts issued or offered by a designated depository; securities backed by the full faith and credit of the United States Treasury; and repurchase agreements that are fully collateralized, as determined by the current market value computed on the day the agreement is effective, by interest-bearing obligations that are issued, fully insured or guaranteed by the United States or any U.S. government agency.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statute does not establish any parameters or guidelines related to interest rate risk.

The following is a summary of the Interest Rate Risk Disclosure as of June 30, 2010:

Primary Government (Amounts in thousands)				
	Fair	**Investment Maturities (in Years)**		
Investment Type	**Value Totals**	**Less than 1**	**1 - 5**	**6- 10**
U.S. Treasuries	$ 1,755,272	$ 1,755,272	$ -	$ -
U.S. Agencies	831,114	435,915	395,199	-
Municipal Bonds	12,572	3,315	-	9,257
Local Govt Investment Pool	181,968	181,968	-	-
Non-U.S. Fixed Income	10,000	-	10,000	-
Certificate of Deposits	219,681	219,681	-	-
Money Market Mutual Funds	733,700	733,700	-	-
Total	$ 3,744,307	$ 3,329,851	$ 405,199	$ 9,257

Custodial Credit Risk

Deposits – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2010, the balance of the State of Indiana's deposits was covered in full by federal depository insurance or by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

Investment Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust

department or agent, but not in the name of the State of Indiana. None of the State's investments are exposed to custodial credit risk because they are held in the name of the State of Indiana. Additionally, the Treasurer of State requires all custodians to indemnify the State against all out-of-pocket expenses or losses incurred as a result of (i) the custodian's operational failure, (ii) custodians failure to carry out the credit analysis, (iii) custodian's failure to maintain proper collateral for each loan, or (iv) failure of an approved counterparty to comply with its obligations under the applicable securities lending agreement.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Indiana Code 5-13-9-2 authorizes the State Treasurer to invest or reinvest in securities fully guaranteed and issued by (1) the United States Treasury, (2) a federal agency, (3) a federal instrumentality, or (4) a federal government sponsored enterprise. The State Treasurer also may invest or reinvest in money market mutual funds that are in the form of securities of or interests in an open-end, no-load, management-type investment company or investment trust registered under the provisions of the federal Investment Company Act of 1940. The portfolio of the investment company or investment trust must be limited to direct obligations of the United States, a federal agency, a federal instrumentality, a federal government sponsored enterprise, or repurchase agreements fully collateralized by obligations described in numbers (1) through (4) above. The statute also states the securities of or interests in an investment company or investment trust must be rated as one of the following: (1) AAA, or its equivalent, by Standard & Poor's Corporation or its successor; or (2) Aaa, or its equivalent, by Moody's Investors Service, Inc. or its successor.

The following table provides information on the credit quality ratings for investments in debt securities as well as investments in external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed-income securities:

Primary Government
(Amounts in thousands)

Investment Type	S & P	Moody's		Fair Value
U.S. Treasuries	AAA	Aaa	$	1,755,272
U.S. Agencies	AAA	Aaa		831,114
Certificate of Deposits	NR	NR		219,681
Municipal Bonds	NR	NR		12,572
Non-US Fixed Income Bonds	A	A		10,000
Local Govt Investment Pool	NR	NR		181,968
Money Market Mutual Funds	AAA	Aaa		733,700
Total			$	3,744,307

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Indiana Code 5-13-10-3 states that the State Treasurer may not deposit aggregate funds in deposit accounts in any one designated depository in an amount aggregating at any one time more than fifty percent (50%) of the combined capital, surplus, and undivided profits of that depository as determined by its last published statement of condition filed with the State Treasurer.

Investments in any one issuer, other than securities issued or guaranteed by the US government, that represent 5% or more of the total investments are (amounts in thousands):

Federal Home Loan Bank	8.91%	$381,009
Federal Home Loan Mortgage Corp.	7.41%	$317,004

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. There was no foreign currency risk.

Securities Lending Credit Risk

The Treasurer of State is authorized by Indiana Code 5-13-10.5-13 to lend securities. Securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the United States, an agency of the United States, a federal instrumentality, or a federal government sponsored enterprise, in excess of the total market value of the loaned securities. The Treasurer of State is authorized by statute (IC 5-13-10.5) to accept as collateral safekeeping receipts for securities from: (1) a duly designated depository, having physical custody of securities, with a combined capital and surplus of at least $10 million, according to the last statement of condition filed by the financial institution with its governmental supervisory body. The Treasurer may not deposit aggregate funds in deposit accounts in any one designated depository in an amount or (2) a financial institution located either in or out of Indiana aggregating at any one time more than 50% of the combined capital, surplus and undivided profits of that depository as determined by the last published statement.

Indiana Code 5-13-10.5-13 states that securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the United States, an agency of the United States government, a federal instrumentality, or a federal government sponsored enterprise; in excess of the total market value of the loaned securities. State statutes and policies permit the State to lend securities to broker-dealers and other entities (borrowers) for collateral with a simultaneous agreement to return the collateral for the same securities in the future.

The State's custodial banks manage the securities lending programs and receive securities or cash as collateral. The types of securities lent during the year may include U.S. Treasury and agency obligations, corporate bonds/notes, and foreign bonds. Collateral securities and cash are initially pledged at 102% of the market value of the securities lent. Generally, there are no restrictions on the amount of assets that can be lent at one time, except for the Public Employees' Retirement Fund and the State Teachers' Retirement Fund (discretely presented component units), which allow no more than 40% to be lent at one time.

The collateral securities cannot be pledged or sold by the State unless the borrower defaults, but cash collateral may be invested. Cash collateral is generally invested in securities of a longer term with the mismatch of maturities generally 0-35 days. The weighted average maturity gap at June 30, 2010 was 25 days. The contracts with the State's custodians requires them to indemnify the funds if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the funds for income distributions by the securities' issuers while the securities are on loan.

At year end, the State had no credit risk exposure to any borrowers because the amount the State owes the borrowers exceeds the amounts the borrowers owe the State.

Major Moves Construction Fund/Next Generation Trust Funds

Investment Policy

Indiana Code, Title 5, Article13, Chapters 9, 10, and 10.5, establishes the investment powers and guidelines regarding the State of Indiana investments. However, the Major Moves Construction Fund and the Next Generation Trust Fund have separate investment authority as established under Indiana Code 8-14-14 and Indiana Code 8-14-15, respectively. The Treasurer of State shall invest these funds in the same manner as the public employees' retirement fund under Indiana Code 5-10.3-5, except the funds may not be invested in equity securities. Investment Policy Statements for the investment of these two funds has been adopted by the Treasurer of State. The Investment Policy Statements are written in conformity with the applicable investment statutes and in accordance with prudent investor standards. State statute does not establish any parameters or guidelines related to the concentration of investment risk, investment credit risk, nor interest rate risk. The Investment Policy Statements establish asset allocations for both Funds and set limits for the exposure in securities from any one

issuer to not more than 5% of a Core Fixed Income Investment Manager's portfolio and not more than 10% of a Core Plus Fixed Income Investment Manager's portfolio.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments. The Fund's policy for controlling its exposure to interest rate fluctuations should be viewed with the appropriate perspective. A long-term strategy was employed to achieve the Fund's objectives, but there was consideration given to the short-term liquidity needs to meet disbursements required by the Fund. The asset allocation and investment manager structure was designed to tolerate some interim fluctuations in market value while maintaining a long-term return objective of 5.25%.

The following table provides the interest rate risk disclosure for the Major Moves/Next Generation Trust Fund as of June 30, 2010:

Major Moves/Next Generation Funds
(Amounts in thousands)

Investment Type	Fair Value	Investment Maturities (in Years) Less than 1	1 - 5	6- 10	More than 10
U.S Treasuries	$ 492,644	$ 63,142	$ 213,955	$ 136,213	$ 79,334
U.S. Agencies	94,545	44,328	28,740	17,102	4,375
Government Asset and Mortgage Backed	331,020	-	1,161	52,720	277,139
Collateralized Mortgage Obligations					
Government CMOs	39,483	-	6,104	2,019	31,360
Corp CMOs	83,820	-	431	6,413	76,976
Corporate Bonds	728,191	14,419	216,629	322,206	174,937
Corporate Asset Backed	189,666	-	67,238	10,584	111,844
Private Placements	370,689	5,795	177,990	108,972	77,932
Municipal Bonds	28,714	1,751	1,870	7,760	17,333
Miscellaneous Other Fixed Income	99,143	5,604	27,299	39,538	26,702
Money Market Mutual Funds	175,827	175,827	-	-	-
Total	$ 2,633,742	$ 310,866	$ 741,417	$ 703,527	$ 877,932

Custodial Credit Risk

Deposits – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2010, the balance of the State of Indiana's deposits was covered in full by federal depository insurance or by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

Investment Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the State of Indiana. None of the State's investments are exposed to custodial credit risk because they are held in the name of the State of Indiana. Additionally, the Treasurer of State requires all custodians to indemnify the State against all out-of-pocket expenses or losses incurred as a result of (i) the custodian's operational failure, (ii) custodians failure to carry out the credit analysis, (iii) custodian's failure to maintain proper collateral for each loan, or (iv) failure of an approved counterparty to comply with its obligations under the applicable securities lending agreement.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The investment managers must adhere to the following guidelines:

Intermediate and Core Fixed Income Managers

a. The average credit quality of each manager's portfolio shall not be

lower than Aa3/AA-

b. All securities at the time of purchase shall have a Moody's, S&P's and/or Fitch's credit quality rating of no less than BBB
c. In the event a holding is downgraded to less than BBB, the manager will have the discretion over when to sell the security, generally, no later than 90 days following the downgrade.

Core Plus Fixed Income Managers

d. At least 60% of the securities held in the portfolio shall have a credit rating of no less than BBB
e. Investments in high-yield and non-US debt are permitted, but combined exposure to those sectors should not exceed 40%
f. The average credit quality of each manager's portfolio shall not be lower than single A

Hybrid Fixed Income Managers

g. High-yield and non-US debt securities are permitted
h. Non US-dollar currency exposure is permitted

The following table provides information on the credit quality ratings for investments in debt securities, short-term money market funds, bond mutual funds and bond commingled funds, municipal securities, asset-backed, and mortgage-backed securities as of June 30, 2010.

Major Moves/Next Generation Funds
(Amounts in thousands)

	S & P		Moody's	
Investment Type	Ratings	Fair Value	Ratings	Fair Value
U.S. Treasuries	AAA	$ 492,644	Aaa	$ 492,644
U.S. Agencies	AAA	94,545	Aaa	94,545
Government Asset And Mortgage Backed	AAA	227,836	Aaa	227,836
	NR	103,184	NR	103,184
Collateralized Mortgage Obligations				
Government CMO's	AAA	39,483	Aaa	39,483
Corporate CMO's	AAA	31,276	Aaa	14,561
	AA	955	Aa	2,202
	A	2,515	A	2,383
	BBB	3,257	Baa	1,668
	BB	1,780	Ba	3,312
	B	4,409	B	10,324
	CCC&Below	27,876	Caa&Below	13,619
	NR	11,752	NR	35,751
Non US Govt/Corp Bonds	AAA	40,273	Aaa	31,400
	AA	7,472	Aa	10,074
	A	13,680	A	865
	BBB	6,777	Baa	23,211
	BB	13,377	Ba	12,545
	B	1,252	B	930
	CCC&Below	85	Caa&Below	85
	NR	16,227	NR	20,033
Corporate Bonds	AAA	18,912	Aaa	22,097
	AA	37,897	Aa	50,940
	A	223,320	A	186,205
	BBB	273,152	Baa	279,369
	BB	75,909	Ba	92,414
	B	61,617	B	57,915
	CCC&Below	16,361	Caa&Below	26,035
	NR	21,023	NR	13,216
Corporate Asset Backed	AAA	104,692	Aaa	113,369
	AA	9,224	Aa	15,146
	A	23,012	A	6,520
	BBB	13,815	Baa	2,058
	BB	2,596	Ba	2,969
	B	1,002	B	2,657
	CCC&Below	6,994	Caa&Below	7,502
	NR	28,331	NR	39,445
Private Placements	AAA	32,493	Aaa	34,629
	AA	24,107	Aa	31,581
	A	45,355	A	48,378
	BBB	65,825	Baa	68,183
	BB	27,972	Ba	27,752
	B	37,605	B	36,447
	CCC&Below	9,754	Caa&Below	12,641
	NR	127,578	NR	111,078
Municipal Bonds	AAA	2,092	Aaa	662
	AA	5,875	Aa	8,183
	A	13,493	A	8,747
	BBB	1,980	Baa	5,465
	BB	-	Ba	-
	NR	5,274	NR	5,657
Money Market Mutual Funds	NR	175,827	NR	175,827
Total		$ 2,633,742		$ 2,633,742

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer representing 5% or more of the total investments. The only exemptions from disclosures are US Government Debt, US Government Guaranteed Investments, Mutual Funds, or External Investment Pools. For Intermediate and Core Fixed Income Managers,

securities in any one issuer should be limited to not more than 5% of the investment manager's portion of the Fund portfolio measured at market value. For Core Plus Fixed Income Managers, the exposure of each manager's portfolio should be limited to not more than 10% of the manager's portion of the Fund portfolio measured at market value.

Investments in any one issuer that represent 5% or more of the total investments are:

FNMA	9.43%	$250,526,611

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Major Moves/Next Generation Trust Fund's foreign currency exposure is focused primarily in fixed income securities. The exposure to foreign currency fluctuation is as follows:

Currency	Total Market Value (amount in thousands)	Percent of Total Fund Market Value
Australian Dollar	$ 4,794	0.18%
Brazil Real	5,853	0.22%
British Pound	4,857	0.18%
Canadian Dollar	6,031	0.23%
Indian Rupee	4,113	0.15%
Japanese Yen	10,168	0.38%
Mexico New Peso	7,223	0.27%
Polish Zloty	1,253	0.05%
Other	19,501	0.73%
Total	$ 63,793	2.40%

Securities Lending Credit Risk

The Treasurer of State is authorized by Indiana Code 5-13-10.5-13 to lend securities. Securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the United States, an agency of the United States, a federal instrumentality, or a federal government sponsored enterprise, in excess of the total market value of the loaned securities.

At year end, the State had no credit risk exposure to any borrowers because the amount the State owes the borrowers exceeds the amounts the borrowers owe the State.

TrustINdiana, Local Government Investment Pool (Investment Trust Funds)

Investment Policy

Indiana Code, Title 5, Article13, Chapter 9, Section 11 established the local government investment pool (TrustINdiana) within the office and custody of the Treasurer of State. The Treasurer of State shall invest the funds in TrustINdiana in the same manner, in the same type of instruments, and subject to the same limitations provided for the deposit and investment of state funds by the Treasurer of State under Indiana Code 5-13-10.5. State statute does not establish any parameters or guidelines related to the concentration of investment risk, investment credit risk, nor interest rate risk. However, pursuant to IC 5-13-9-11(g)(7), no less than fifty percent of funds available for investment shall be deposited in banks qualified to hold deposits of participating local government entities. Investment criteria have been established to create the principles and procedures by which the funds of TrustINdiana shall be invested and to comply with state statute relating to the investment of public funds.

Valuation of Investments

Consistent with the provisions of a 2a-7 like pool as defined by GASB Statement No. 31, TrustINdiana securities are valued at amortized cost, which approximates market value.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The following is a summary of the Interest Rate Risk Disclosure as of June 30, 2010:

TrustINdiana - Local Government Investment Pool
(Amounts are in thousands)

Investment Type	Amortized Cost	Investment Maturities (in Years) Less than 1
U.S. Agencies	$ 41,560	$ 41,560
Money Market Mutual Funds	2,150	2,150
Total	$ 43,710	$ 43,710

Custodial Credit Risk

Deposits – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2010, the balance of the State of Indiana's deposits was covered in full by federal depository insurance or by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

Investment Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the State of Indiana. None of the State's investments are exposed to custodial credit risk because they are held in the name of the State of Indiana. Additionally, the Treasurer of State requires all custodians to indemnify the State against all out-of-pocket expenses or losses incurred as a result of (i) the custodian's operational failure, (ii) custodians failure to carry out the credit analysis, (iii) custodian's failure to maintain proper collateral for each loan, or (iv) failure of an approved counterparty to comply with its obligations under the applicable securities lending agreement.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. TrustINdiana limits its investments in any one issuer to the highest rating category issued by one nationally recognized statistical rating organization.

The following table provides information on the credit quality ratings for investments in TrustINdiana:

TrustINdiana - Local Government Investment Pool
(Amounts are in thousands)

Investment Type	S & P Ratings	S & P Fair Value	Moody's Ratings	Moody's Fair Value
U.S. Agencies	AAA	$ 41,560	Aaa	$ 41,560
Money Market Mutual Funds	AAA	2,150	Aaa	2,150
Total		$ 43,710		$ 43,710

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer representing 5% or more of the total investments. As noted above, TrustINdiana is required to be comprised of no less than 50% of deposits in banks from an approved list maintained by the State of Indiana. In addition, TrustINdiana limits its investments in any one issuer to 40% of net assets if the issuer is rated A1+/P1 and 25% of net assets if the issuer is rated A1/P1. The only exemptions from disclosures are US Government Debt, US Government Guaranteed Investments, Mutual Funds, or External Investment Pools.

Investments in any one issuer, not exempt from disclosure, that represents 5% or more of the total investments were (amounts in thousands):

Federal Home Loan Bank	9.30%	$ 38,145

Securities Lending Credit Risk

The Treasurer of State is authorized by Indiana Code 5-13-10.5-13 to lend securities. Securities

may be lent under an agreement which requires the loaned securities to be collateralized in the form of (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the United States, an agency of the United States, a federal instrumentality, or a federal government sponsored enterprise, in an amount at least equal to 102% of the current market value of the loaned securities. The net income earned through securities lending is recorded as additional income to the Pool.

At year end, there were no securities on loan, and therefore, no credit risk exposure.

2. Pension and Other Employee Benefit Trust Funds – Primary Government

State Police Pension Fund

Investment Policy – The Indiana State Police Pension Trust was established in 1937 to provide pension, death, survivor, and other benefits to present and former employees of the department and their beneficiaries who meet the statutory requirement for such benefits.

Indiana Code 10-1-2-2(c), established the prudent investor standard as the primary statutory provision governing the investment of the Trust's assets. IC 10-1-2-2 (c) reads as follows:

The trust fund may not be commingled with any other funds and shall be invested only in accordance with Indiana laws for the investment of trust funds, together with such other investments as are specifically designated in the pension trust. Subject to the terms of the pension trust, the Trustee, with the approval of the Department and the Pension Advisory Board, may establish investment guidelines and limits on all types of investments (including, but not limited to, stocks and bonds) and take other action necessary to fulfill its duty as a fiduciary for the trust fund. However, the Trustee shall invest the trust fund assets with the same care, skill, prudence, and diligence, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The Trustee shall also diversify such investments in accordance with prudent investment standards.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The following table provides information on the credit quality ratings for investments in debt securities as well as investments in external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed-income securities:

State Police Pension
(Amounts in thousands)

Investment Type	S & P Ratings	S & P Fair Value	Moody's Ratings	Moody's Fair Value
U.S. Treasuries	AAA	$ 14,809	Aaa	$ 14,809
U.S. Agencies	AAA	1,354	Aaa	1,354
Government Assets and Mortgage Backed Securities	AAA	14,482	Aaa	14,482
Collateralized Mortgage Obligations				
Corporate CMO's	AAA	2,229	Aaa	1,394
	AA	105	Aa	356
	A	305	A	-
	BBB	356	Baa	-
	BB	-	Ba	305
	B	-	B	509
	CCC & Below	362	CCC & Below	78
	NR	633	NR	1,348
Government CMOs	AAA	4,687	Aaa	4,687
Corporate Bonds	AA	1,528	Aa	2,369
	A	10,264	A	7,558
	BBB	7,279	Baa	9,668
	BB	982	Ba	1,794
	B	759	B	162
	CCC & Below	-	CCC & Below	-
	NR	813	NR	74
Corporate Asset Backed	AAA	2,882	Aaa	2,839
	AA	-	Aa	231
	A	215	A	1,050
	BBB	-	Baa	394
	BB	96	Ba	-
	B	-	B	-
	CCC & Below	365	CCC & Below	365
	NR	2,163	NR	842
Foreign Bonds	A	310	A	310
Private Placements	AAA	364	Aaa	717
	AA	361	Aa	295
	A	2,323	A	2,508
	BBB	1,783	Baa	1,759
	BB	149	Ba	212
	B	284	B	146
	CCC & Below	-	CCC & Below	-
	NR	896	NR	523
Municipal Bonds	AAA	1,227	Aaa	-
	AA	105	Aa	1,453
	A	89	A	-
	BBB	163	Baa	-
	NR	121	NR	252
Money Market Mutual Funds	AAA	-	Aaa	-
	NR	44,598	NR	44,598
Total		$ 119,441		$ 119,441

Custodial Credit Risk

Deposits – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2010, the balance of the State Police Pension Trust deposits was covered in full by federal depository insurance or by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

Investment Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the customer. None of the Indiana State Police Pension Trust's investments are exposed to custodial credit risk because they are held in the name of the Indiana State Police Pension Trust. Additionally, the Treasurer of State requires all custodians to indemnify the State against all out-of-pocket expenses or losses incurred as a result of (i) the custodian's operational failure, (ii) custodians failure to carry out the credit analysis, (iii) custodian's failure to maintain proper collateral for each loan, or (iv) failure of an approved counterparty to comply with its obligations under the applicable securities lending agreement.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Indiana State Police Trust has thirteen different investments managers. The purchase of securities in any one nongovernmental corporation shall be limited to an initial cost of 5% of the market value of an investment manager's portfolio. Additionally, the following limits are set to further limit credit exposure:

Large/Mid/Small Capitalization Equity Managers: equity holdings in any one company should not exceed 7.5% of the market value of the investment manager's portion of the Fund's portfolio. Equity holdings in any one industry should not exceed 25% of the market value of the investment manager's portion and equity holdings in any one sector should not exceed 35% of the investment manager's portfolio market value.

Non-US Equity Investment Managers: equity holdings in any one international company shall not exceed 7.5% of the total value of all investments in international equity securities and equity holdings in any one country shall not exceed 35% of all investments in international equity securities.

Domestic Core Fixed/ Domestic Core Plus/Hybrid Managers: securities of any one issuer is limited to not more that 5% of the investment manager's portion of the portfolio measured at market value. Securities backed by the full faith and credit of the United States Government or any of its instrumentalities shall not be subject to exposure limitations. Investments in high-yield and non-US debt securities should be limited to 20% high-yield and 20% non-U.S. debt with a combined exposure to those sectors not to exceed 30%.

There were no investments in any one issuer that represents 5% or more of the total investments.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments. The Fund's policy for controlling its exposure to interest rate fluctuations should be viewed with the appropriate perspective. A long-term strategy was employed to achieve the Fund's objectives, but there was consideration given to the short-term liquidity needs to meet disbursements required by the Fund. The asset allocation and investment manager structure was designed to tolerate some interim fluctuations in market value while maintaining a long-term return objective to exceed the actuarial assumed interest rate of 7%.

The following table provides the interest rate risk disclosure for the Indiana State Police Pension Fund:

State Police Pension
(Amounts in thousands)

Investment Type	Fair Value	Investment Maturities (in Years) Less than 1	1 - 5	6- 10	More than 10
U.S. Treasuries	$ 14,809	$ -	$ 6,982	$ 4,470	$ 3,357
U.S. Agencies	20,523	-	1,986	4,372	14,165
Collateralized Mortgage Obligations					
Corporate CMO's	3,990	-	90	155	3,745
Corporate Bonds	21,625	32	5,009	11,198	5,386
Corporate Asset Backed	5,721	-	3,212	-	2,509
Foreign Bonds	310	40	270	-	-
Private Placements	6,160	336	1,892	2,248	1,684
Municipal Bonds	1,705	-	105	89	1,511
Money Market Mutual Funds	44,598	44,598	-	-	-
Total Fixed Income Securities	$ 119,441	$ 45,006	$ 19,546	$ 22,532	$ 32,357

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The State Police Pension Trust's foreign currency exposure is focused primarily in international and global equity holdings. The exposure to foreign currency fluctuation is as follows:

Currency	Market Value (amount in thousands)	Percent of Total Market Value
Australian Dollar	$ 638	0.2%
Brazil Real	487	0.2%
British Pound	913	0.3%
Canadian Dollar	822	0.3%
Danish Krone	1	0.0%
Euro	3,208	1.0%
Hong Kong	39	0.0%
Japanese Yen	888	0.3%
Singapore Dollar	94	0.0%
Swiss Franc	1,066	0.3%
Thailand Baht	82	0.0%
Total	$ 8,238	2.6%

Securities Lending Credit Risk - The Treasurer of State is authorized by Indiana Cod 5-13-10.5-13 to lend securities. Securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash of (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the United States, and agency of the United States, an agency of the United States, a federal instrumentality, or a federal government sponsored enterprise in excess of the total market value of the loaned securities.

At year end, the State Police Pension Trust had no credit risk exposure to any borrowers because the amount the State Police Pension Trust owes the borrowers exceeds the amounts the borrowers owe the State Police Pension Trust.

State Employee Retiree Health Benefit Trust Fund

Investment Policy – Indiana Code, Title 5, Article13, Chapters 9, 10, and 10.5, establishes the investment powers and guidelines regarding the State of Indiana investments. However, the Retiree Health Benefit Trust Fund has separate investment authority as established under Indiana Code 5-10-8-8.5 (b). The Treasurer of State shall invest the money in the trust fund not currently needed to meet the obligations of the trust fund in the same manner as other public money may be invested. There is no formal investment policy for the investment of these funds other than compliance to State statute. State statute does not establish any parameters or guidelines related to the concentration of investment risk, investment credit risk, nor interest rate risk.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The following table provides information on the credit quality ratings for investments in State Retiree Health Benefit Trust Fund:

State Employee Retiree Health Benefit Trust Fund
(Amounts are in thousands)

	S & P		Moody's	
Investment Type	Ratings	Fair Value	Ratings	Fair Value
U.S. Treasuries	AAA	$ 13,978	Aaa	$ 13,978
U.S. Agencies	AAA	31,008	Aaa	31,008
Total		$ 44,986		$ 44,986

Custodial Credit Risk

Deposits – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2010, the balance of the State of Indiana's deposits was covered in full by federal depository insurance or by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

Investment Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the State of Indiana. None of the State's investments are exposed to custodial credit risk because they are held in the name of the State of Indiana. Additionally, the Treasurer of State requires all custodians to indemnify the State against all out-of-pocket expenses or losses incurred as a result of (i) the custodian's operational failure, (ii) custodians failure to carry out the credit analysis, (iii) custodian's failure to maintain proper collateral for each loan, or (iv) failure of an approved counterparty to comply with its obligations under the applicable securities lending agreement.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer representing 5% or more of the total investments. The only exemptions from disclosures are US Government Debt, US Government Guaranteed Investments, Mutual Funds, or External Investment Pools.

Investments in any one issuer, not exempt from disclosure, that represent 5% or more of the total investments were:

Federal Farm Credit Bank	57.82%	$ 26,009,533
Federal Home Loan Mortgage Corp.	11.11%	4,998,500

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. There was no foreign currency risk.

Securities Lending Credit Risk - The Treasurer of State is authorized by Indiana Code 5-13-10.5-13 to lend securities. Securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the united states, an agency of the United State, an agency of the united States government, a federal instrumentality, or a federal government sponsored enterprise in excess of the total market value of the loaned securities.

At year end, there were no securities on loan and therefore, no credit risk exposure.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The following is a summary of the Interest Rate Risk Disclosure as of June 30, 2010:

State Retiree Health Benefit Trust
(Amounts in thousands)

		Investment Maturities (in Years)
Investment Type	Fair Value	Less than 1
U.S. Treasuries	$ 13,978	$ 13,978
U.S. Agencies	31,008	31,008
Total Fixed Income Securities	$ 44,986	$ 44,986

3. Pension Trust Funds – Discrete Component Units

Public Employees' Retirement System

Investment Guidelines and Limitations – The Indiana General Assembly enacted the prudent investor standard to apply to the PERF Board of Trustees and govern all its investments. Under the statute (IC 5-10.3-5-3(a)), the PERF Board of Trustees must "invest its assets with the care, skill, prudence and diligence that a prudent person

acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims." The PERF Board of Trustees also is required to diversify such investments in accordance with the prudent investor standard.

Within these governing statutes, the PERF Board of Trustees has broad authority to invest the assets of the plans. The PERF Board of Trustees utilizes external investment managers, each with specific mandates to implement the investment program. Depending on the mandate and the contractual agreement with the investment manager, investments may be managed in separate accounts, commingled accounts, mutual funds or other structures acceptable to the PERF Board of Trustees.

The PERF Board of Trustees approved a new asset allocation for the Consolidated Retirement Investment Fund (CRIF) on October 17, 2008 as follows:

Asset Classes	Target Norm - %	Allowable Ranges - %
Equities - Domestic	40	30 - 50
Fixed Income - Core & Core-Opportunistic	20	15 - 25
Fixed Income - TIPS	10	5 - 15
Alternatives – Private Equity	10	5 - 15
Alternatives – Real Assets	10	5 - 15
Alternatives – Absolute Return	10	5 - 15

Investments in the PERF annuity savings accounts and Legislators' Defined Contribution plan are directed by the members in each respective plan and as such the asset allocation will differ from that of the CRIF. The Pension Relief Fund is invested 100 percent in a money market fund. The Special Death Benefit Funds are one hundred percent fixed income.

Investment constraints are set forth in PERF's investment policy statement (IPS) for each individual asset class. PERF's Board of Trustees approved the latest restatement of the IPS in February 2010.

Deposit Risks – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized or collateralized with securities held by the pledging financial institution. Deposits held in the two demand deposit accounts are carried at cost and are insured up to $250,000 each. Deposits in the demand accounts held in excess of $250,000 are not collateralized. Deposits with the Indiana Treasurer of State are entirely insured. Deposits held with the investment custodian are insured up to $250,000.

Cash Deposits (dollars in thousands)	Total	JP Morgan Chase	PNC Bank	Bank of New York Mellon
Demand deposit account – carrying value	$1,350.0	$980.1	$27.7	$342.2
Demand deposit account – bank balance	11,114.9	4,971.4	28.2	6,115.3
Held with Treasurer of State	7,699.0	-	-	-
Held with investment custodian:				
Cash	39,694.0	-	-	-

Credit Risk – PERF's IPS sets credit quality rating guidelines and benchmark indices for each of its sub-asset classes and is outlined in each portfolio manager contract. The guidelines and benchmarks are as follows: the Core fixed income portfolio (excluding TIPS) must maintain an average credit quality rating of at least A1 (Moody's) or the equivalent; securities must be rated at least Baa3 (Moody's) or the equivalent at the time of purchase unless specifically approved by the PERF Board of Trustees. In the case of a split rating, the higher rating will be used. The Core-Opportunistic fixed income portfolio must maintain an average credit quality rating of at least investment grade by Moody's or the equivalent. The benchmark for the fixed income portfolio is the Barclays Capital Aggregate Bond Index and Barclays Capital Universal Bond Index. The Treasury Inflation Protection Securities (TIPS) and global linkers portfolio must substantially match the quality of its benchmarks, the Barclays Capital US TIPS Index and the Global Customized Benchmark, respectively. The quality rating of investments in debt securities as described by the Nationally Recognized Statistical Rating Organization (NRSRO) Standard and Poor's at June 30, 2010 is as follows:

Quality Rating (dollars in millions)	Fair Value	Percent of Portfolio
AAA	$2,738.6	51.0
AA	106.3	2.0
A	406.2	7.6
A-1	227.4	4.2
BBB	378.7	7.0
BB	103.3	1.9
B	87.8	1.6
CCC	78.2	1.5
CC	15.0	0.3
C	0.2	0.0
D	5.8	0.1
Not Rated	1,226.1	22.8
Total	$5,373.6	100.0

The credit risk schedule includes debt securities,

short-term money market funds, bond mutual funds and bond commingled funds. Of the total fair value reported, approximately $2.3 billion (43.3 percent) is AAA rated US Treasury, US Agency or US Agency Mortgage Backed Securities. The remaining balance of approximately $3.0 billion (56.7 percent) consists of corporate debt, short-term custodial money market funds, commingled or mutual funds, municipal securities, asset-backed, mortgage-backed securities, and emerging markets debt of various credit quality ratings.

The $1.2 billion not rated by Standard & Poor's is primarily in money market funds, mutual funds or commingled funds.

Custodial Credit Risk – Custodial credit risk is the risk that PERF will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party if the counterparty fails. Investment securities are exposed to risk if the securities are uninsured, are not registered in the name of PERF and are held by either the counterparty or the counterparty trust department's agent, but not in PERF's name.

There was no custodial credit risk for investments including investments related to securities lending collateral as of June 30, 2010. Per IC 5-10.3-5-4(a) and IC 5-10.3-5-5, securities held for the fund are held by banks under custodial agreements in the fund's name. While PERF's Investment Policy Statement does not specify custodial risk, statutes provide certain custodial requirements.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss that may arise in the event of default by a single issuer. PERF's IPS limits the purchase of securities of any one issuer (with the exception of the US Government and its agencies) to an initial cost of 5 percent or two times the benchmark weight of the market value of an investment manager's portfolio, whichever is greater. Through capital appreciation, no such holding should exceed 10 percent of the market value of the total holdings of such investment manager's portfolio, unless the Board approves an exception.

For investment managers contracted to manage concentrated portfolios, exposure to the securities issued by a single issuer (with the exception of the U.S. Government and its agencies) is limited to 7.5 percent or two times the benchmark weight of the market value of the investment manager's portfolio, whichever is greater. Through capital appreciation, no such holdings should exceed 15 percent of the market value of the total holdings of the investment manager's portfolio, unless the Board approves an exception.

At June 30, 2010, there was no concentration of credit risk for the CRIF.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments. Duration is a measure of interest rate risk. The greater the duration of a bond or a portfolio of bonds, the greater its price volatility will be in response to a change in interest rates and vice-versa. Duration, measured in years, is an indicator of a bond price's sensitivity to a 100 basis point change in interest rates.

PERF's IPS sets duration guidelines for the fixed income investment portfolio. The fixed income portfolios must substantially match the duration characteristics of the benchmark index. The Core fixed income portfolio limits the duration of the portfolio to not vary more than 20 percent above or below the duration of the applicable benchmark index. The duration of the Core-Opportunistic portfolio may not vary more than 5 years above or below the duration of the benchmark index.

Duration information is provided below:

Investment Type (dollars in millions)	Net Asset Fair Value	% of Net Asset Fair Value	Duration
Short-term Investment Fund	$1,039.2	18.1	0.00
Government & Agency Obligations	2,000.8	34.9	4.02
Residential & Commercial Mortgage-Backed Securities	790.2	13.8	1.52
Corporate Bonds	1,082.5	18.9	5.13
Asset-backed	180.6	3.1	0.72
Municipal Securities	21.7	0.4	8.25
Other[1]	620.7	10.8	0.57
Total Net Asset Fair Value	**$5,735.7**	**100**	**2.70**

[1] Includes mutual funds, collective trusts, and derivatives

PERF investments are directly, or indirectly, sensitive to changes in the interest rate environment. Some derivative products, identified in the derivatives financial instruments section, are

also sensitive to interest rate risk. Debt securities, debt securities mutual funds and commingled funds, and short-term cash and cash-equivalents represent the portions of the portfolio most sensitive to interest rate risk and are included in the duration information.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. PERF's foreign currency exposure is focused primarily in international equity holdings. Futures currency contracts are reported in the following schedule at gross exposure value. Forward currency contracts values include both receivables and payables.

PERF's IPS refers to foreign currency guidelines that are linked directly, or indirectly, to the benchmark indices for each sub-asset class or as outlined in each portfolio manager contract. The equity portfolio sub-asset classes have specific guidelines for international equities and global equity investments. Certain sub-asset classes do not allow emerging markets investments while some allow up to 30 percent of market value to be held in emerging markets. PERF has exposure to foreign currency fluctuation as follows:

Currency	Total Fair Value (dollars in millions)	% of Foreign Currency
Euro	$870.0	28.6
Pound Sterling	510.7	16.8
Japanese Yen	473.3	15.5
Hong Kong Dollar	170.2	5.6
Australian Dollar	155.0	5.1
Swiss Franc	126.9	4.2
Other	740.1	24.2
Total	**$3,046.2**	**100.0**

Securities Lending – Indiana Code 5-10.2-2-13(d) provides that the PERF Board of Trustees may authorize a custodian bank to enter into a securities lending program agreement under which securities held by the custodian on behalf of PERF may be loaned. The purpose of such a program is to provide additional revenue for PERF.

Statute requires that collateral initially in excess of the total market value of the loaned securities must be pledged by the borrower and must be maintained at no less than the total market value of the loaned securities. The PERF Board of Trustees requires that collateral securities and cash be initially pledged at 102 percent of the market value of the securities lent. No more than 40 percent of CRIF's total assets may be lent at one time. The custodian bank and/or its securities lending subagents provide 100 percent indemnification to the PERF Board of Trustees and the CRIF against borrower default, overnight market risk and failure to return loaned securities. Securities received as collateral cannot be pledged or sold by the PERF Board of Trustees unless the borrower defaults. PERF retains the market value risk with respect to the investment of the cash collateral. Per the disclosure regarding last year's credit event PERF injected capital into the pool during fiscal year 2010 to bring the value of the collateral pool back to 102% of the market value of securities lent.

Cash collateral investments are subject to the investment guidelines specified by PERF's IPS. It states that the maximum weighted average days to maturity may not exceed 60. The average term to maturity of the cash collateral portfolio was approximately 25 days at June 30, 2010. The securities lending agent matches the maturities of the cash collateral investments with stated securities loans' termination dates. Cash collateral received for open-ended loans that can be terminated on demand are invested with varying maturities.

The fair value of securities lent for cash collateral at June 30, 2010, was:

Investment Type (dollars in millions)	Loan Value
Government Obligation	$1,058.4
Corporate Bonds	159.5
Equities	936.2
Total Fair Value	**$2,154.1**

The credit quality of the cash collateral investments as described by Standard and Poor's at June 30, 2010, was:

Cash Collateral Investments Quality Rating (dollars in millions)	Fair Value	Percent of Portfolio
AAA	$ 183.5	6.5
AA	110.0	4.9
A-1 and A-1+	1,830.7	84.2
Not Rated	97.9	4.4
Total	**$ 2,222.1**	**100**

The majority of A-1 and A-1+ collateral investments are commercial paper. The majority of the Not Rated collateral investments are money market funds.

At June 30, 2010, PERF had loaned approximately $238.3 million US Treasury and government agency obligations for securities collateral. The securities collateral value was approximately $241.9 million which represented 102 percent coverage.

Derivative Financial Instruments – Derivative transactions involve, to varying degrees, the following risks:

Market risk – Market risk is the possibility that a change in the referenced position will cause the value of a financial instrument to decrease or become more costly to settle. The market risk associated with derivatives, the prices of which are constantly fluctuating, is regulated by imposing strict limits as to the types, amounts and degree of risk that investment managers may undertake.

Interest Rate Risk — Interest rate risk is the risk of change in the market value of the assets due to a change in interest rates. Bond futures, interest rate swaps and interest rate swaptions are generally used to manage interest rate risk, adjust portfolio duration, or rebalance the total portfolio to the target asset allocation. A futures contract is an agreement between two parties to buy and sell a financial instrument at a set price on a future date. Interest rate swap agreements involve the exchange by the Master Trust, with a counterparty, of respective commitments to pay or receive interest, e.g., an exchange of floating rate payments for fixed rate payments, with respect to the notional amount of principal. Interest rate swaptions are options to enter into an interest rate swaps based off a set of predetermined conditions. Refer to the interest rate risk note of the Fund.

Credit Risk — Credit risk is the risk of change in the market value of assets due to the change in creditworthiness of the underlying issuer. Credit default swaps are used to achieve the desired credit exposure of a security or basket of securities. Credit default swap agreements involve one party (referred to as the buyer of protection) making a stream of payments to another party (the seller of protection) in exchange for the right to receive a specified return in the event of a default or other credit event for the referenced entity, obligation or index.

Currency Risk — Currency risk is the risk of a change in market value due to the change in foreign currency exchange rates. Generally, currency futures, forward contracts and options are used to achieve the desired currency exposure, generate value-added performance, or rebalance the total portfolio to the target asset allocation. Foreign currency futures and forwards are agreements between two parties to buy and sell a set of currencies at a set exchange rates on a specified future dates. A currency option gives the buyer the right, but not the obligation, to buy one currency or sell another currency at a set exchange rate on or before a given date.

Equity Risk — Equity risk is the risk of a change in market value of assets due to the change in equity or equity index prices. Equity futures are generally used to achieve the desired market exposure of a security or index or rebalance the total portfolio to the target asset allocation. An equity futures contract is an agreement between two parties to buy and sell a financial instrument at a set price on a future date.

Future Settlement Risk — Future settlement risk is the risk of not receiving the asset or associated gains specified in the contract. Associated gains are derived from the change in market value of the contract due to a change in price of the underlying security. Mortgage to be announced (TBAs) and treasury forwards are used to achieve the desired market exposure of a security or asset class or adjust portfolio duration. A TBA is a contract for the purchase or sale of agency mortgage-backed securities to be delivered at a future agreed-upon date; similarly, a treasury forward is a contract for the purchase or sale of U.S. Treasury securities to be delivered at a future agreed-upon date.

PERF's IPS authorizes the use of derivative instruments as a meaningful component of the strategies within the absolute return and commodities allocations. The fair value of total investments in the absolute return portfolio was

$1.1 billion and the fair value of total investments in the commodities portfolio was $568 million at June 30, 2010. PERF's directly held investments in derivatives are not leveraged. In the case of an obligation to purchase (long a financial future or a call option), the full value of the obligation is held in cash or cash equivalents. For obligations to sell (short a financial future or buy a put option), the reference security is held in the portfolio. During the year, PERF's derivative investments included but were not limited to, foreign currency forward contracts, swaps, options, TBAs and futures. The table below summarizes PERF's derivative information for the year ending June 30, 2010 (dollars in thousands):

	Change in Fair Value		Fair Value at June 30, 2010		
Investment Derivatives	Classification	Amount	Classification	Amount	Notional
Fiduciary funds					
Investment derivatives					
Futures	Realized and unrealized gain (loss)	$35,154.9	Equity	$ 1,383.6	$ 12.1
Options	Realized and unrealized gain (loss)	3,872.7	Other	(1,798.4)	(214,100.7)
Swaps	Realized and unrealized gain (loss)	3,725.0	Other	2,154.4	890,191.7
TBAs	Realized and unrealized gain (loss)	9,760.9	Debt	135,912.9	126,900.0
Forward currency contracts	Realized and unrealized gain (loss)	4,562.4	Cash	(775.4)	224,830.2

Foreign currency forward contracts are used to hedge against the currency risk in PERF's foreign equity stock and debt security portfolios. A foreign currency forward contract is an agreement to buy or sell a specific amount of a foreign currency at a specified delivery or maturity date for an agreed-upon price. Fluctuations in the market value of foreign currency forward contracts are marked to market on a daily basis.

At June 30, 2010, PERF's investments included the following currency forwards balances (dollars in millions):

Forward Currency Contract Receivables	$ 783.7
Forward Currency Contract Payables	$ 779.6

PERF's investment managers use financial futures to replicate an underlying security or index they intend to hold or sell in the portfolio. In certain instances, it may be beneficial to own a futures contract rather than the underlying security. Additionally, PERF's investment managers use futures contracts to adjust the portfolio risk exposure. A financial futures contract is an agreement to buy or sell a specific amount at a specified delivery or maturity date for an agreed-upon price. Financial future positions are recorded with a corresponding offset, which results in a carrying value equal to zero. As the market value of the futures contract varies from the original contract price, a gain or loss is recognized and paid to, or received from, the clearinghouse. The cash or securities to fulfill these obligations are held in the investment portfolio. Futures contracts may be used for the purpose of investing cash flows or modifying duration but in no event may leverage be created by any individual security or combination of securities.

A derivative instrument could be a contract negotiated on behalf of the Master Trust and a specific counterparty; this would typically be referred to as an "over the counter (OTC) contract" such as swaps, forward contracts and TBAs. Alternatively, a derivative instrument, such as futures, could be listed and traded on an exchange and referred to as "exchange traded."

Inherent in the use of OTC derivatives, the Master Trust is exposed to counterparty credit risk on all open OTC positions. Counterparty credit risk is the risk that a derivative counterparty may fail to meet its payment obligation under the derivative contract. As of June 30, 2010, the Master Trust counterparty risk was not deemed to be significant, whether evaluating counterparty exposure outright or netting collateral against net asset positions on contracts with each counterparty. Additionally, with the use of collateral, master netting agreements assist in mitigating counterparty credit risk.

The quality ratings and fair value exposure of counterparties as of June 30, 2010 was:

Counterparty	Quality Ratings of Counterparty	Fair Value of Exposure
HSBC Bank USA	AA	$1,200.5
Barclays Bank	AA-	991.9
J.P. Morgan	AA-	973.4
Bank of America	A+	910.8
Bank of New York Mellon	AA	639.0
Societe Generale SA	A+	610.8
Royal Bank of Canada	AA-	410.9
Brown Brothers Harriman	A+	225.1
BNP PARIBAS S.A.	AA	87.8
Standard Chartered Bank	A	77.1
State Street Bank & Trust	AA-	39.2
Royal Bank of Scotlan	A+	24.9
Citibank	A+	10.5
Goldman Sachs & Co.	A	3.9
Morgan Stanley Capital Services Inc.	A	(0.9)
Credit Suisse	A+	(86.2)
Deutsche Bank	A+	(416.8)

The aggregate amount of plan collateral with brokers was $1.06 million, while the aggregate amount of collateral posted by counterparties was $2.8 million. The aggregate amount of liabilities included in netting arrangements was $1.2 million. Securities eligible as collateral are typically United States government bills and US dollar cash. Collateral movement threshold is typically zero with a $.25 million minimum transfer account per counterparty, per account. It is important to note that margin may be called at a minimum weekly, with the ability to call as frequently as daily.

The Master Trust may be subject to credit-related contingent features for those contracts governed by an International Swaps and Derivatives Association Master Agreement (generally swaps) with each counterparty for each open contract in a net liability position. In those instances, the Master Trust is generally regarded as having liquidity risk. In the event the Master Trust's assets decline by various, pre-specified rates over predetermined time periods, the Master Trust is either required to post more collateral or may be required to pay off the open liability contracts given the counterparties right to terminate the contract. At June 30, 2010, the Master Trust had a fair value of $29.6 million in contracts in a net liability position with contingent features; $1.1 million was posted in collateral against those positions. Contingent features that could result in an immediate payment from the counterparty include a downgrade of the counterparty below a specified rating, commonly A-/A3. Additionally, immediate payment can be made to the counterparty in the event assets under management of the portfolio falls below certain thresholds. It is important to note that these contingent features are not compulsory, rather they are voluntary.

Long Term Commitments for Alternative Investments – PERF had entered into long term commitments for funding alternative investments in private equity, private real estate, and absolute return of approximately $3.7 billion as of June 30, 2010. The fund has disbursed approximately $1.76 billion toward the commitments as of June 30, 2010. The expected investment term of these commitments extend through 2028. These amounts include five Euro-denominated and one Norwegian Kroner-denominated commitments to limited liability partnerships converted to United States dollars at the closing exchange rate as of June 30, 2010.

State Teachers' Retirement Fund (TRF)

Investment Policy - The Fund's Investment policy states the following:

Description of TRF
The Indiana State Teachers' Retirement Fund ("TRF" or the "Fund") is a defined benefit plan under Internal Revenue Code Section 401(a) and is governed by federal law, the Indiana Constitution, Indiana Code, Indiana Administrative Code, and policies set by the TRF Board of Trustees (the "Board"). Pursuant to Indiana law and the Internal Revenue Code, TRF must be operated for the exclusive benefit of, and solely in the interest of, members and their beneficiaries. In order to provide the ensuing tax advantages to its members, TRF is required by Indiana law to meet all rules applicable to a qualified plan under Section 401 of the Internal Revenue Code. In addition, TRF is a trust, exempt from taxation under Section 501 of the Internal Revenue Code.

Objectives
All aspects of this policy statement should be interpreted in a manner consistent with the Fund's objectives. The objectives of the Fund have been established in conjunction with a comprehensive review of the current and projected financial requirements. These objectives are:

1. To have the ability to pay all benefit and expense obligations when due;
2. To achieve the actuarial rate of return while limiting downside risk; and
3. To control the costs of administering the Fund and managing the investments.

Description of the Primary Statutory Investment Provision
The Indiana General Assembly enacted the prudent investor standard to apply to the Board and govern all its investments. See PL 37-1996. The primary governing statutory provision is that the Board must "invest its assets with the care, skill, prudence, and diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims." The Board is also required to diversify such investments in accordance with prudent investment standards. See IC 5-10.4-3-10. Other pertinent investment requirements in the Indiana Code ("IC") include the following:

1. Fund investments must be held for the Fund by banks or trust companies under a custodial agreement or agreements. All Custodians must be domiciled in the United States. IC 5-10.4-3-13;
2. The Board may not engage in any prohibited transaction, as described in Section 503(b) of the Internal Revenue Code. IC 5 10.2-2-1.5(9); and

3. The Board must divest from firms that do business with Sudan under IC 5-10.2-9 and State Sponsors of Terror under IC 5-10.2-10.

It is the responsibility of the Board of Trustees to determine the allocation of assets among distinct capital markets in accordance with allowable legal limits.

The strategic asset allocation for employer assets effective on June 30, 2010 is as follows:

Global Equity	41%
Global Fixed Income	37%
Inflation Sensitive	18%
Absolute Return	4%
Total	100%

The asset allocation for the Guaranteed Fund, which are employee assets in the members' Annuity Savings Accounts, is 100% fixed income securities.

Credit Risk - The credit risk of investments is the risk that the issuer will default and not meet their obligation. This credit risk is measured by the credit quality ratings issued by national rating agencies such as Moody's and Standard and Poor's. The Fund's credit risk of investments policy is set on a manager by manager basis.

The following table (in thousands of dollars) provides information on the credit ratings associated with the Fund's investments in debt securities. Ratings were obtained from Moody's.

Rating	Fair Value	Percentage of Portfolio
Aaa	$ 1,353,621	29.0%
US Government Guaranteed	642,318	13.7%
Aa	254,140	5.4%
A	466,480	10.0%
Baa	672,068	14.4%
Ba	174,782	3.7%
B	55,752	1.2%
Caa	17,671	0.4%
Ca	599	0.0%
C	105	0.0%
Unrated	1,034,960	22.2%
Total	$ 4,672,496	100.0%

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Fund will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the Fund.

There was no custodial credit risk for investments including investments related to securities-lending collateral. Per IC 5-10.4-3-13, all Fund investments are held by banks or trust companies under custodial agreements and all custodians must be domiciled in the United States.

Deposit Risks – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized or collateralized with securities held by the pledging financial institution. Deposits held in the demand deposit account are carried at cost and are insured up to $250,000 each. Deposits in the demand accounts held in excess of $250,000 are not collateralized. Deposits with the Treasurer of State are entirely insured. Cash deposits held with the custodian, brokers and counterparty are carried at cost and are not insured or collateralized.

Assets Exposed (dollars in thousands):	
Demand Deposit Accounts – Bank Balance	$37,529
Margin Deposits with Brokers	6,647
Cash Collateral with Counterparty	2,400
Cash Held with Custodian	5,701
Total Exposed	$52,277

Concentration of Credit Risk – As of June 30, 2010, TRF did not have investments in any one issuer, other than securities issued or guaranteed by the U.S. government that represented more than 5% of net investments.

Interest Rate Risk – The Fund uses the Barclays Capital Aggregate Index as the benchmark for performance measurement of domestic fixed income managers and various other indices for international fixed income managers.

As of June 30, 2010, the Fund had the following duration information (dollars in thousands):

Investment Type:	Net Asset Fair Value	% of Net Asset Fair Value	Effective Duration
Short Term Investment Funds	$ 175,373	3.8%	0.00
Short Term Bills and Notes	42,406	0.9%	0.12
Commercial Paper	48,797	1.0%	0.03
Asset-Backed Securities	208,789	4.5%	0.81
Commercial Mortgage-Backed Securities	243,708	5.2%	3.34
Corporate Bonds	1,500,081	32.2%	4.12
Government Issued Commercial Mortgage-Backed Securities	2,108	0.0%	2.27
Index Linked Government Bonds	102,482	2.2%	4.42
Guaranteed Fixed Income	15,032	0.3%	0.56
Government Agencies	104,695	2.2%	3.36
Government Bonds	969,976	20.9%	4.16
Government Mortgage Backed Securities	389,601	8.3%	1.78
Bank Loans	1,378	0.0%	0.02
Municipal/Provincial Bonds	16,169	0.3%	5.95
Collateralized Mortgage Obligations	76,473	1.6%	1.88
Other Fixed Income	700	0.0%	1.56
Duration Not Available	774,728	16.6%	N/A
Total	$4,672,496	100.0%	3.32

Foreign Currency Risk – As of June 30, 2010, 11.0% of the Fund's investments were in foreign currencies. The Fund does not have a formal policy relating to foreign currency risk. The table below breaks down the Fund's exposure to each foreign currency (in thousands of dollars):

Currency	Total Fair Value	Percent of Total Fund Fair Value
Euro Currency Unit	$ 303,515	3.7%
Japanese Yen	182,902	2.3%
British Pound Sterling	127,394	1.6%
Australian Dollar	63,706	0.8%
Swiss Franc	48,702	0.6%
Hong Kong Dollar	36,069	0.4%
Canadian Dollar	34,239	0.4%
Swedish Krona	21,336	0.3%
South Korean Won	19,974	0.3%
Other	51,806	0.6%
Totals	$ 889,643	11.0%

Securities Lending – State statutes and the Board of Trustees permit the Fund to lend securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The Fund's custodial bank manages the securities lending program and receives securities or cash as collateral. The Fund's custodial bank maintains a list of broker-dealers that have passed their credit analysis and are eligible to borrow securities. In addition, the Fund can have any borrower removed from this list by requesting the custodian not lend to this borrower. The collateral securities cannot be pledged or sold by the Fund unless the borrower defaults, but cash collateral may be invested by the Fund. Collateral securities and cash are initially pledged at 102% of the market value of domestic securities lent and 105% on international securities lent. Collateral is adjusted to the market on a daily basis. No more than 40% of TRF's total assets may be lent at any one time. At year-end, TRF has no credit risk exposure to borrowers because the amount TRF owes the borrowers exceeds the amounts the borrowers owe TRF.

Approximately 25% of the securities loans can be terminated on demand either by the Fund or by the borrower, although generally the average term of these loans is one day. Total cash collateral of $916 million is invested in a pooled fund.

As of June 30, 2010, the Fund had the following securities on loan (dollars in thousands):

Security Type	Market Value of Loaned Securities Collateralized by Cash	Market Value of Loaned Securities Collateralized by Noncash	Total Securities Loaned
Global Equities	$ 87,518	$ 356	$ 87,874
U.S. Agencies	11,720	-	11,720
U.S. Corporate Fixed	195,007	-	195,007
U.S. Equities	246,886	411	247,297
U.S. Govt Fixed	349,180	1,022	350,202
Total	$ 890,311	$ 1,789	$ 892,100

Outstanding Short Sales – Short sales occur when investments have been sold which are not yet owned by the Fund. Prior to settlement of the sale, the investments will be procured. For the investments directly held by the Fund within the custody accounts, the outstanding short sales are included as accounts receivable from sales of investments and as negative investments. A schedule of the negative investments as of June 30, 2010, is listed below. These investments reduced the debt securities investments shown on the balance sheet. These transactions involve market risk, as the asset to be delivered may become more costly to procure and then losses would be realized.

A schedule of the outstanding short sales at June 30, 2010 follows (dollars in thousands):

Type of Investment	Total Short Sales
Government Mortgage Backed	$ 51,639

Derivative Financial Instruments – Derivative transactions involve, to varying degrees, the

following risks:

Market risk – Market risk is the possibility that a change in the referenced position will cause the value of a financial instrument to decrease or become more costly to settle. The market risk associated with derivatives, the prices of which are constantly fluctuating, is regulated by imposing strict limits as to the types, amounts and degree of risk that investment managers may undertake.

Interest Rate Risk — Interest rate risk is the risk of change in the market value of the assets due to a change in interest rates. Bond futures, interest rate swaps and interest rate swaptions are generally used to manage interest rate risk, adjust portfolio duration, or rebalance the total portfolio to the target asset allocation. A futures contract is an agreement between two parties to buy and sell a financial instrument at a set price on a future date. Interest rate swap agreements involve the exchange by the Master Trust, with a counterparty, of respective commitments to pay or receive interest, e.g., an exchange of floating rate payments for fixed rate payments, with respect to the notional amount of principal. Interest rate swaptions are options to enter into an interest rate swaps based off a set of predetermined conditions. Refer to the interest rate risk note of the Fund .

Credit Risk — Credit risk is the risk of change in the market value of assets due to the change in creditworthiness of the underlying issuer. Credit default swaps are used to achieve the desired credit exposure of a security or basket of securities. Credit default swap agreements involve one party (referred to as the buyer of protection) making a stream of payments to another party (the seller of protection) in exchange for the right to receive a specified return in the event of a default or other credit event for the referenced entity, obligation or index.

Currency Risk — Currency risk is the risk of a change in market value due to the change in foreign currency exchange rates. Generally, currency futures, forward contracts and options are used to achieve the desired currency exposure, generate value-added performance, or rebalance the total portfolio to the target asset allocation. Foreign currency futures and forwards are agreements between two parties to buy and sell a set of currencies at a set exchange rates on a specified future dates. A currency option gives the buyer the right, but not the obligation, to buy one currency or sell another currency at a set exchange rate on or before a given date.

Equity Risk — Equity risk is the risk of a change in market value of assets due to the change in equity or equity index prices. Equity futures are generally used to achieve the desired market exposure of a security or index or rebalance the total portfolio to the target asset allocation. An equity futures contract is an agreement between two parties to buy and sell a financial instrument at a set price on a future date.

Future Settlement Risk — Future settlement risk is the risk of not receiving the asset or associated gains specified in the contract. Associated gains are derived from the change in market value of the contract due to a change in price of the underlying security. Mortgage TBAs and treasury forwards are used to achieve the desired market exposure of a security or asset class or adjust portfolio duration. A TBA is a contract for the purchase or sale of agency mortgage-backed securities to be delivered at a future agreed-upon date; similarly, a treasury forward is a contract for the purchase or sale of U.S. Treasury securities to be delivered at a future agreed-upon date.

TRF's directly held investments in derivatives are not leveraged. In the case of an obligation to purchase (long a financial future or a call option), the full value of the obligation is held in cash or cash equivalents. For obligations to sell (short a financial future or buy a put option), the reference security is held in the portfolio. During the year, TRF's derivative investments included but were not limited to, foreign currency forward contracts, SWAPS, options, TBAs and futures.

The table below summarizes TRF's derivative information for the year ending June 30, 2010 (dollars in thousands):

	Change in Fair Value		Fair Value at June 30, 2010		
Investment Derivatives	Classification	Amount	Classification	Amount	Notional
Fiduciary funds					
Investment derivatives					
Futures	Investment Income	$ 38,603	Investments	$ -	$ 60,899
Options	Investment Income	125	Investments	212	
Swaps	Investment Income	(7,984)	Investments	424	
Rights/Warrants	Investment Income	1,623	Investments	66	
Forwards	Investment Income	7,111	Investments	-	
Broker Commissions Recaptured	Investment Income	119	Investments	N/A	
Total		$ 39,597		$ 702	$ 60,899

Foreign currency forward contracts are used to hedge against the currency risk in TRF's foreign equity stock and debt security portfolios. A foreign currency forward contract is an agreement to buy or sell a specific amount of a foreign currency at a specified delivery or maturity date for an agreed-upon price. Fluctuations in the market value of foreign currency forward contracts are marked to market on a daily basis.

At June 30, 2010, TRF's investments included the following currency forwards balances:

Forward Currency Contract Receivables	$ 117.8
Forward Currency Contract Payables	$ 115.5

TRF's investment managers use financial futures to replicate an underlying security or index they intend to hold or sell in the portfolio. In certain instances, it may be beneficial to own a futures contract rather than the underlying security. Additionally, TRF's investment managers use futures contracts to adjust the portfolio risk exposure. A financial futures contract is an agreement to buy or sell a specific amount at a specified delivery or maturity date for an agreed-upon price. Financial future positions are recorded with a corresponding offset, which results in a carrying value equal to zero. As the market value of the futures contract varies from the original contract price, a gain or loss is recognized and paid to, or received from, the clearinghouse. The cash or securities to fulfill these obligations are held in the investment portfolio. Futures contracts may be used for the purpose of investing cash flows or modifying duration but in no event may leverage be created by any individual security or combination of securities.

A derivative instrument could be a contract negotiated on behalf of the Master Trust and a specific counterparty; this would typically be referred to as an "OTC contract" such as swaps, forward contracts and TBAs. Alternatively, a derivative instrument, such as futures, could be listed and traded on an exchange and referred to as "exchange traded."

Inherent in the use of OTC derivatives, the Master Trust is exposed to counterparty credit risk on all open OTC positions. Counterparty credit risk is the risk that a derivative counterparty may fail to meet its payment obligation under the derivative contract. As of June 30, 2010, the Master Trust counterparty risk was not deemed to be significant, whether evaluating counterparty exposure outright or netting collateral against net asset positions on contracts with each counterparty. Additionally, with the use of collateral, master netting agreements assist in mitigating counterparty credit risk.

Counterparty	Quality Ratings of Counterparty	Fair Value of Exposure
Barclays Capital	AA-	$ 144.0
BNP PARIBAS S.A.	AA	(462.0)
Citibank, New York	A+	318.0
Credit Suisse	A+	(108.0)
Deutsche Bank AG	A+	692.0
Standard Chartered Bank	A	(28.0)
UBS (Warburg)	A+	(2,155.0)
Bank of America NA	A+	230.0
Goldman Sachs Bank USA	A	26.0
Goldman Sachs International	A	921.0
JP Morgan Chase Bank N.A.	AA-	23,600.0
Merrill Lynch Capital Services Inc.	A	1.0
Morgan Stanley Capital Services Inc.	A	144.0
Royal Bank of Canada	AA-	59.0
Royal Bank of Scotland PLC	A+	1,157.0

The aggregate amount of plan collateral with brokers was $1,960,000, while the aggregate amount of collateral posted by counterparties was

$2,950,000. The aggregate amount of liabilities included in netting arrangements was $1,090,105. Securities eligible as collateral are typically United States government bills and U.S. dollar cash. Generally, any positive movement in market value requires the counterparty to transfer a minimum of $250,000 in collateral. It is important to note that margin may be called at a minimum weekly with the ability to call as frequently as daily.

The Master Trust may be subject to credit-related contingent features for those contracts governed by an International Swaps and Derivatives Association Master Agreement (generally swaps) with each counterparty for each open contract in a net liability position. In those instances, the Master Trust is generally regarded as having liquidity risk. In the event the Master Trust's assets decline by various, per-specified rates over predetermined time periods, the Master Trust is either required to post more collateral or may be required to pay off the open liability contracts given the counterparties right to terminate the contract. At June 30, 2010, the Master Trust had a fair value of $1,090,105 in contracts in a net liability position with contingent features; $1,960,000 was posted in collateral against those positions. Contingent features that could result in an immediate payment from the counterparty include a downgrade of the counterparty below a specified rating, commonly A-/A3. Additionally, immediate payment can be made to the counterparty in the event assets under management of the portfolio falls below certain thresholds. It is important to note that these contingent features are not compulsory, rather they are voluntary.

Long Term Commitments for Alternative Investments – TRF had entered into long term commitments for funding alternative investments in private equity and private real estate of $1,497.4 million as of June 30, 2010. These investments had a net asset value of $692.3 million as of June 30, 2010. The funding period for the amounts that TRF has already committed is from April, 2002 to approximately June, 2018. The outstanding commitments at June 30, 2010, totaled $614.1 million.

B. Interfund Transactions

Interfund Loans

Interfund loans of $36.7 million represents amounts owed by the Bureau of Motor Vehicles Commission Fund to the Motor Vehicle Highway Fund.

As explained in Note III(A) above, temporary cash overdrafts in various funds are reported as interfund loans from the General Fund. As of June 30, 2010, the following funds had temporary cash overdrafts covered by loans from the General Fund: Motor Vehicle Highway Fund, $10.1 million, ARRA of 2009 Fund, $272.8 million, US DHHS Fund, $86.2 million, US Department of Agriculture Fund, $55.6 million, US Department of Labor Fund, $9.5 million, and the U.S. Department of Education Fund, $57.3 million.

The following is a summary of the Interfund Loans as of June 30, 2010:

Interfund Loans - Current

	Loans To Governmental Funds	Loans From Governmental Funds
Governmental Funds		
General Fund	$ 491,607	$ -
Motor Vehicle Highway Fund	36,665	-
ARRA of 2009	-	272,807
US DHHS	-	86,214
Nonmajor Governmental Funds	-	169,251
Total Governmental Funds	528,272	528,272
Total Interfund Loans	$ 528,272	$ 528,272

Interfund Services Provided/Used

Interfund Services Provided of $10.9 million represents amounts owed by various governmental funds to the Institutional Industries Fund and the Administrative Services Revolving Funds, both internal service funds, for goods and services rendered.

The following is a schedule of Interfund Services Provided/Used as of June 30, 2010:

Interfund Services Provided/Used

	Interfund Services Provided To Governmental Funds	Interfund Services Used By Governmental Funds
Governmental Funds		
General Fund	$ -	$ 3,848
State Highway Department	-	773
U.S. Department of Health & Human Services	-	1,687
Nonmajor Governmental Funds	-	4,563
Total Governmental Funds	-	10,871
Proprietary Funds		
Internal Service Funds	10,871	-
Total Proprietary Funds	10,871	-
Total Interfund Services Provided/Used	$ 10,871	$ 10,871

Due From/Due Tos

Current – Interfund balance of $36.8 million represents the accrued distribution amount from the State Lottery Commission to the Build Indiana Fund. The Indiana Finance Authority owed $205 thousand to governmental funds with $204 thousand due the General Fund and the balance of $1 thousand due non-major governmental funds.

Non-current – The interfund balance of $50.0 million represents funds the General Fund borrowed in June 2004, interest free, from the Indiana Board for Depositories, a discretely presented component unit. This money is due to be repaid, either from the General Fund prior to January 1, 2013, or by a budget request submitted to the 2013 session of the general assembly. This non-current interfund balance appears on the government-wide statements, but not the General Fund statements.

The following are current and non-current schedules of Due From/Due Tos of Component Units, as of June 30, 2010:

Component Units - Current

	Due From Primary Government	Due To Component Units	Due From Component Units	Due To Primary Government
Governmental Funds				
General Fund	$ -	$ 7,075	205	$ -
Nonmajor Governmental Funds	-	-	36,809	-
Total Governmental Funds	-	7,075	37,014	-
Component Units				
Indiana University	1,914	-	-	-
Purdue University	15	-	-	-
Nonmajor Universities	5,146	-	-	-
Indiana Finance Authority	-	-	-	205
State Lottery Commission	-	-	-	36,809
Indiana State Fair Commission	-	-	-	-
Total Component Units	7,075	-	-	37,014
Total Due From/To	**$ 7,075**	**$ 7,075**	**$ 37,014**	**$ 37,014**

Component Units - Non-current

	Due From Primary Government	Due To Component Units
Governmental Funds		
General Fund	$ -	$ 50,000
Total Governmental Funds	-	50,000
Component Units		
Board for Depositories	50,000	-
Total Component Units	50,000	-
Total Due From/To	**$ 50,000**	**$ 50,000**

Effective July 1, 2008, members who have at least one year of service in both the Public Employees' Retirement Fund (PERF) and the State Teachers' Retirement Fund (TRF) have the option of choosing from which of these funds they would like to retire. The fund that the employee chooses pays the retirement benefits to the employee. The employee's pension is computed and vested status determined on the basis of the combined creditable service in both funds. The annuity, if any, is computed on the basis of amounts credited to the employee in the annuity savings accounts in both funds.

The fund in which the employee was a member must pay to the fund responsible for paying the employee's benefits:

(1) the amount credited to the employee in the employee's annuity savings account, minus any amount withdrawn by the employee; and
(2) the proportionate actuarial cost of the employee's pension.

At the time the retirement benefit is calculated, PERF and TRF will set up a receivable (Due from component unit) or payable (Due to component unit) in their respective Statements of Fiduciary Net

Assets based on which retirement fund will pay benefits to the member.

The following is a schedule of Due From/ Due Tos within Component Units, as of June 30, 2010:

Within Component Units	Due From Component Units	Due To Component Units
Discretely Presented Component Units Pension Trust:		
Pension Trust		
Public Employees' Retirement Fund	$ 167	$ 1,371
State Teachers' Retirement Fund	1,371	167
Total Discretely Presented Component Units Pension Trust	1,538	1,538
Total Due From /To	$ 1,538	$ 1,538

The State has established a due from agency fund in the General Fund and a due to General Fund in the Local Distributions agency fund for the over distribution of taxes collected on behalf of local units of government computed as of June 30, 2010. It is the State's intention to have the total repaid through adjustments in future distributions in accordance with state law (CAGIT: IC 6-3.5-1.1-9(b)(2); COIT: IC 6-3.5-6-17(b)(2); and CEDIT: IC 6-3.5-7-11(b)(2). The following schedule presents the Due from/Due to between the General Fund and the Agency Fund:

Between General Fund and Agency Funds (Amounts in thousands)	Due from Agency Funds	Due to General Fund
Governmental Funds		
General Fund	$ 360,138	$ -
Agency Funds		
Local Distributions	-	360,138
Total Due From/To	**$ 360,138**	**$ 360,138**

Interfund Transfers

Major Governmental Funds

Transfers constitute the movement of money from the fund that receives the resources to the fund that utilizes them. These numerous transfers generally result from legislation passed by the Indiana General Assembly that directs how the transfers are made. In the case of the General Fund, many appropriations are made in the General Fund and then are transferred during the year to the funds where these appropriations are used. Also in the case of the General Fund, various taxes and other revenues are collected in other funds and transferred to the General Fund. Following are the principal purposes of the State's interfund transfers:

General Fund – The General Fund had the following transfers in: $945.7 million was transferred in from the State Tuition Reserve Fund per a determination made by the budget director per IC 4-12-1-15.7 that it was needed to cover tuition support distributions. The State Gaming Fund transferred in $655.5 million of wagering taxes from riverboats and slot machines at horse tracks. The Welfare, Child Service Fund transferred in $277.5 million for use in the Family and Children Fund to make social services payments direct support including adoption assistance. The General Fund's Motor Vehicle Excise Tax Fund received $236.2 million in transfers in from the Build Indiana Fund per IC 4-30-17-3.5. The Fund 6000 Programs transferred in $157.8 million from income, sales and financial institutions taxes collected and received by the Department of Revenue, from allocations of commercial vehicle excise tax and financial institutions tax ultimately for local civil taxing units and school corporations and to support various administration such as of the Indiana Veterans Home, the State Police Motor Vehicle Highway Fund, and the Employment and Training Administration of the Department of Workforce

Development. The Public Welfare-Medicaid Assistance Fund received transfers in totaling $142.0 million of which $33.3 million was for quality assessment fees collected throughout the fiscal year which can only be used for the State's share of Medicaid services under Title XIX of the Social Security Act, $58.7 million was received by the State's psychiatric hospitals for the disproportionate share program, and $50.0 million was received by the Office of Medicaid Policy and Planning for administration and Medical Assistance to Wards. $86.8 million was transferred in from the Tobacco Settlement Fund for various health and welfare purposes including the Children's Health Insurance Program. The Mental Institutions Fund transferred in $44.5 million to reimburse the General Fund for the federal share of revenue accruing to the state development centers under IC 12-15 based on the federal Medicaid assistance percentage from the hospital's fiscal year 2010 revenues. $36.4M was transferred in from the Mental Health Centers Fund to the State's Serious Mentally Ill State Appropriation fund per June 2010 administrative action of the State Budget Agency. Per February 2010 administrative action of the State Budget Agency, the State's Medicaid State Appropriation fund received transfers in of $44.6 million from the County Welfare Administration Fund. Per July 2009 administrative action of the State Budget Agency, the State's Hospital Care for the Indigent Fund State Appropriation account received transfers in of $33.0 million from the Hospital Care for the Indigent Fund.

The following were transfers out from the General Fund: The Public Welfare Medicaid Assistance Fund received $1.4 billion in transfers for Medicaid current obligations for the purpose of enabling the Office of Medicaid Policy and Planning to carry out all services under IC 12-8-6. These services include, but may not be limited to the provision of care and treatment for individuals with mental illness, developmental disability, long term care needs, and family and child services needs. $419.2 million was transferred to the Welfare, Child Service Fund, administered by the Department of Child Services for family and children services including welfare-case services and adoption assistance. The U.S. Department of Health and Human Services Fund received transfers in of $282.5 million in support of: the State Medicaid program; child care services and the temporary assistance for needy families program both administered through the Division of Family Resources; county child care services offices' administration and child welfare services administration both administered through the Department of Child Services; information systems for the Division of Family Resources and Department of Child Services; the Division of Mental Health's Child Psychiatric Service Fund; client services provided through the Division of Disability and Rehabilitation Services; administrative costs of the Department of Child Services; and other health and human services programs and services. The State Student Assistance Commission of Indiana received transfers in totaling $199.2 million for the Frank O'Bannon Grant program which provides tuition and regularly assessed fees support for Hoosier students to attend eligible postsecondary institutions. The Frank O'Bannon Grant program was formerly the Higher Education Award and Freedom of Choice Award. The Build Indiana Fund received $126.4 million from riverboat wagering and pari-mutuel taxes which went to the Lottery and Gaming Surplus Account and the David C. Ford Education Technology Program. The Mental Health Centers Fund received transfers in totaling $95.0 million for services to adults who are seriously mentally ill in comprehensive community health centers and for administration by the Department of Mental Health. The Department of Child Services Local Office Administration Fund received transfers in of $105.0 million for administration of children's services in the counties. The County Welfare Administration Fund received transfers in of $57.3 million for Division of Family Resources' District Welfare Administration. $53.0 million was transferred from the General Fund to the Motor Vehicle Highway Fund primarily for State Police administration and pensions. $45.8 million was transferred to the Hospital Care for the Indigent Fund for the Hospital Care for the Indigent Program. The Twenty-first Century Scholars Fund received transfers in of $30.3 million to support the Twenty-first Century Scholars Program which offers tuition support to Indiana colleges for enrolled students of low and moderate income families that fulfill a pledge of good citizenship. $26.2 million was transferred to close out the Property Tax Replacement Fund.

Medicaid Assistance Fund – The Medicaid Assistance Fund had a transfer in of $1.4 billion from the General Fund to support the state Medicaid program administered through the Office of Medicaid Policy and Planning. $35.6 million was transferred in from the Mental Institutions Fund for funds collected from providers of services to the seriously mentally ill for the local/State set-aside match. $60.5 million was transferred in from the Medicaid Indigent Care Trust Fund for reimbursement of hospital care for the indigent supplement payments made from the Medicaid Assistance Fund. $33.0 million was transferred in from the Hospital Care for the Indigent Fund to

support care of indigents at state hospitals. There was also a transfer in of $21.3 million from the U.S. Department of Health and Human Services (US DHHS) Fund to support the state Medicaid program.

Transfers out included $142.0 million to the General Fund of which $38.0 was to support Medicaid administration, $33.3 million went to the State Budget Agency for qualifying assessment fees that can only be used for the state's share of Medicaid services under Title XIX of the Social Security Act, $58.7 million was paid to the state psychiatric hospitals for disproportionate share hospital (DSH) payments, and $12.0 million was for medical assistance to wards. The US DHHS Fund received $8.6 million for Medicaid administration and $1.8 million for the Money Follows the Person Program, a special project to assist Hoosiers moving from a nursing facility or hospital to a residential setting in the community. $8.0 million was transferred to the District Welfare Administration Fund to support county welfare administration.

Major Moves Construction Funds – The Major Moves Construction Fund had a transfer out of $535.3 million to the State Highway Department for construction and maintenance of the State's highways, roads, and bridges.

State Highway Department Fund – The State Highway Department Fund had the following major transfers in: $276.8 million was transferred in from the Motor Vehicle Highway Fund for use by the Indiana Department of Transportation for maintenance services, access road construction, and the research and highway extension program. Another $6.3 million was received from the Motor Vehicle Highway Fund for distributions to local governments for highway projects, State Police administration, pension, and benefits, and traffic safety initiatives of the Indiana Criminal Justice Institute. $129.8 million was transferred in from the Road and Street Primary Highway Fund's collection of motor fuel taxes, motor carrier surtaxes, and vehicle registration fees. $535.3 million was transferred in from the Major Moves Construction Fund as described above for construction and maintenance of the State's highways, roads, and bridges. $20.0 million was transferred in from the Gasoline and Special Fuel Tax Fund for highway maintenance services. $17.3 million was received from the Public Mass Transportation Fund for the promotion and development of efficient and effective public transportation in Indiana.

The State Highway Department Fund had the following transfers out: $3.3 million was transferred to the U.S. Department of Interior (USDOI) Fund for use in Fish and Wildlife Division programs of the Indiana Department of Natural Resources. The General Fund received $1.1 million for a surplus adjustment.

ARRA of 2009 Fund – The American Recovery and Reinvestment Act of 2009 Fund received $6.3 million from the General Fund. Of this $6.3 million, $5.0 million is to provide for various repairs at the Indiana Veterans' Home and to provide for renovations to dormitories at the Adjutant General's Hoosier Youth Challenge Academy Knightstown; $645.4 thousand was received from the DNR GF Construction Fund for state match to support repairs and improvements to the West Beach Parking Lot at Indiana Dunes State Park; and $622.5 thousand was received from the Adjutant General's State Match Fund for sustainment, restoration, and modernization projects at National Guard facilities throughout the State. $505 thousand was received from the State Highway Department Fund for institutional road construction.

The American Recovery and Reinvestment Act of 2009 Fund transferred out $732 thousand to the U.S. Department of Justice Fund to support the Supreme Court's Edward Byrne Memorial Justice Assistance subgrant.

U.S. Department of Health and Human Services Fund – The U.S. Department of Health and Human Services (USDHHS) Fund received $282.5 million from the General Fund for the support of: the State Medicaid program; child care services and the temporary assistance for needy families program both administered through the Division of Family Resources; county child care services offices' administration and child welfare services administration both administered through the Department of Child Services; information systems for the Division of Family Resources and Department of Child Services; the Division of Mental Health's Child Psychiatric Service Fund; client services provided through the Division of Disability and Rehabilitation Services; administrative costs of the Department of Child Services; and other health and human services programs and services. $37.9 million was received from the Tobacco Settlement Fund for the programs and services of the Indiana Family and Social Services' Division of Disability and Rehabilitation Services and Office of Medicaid Policy and Planning. The Fund 6000 Programs transferred in $21.8 million to support aging, disability, and rehabilitation programs and services administered through the Indiana Family and Social Services Administration.

The USDHHS Fund transferred out $21.3 million to the Medicaid Assistance Fund to support the state Medicaid program. $20.0 million was transferred to the County Welfare Administration Fund for local office family and children administration. The General Fund received transfers in totaling $8.6 million which was primarily for FSSA Medicaid Fund administrative expenses and reimbursement of federal indirect costs. The Division of Family Resources received $4.5 million for the Federal Food Stamp Program Fund that covers administrative costs. $4.0 million was transferred to the U.S. Department of Education Fund for education grant programs and services at the Indiana Department of Education and Division of Disability and Rehabilitation Services. The Welfare-Work Incentive Fund received $3.4 million for reimbursement of administrative costs per FSSA's approved cost allocation plan.

Proprietary Funds

Non-Major Enterprise Funds

The Inns and Concessions Fund – This fund had transfers out of $2.6 million, representing cash contributions to the Department of Natural Resources (DNR) which are to be used for repayments of bonds made by the Indiana Finance Authority.

Internal Service Funds

$2.0 million was transferred from the Institutional Industries Fund, an Internal Service Fund, to the General Fund at the request of the State Budget Agency.

$36.7 million was transferred from the Administrative Services Revolving Fund, an Internal Service Fund, to the General Fund. $35.3 million was to close unencumbered cash, $1.0 million was to help supplement the General Fund, and $0.4 million was for State Employee Retiree Medical Benefits.

A summary of interfund transfers for the year ended June 30, 2010 is as follows:

	Operating transfers in	Operating transfers (out)	**Net transfers**
Governmental Funds			
General Fund	$ 2,858,825	$ (3,044,075)	**$ (185,250)**
Public Welfare-Medicaid Assistance Fund	1,534,157	(160,632)	**1,373,525**
Major Moves Construction Fund	-	(535,271)	**(535,271)**
State Highway Department	991,834	(7,281)	**984,553**
ARRA of 2009	8,467	-	**8,467**
U.S. DHHS Fund	366,585	(67,830)	**298,755**
Nonmajor Governmental Fund	3,120,919	(5,024,387)	**(1,903,468)**
Proprietary Funds			
Inns and Concessions	-	(2,572)	**(2,572)**
Internal Service Funds	-	(38,739)	**(38,739)**
Total	$ 8,880,787	$ (8,880,787)	**$ -**

C. Taxes Receivable/Tax Refunds Payable

Taxes Receivable/Tax Refunds Payable as of year end, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities			
	General Fund	Special Revenue Funds	Capital Projects Funds	Total Primary Government
Income taxes	$ 1,165,557	$ 539	$ -	**$ 1,166,096**
Sales taxes	859,724	7,258	-	**866,982**
Fuel taxes	-	146,086	-	**146,086**
Gaming taxes	3,913	8,283	-	**12,196**
Inheritance taxes	31,751	-	-	**31,751**
Alcohol and tobacco taxes	28,189	16,521	1,735	**46,445**
Insurance taxes	2,366	-	-	**2,366**
Financial institutions taxes	(21)	33,407	-	**33,386**
Other taxes	21,372	16,767	-	**38,139**
Total taxes receivable	2,112,851	228,861	1,735	**2,343,447**
Less allowance for uncollectible accounts	(528,208)	(43,679)	(7)	**(571,894)**
Net taxes receivable	**$ 1,584,643**	**$ 185,182**	**$ 1,728**	**$ 1,771,553**
Tax refunds payable	**$ 35,554**	**$ 5,822**	**$ -**	**$ 41,376**

D. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2010, was as follows:

Primary Government – Governmental Activities

Governmental Activities:	Balance, July 1, As restated	Increases	Decreases	Balance, June 30
Capital assets, not being depreciated/amortized:				
Land	$ 1,405,144	$ 99,217	$ (3,894)	$ 1,500,467
Infrastructure	7,930,840	113,603	(5,950)	8,038,493
Construction in progress	1,285,594	359,764	(156,462)	1,488,896
Total capital assets, not being depreciated/amortized	10,621,578	572,584	(166,306)	11,027,856
Capital assets, being depreciated/amortized:				
Buildings and improvements	1,531,575	37,376	(122,674)	1,446,277
Furniture, machinery, and equipment	486,324	29,200	(29,363)	486,161
Computer software	34,645	682	-	35,327
Infrastructure	24,002	-	-	24,002
Total capital assets, being depreciated/amortized	2,076,546	67,258	(152,037)	1,991,767
Less accumulated depreciation/amortization for:				
Buildings and improvements	(756,805)	(29,987)	65,814	(720,978)
Furniture, machinery, and equipment	(287,312)	(53,462)	20,473	(320,301)
Computer software	(22,785)	(11,634)	-	(34,419)
Infrastructure	(15,203)	(3,360)	4,698	(13,865)
Total accumulated depreciation/amortization	(1,082,105)	(98,443)	90,985	(1,089,563)
Total capital assets being depreciated/amortized, net	994,441	(31,185)	(61,052)	902,204
Governmental activities capital assets, net	$ 11,616,019	$ 541,399	$ (227,358)	$ 11,930,060

Primary Government – Business-Type Activities

Business-Type Activities:	Balance July 1, As restated	Increases	Decreases	Balance June 30
Capital assets, being depreciated:				
Buildings and improvements	$ 149	$ -	$ -	$ 149
Furniture, machinery, and equipment	232	-	-	232
Total capital assets, being depreciated	381	-	-	381
Less accumulated depreciation for:				
Buildings and improvements	(67)	(15)	-	(82)
Furniture, machinery, and equipment	(193)	(18)	-	(211)
Total accumulated depreciation	(260)	(33)	-	(293)
Total capital assets being depreciated, net	121	(33)	-	88
Business-type activities capital assets, net	$ 121	$ (33)	$ -	$ 88

Depreciation/amortization expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	$ 8,335
Public safety	38,597
Health	1,073
Welfare	13,667
Conservation, culture and development	13,028
Education	1,106
Transportation	22,637
Total depreciation/amortization expense - governmental activities	$ 98,443
Business-type activities:	
Inns and Concessions	$ 33
Total depreciation expense - business-type activities	$ 33

E. Leases

The future minimum lease obligations, the net present value of these minimum lease payments as of June 30, 2010 and the assets acquired through capital leases are as follows:

Future minimum lease payments

Year ending June 30,	Operating leases	Capital leases Governmental Activities
2011	$ 27,457	$ 107,207
2012	22,264	104,905
2013	18,762	102,461
2014	14,024	102,464
2015	12,939	103,528
2016-2020	36,427	509,454
2021-2025	22	508,926
2026-2030	-	408,859
2031-2035	-	5,983
2036-2040	-	-
Total minimum lease payments (excluding executory costs)	**$ 131,895**	**1,953,787**
Less:		
Remaining premium(discount)		(23,777)
Amount representing interest		(660,201)
Present value of future minimum lease payments		**$ 1,269,809**

Assets acquired through capital lease

Land	$ -
Infrastructure	51,773
Building	3,574
Machinery and equipment	1,244,052
less accumulated depreciation	(18,902)
	$ 1,280,497

Operating Leases

The State leases building and office facilities and other equipment under non-cancelable operating leases. Total payments for such leases with aggregate payments of $20,000 or more were $31.6 million for the year ended June 30, 2010. A table of future minimum lease payments (excluding executory costs) is presented above.

Capital Leases Liabilities

The State has entered into various lease agreements with aggregate payments of $20,000 or more to finance the acquisition of buildings, land and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date in the government-wide statements.

F. Long-Term Obligations

Changes in long-term obligations for the primary government for the year ended June 30, 2010 were as follows:

Changes in Long-Term Obligations	Balance, July 1, as Restated	Increases	Decreases	Balance, June 30	Amounts Due Within One Year	Amounts Due Thereafter
Governmental activities:						
Compensated absences	$ 147,274	$ 2,756	$ (4,228)	$ 145,802	$ 79,181	$ 66,621
Construction retention	-	-	-	-	-	-
Due to component unit	50,000	7,075	-	57,075	7,075	50,000
Net pension obligation	957,499	5,779	(15,198)	948,080	-	948,080
Other postemployment benefits	71,831	40,574	-	112,405	-	112,405
Pollution remediation	66,677	-	(8,416)	58,261	14,547	43,714
Intergovernmental payable	175,035	-	(12,590)	162,445	122,445	40,000
Capital leases	1,300,727	14,472	(45,390)	1,269,809	47,106	1,222,703
	$ 2,769,043	$ 70,656	$ (85,822)	$ 2,753,877	$ 270,354	$ 2,483,523
Business-type activities:						
Compensated absences	$ 508	$ 271	$ (283)	$ 496	$ 200	$ 296
Claims liability	45,704	3,115	(3,346)	45,473	3,331	42,142
	$ 46,212	$ 3,386	$ (3,629)	$ 45,969	$ 3,531	$ 42,438

Long term obligations of governmental activities include capital lease obligations of governmental funds as presented in Note IV(E), net pension obligations for the State Police Retirement Fund and the Prosecuting Attorney's Retirement Fund as presented in Note V(E), other postemployment benefits, pollution remediation, amounts due to component units, amounts due the federal government and compensated absence obligations. The General Fund typically has been used to liquidate any other long-term liabilities.

Long-term obligations of the business-type activities consist of claims liability of the Indiana Residual Malpractice Insurance Authority and compensated absences of the Inns and Concessions Fund.

Revenue bonds are issued by entities established by statute as corporate and politic units with the separate legal authority to finance certain essential governmental functions. Income from the acquired or constructed assets is used to pay debt service.

G. Prior Period Adjustments and Reclassifications

For the fiscal year ended June 30, 2010, certain changes have been made to the financial statements to more appropriately reflect financial activity of the State of Indiana. These prior period adjustments and restatements are reflected in the beginning net assets in the government-wide statement of activities.

Prior Period Adjustments

In the fund statements for Special Revenue Funds, and the government-wide statements, there is an increase of $2.0 million in net assets for existing receivables that were not recorded by June 30, 2009.

In the fund statements for Special Revenue Funds, and the government-wide statements, there is a decrease of $12.1 million in net assets for existing liabilities that were not recorded by June 30, 2009.

In the fund statements for governmental funds and the government-wide statements, there is an increase of $69.8 million due to an overstatement in accounts payable in 2009.

For the government-wide statements, there is an increase of $42.3 million in net assets for INDOT infrastructure not capitalized by June 30, 2009 that were completed work-in-progress projects prior to this date.

For the government-wide statements, there is an increase of $4.1 million in net assets for Department of Administration (DoA) work in process. This was the result of not capitalizing projects by June 30, 2009 that had been initiated prior to this date per DoA's work in process records.

For the government-wide statements, there is an increase of $110.6 million in net assets for capital

assets. This was the result of not capitalizing capital assets by June 30, 2009 that were acquired prior to this date, for corrections to acquisition cost by state agencies, for implementation of GASB 51, Accounting and Financial Reporting for Intangible Assets, and for the elimination of duplicate assets found in the 2009 report.

For the government-wide statements, there is a decrease of $14.6 million in net assets for capital leases entered into and not recorded as a liability by June 30, 2009.

For the government-wide statements, there is an increase of $24.1 million in net assets for capital assets acquired through leases that were completed by June 30, 2009.

The net assets for business type activities decreased by $14.4 as a result of capital assets reclassified from Inns and Concessions to the Indiana Department of Natural Resources.

For the Internal Service funds and the government-wide statements, there is an increase of $6.1 million in net assets. Net assets for the Administrative Services Revolving fund decreased by $41.0 thousand due to the Motor Pool's gasoline inventory being understated by $2.4 thousand and for deferred revenue that is no longer being recognized by the Indiana Office of Technology in the amount of $43.4 thousand. The State Police Health Insurance Fund's net assets decreased by $1.5 million because of health claims payable being understated by this amount in fiscal year 2009. Net assets increased by $1.2 million for the addition of the State Police 20% LTD fund, a new internal service fund. The net assets of the State Employees' Health Insurance fund increased by $6.5 million which was the result of accounts receivable being understated by $14.9 million, and health/dental claims payable being understated by $8.4 million in fiscal year 2009.

For the discrete component units, there was an increase of $86 thousand due to the Indiana State Fair Commission establishing a skate shop inventory for items that had been expensed in prior years. In addition, the Indiana Economic Development Corporation was added as a component unit which increased net assets by $155.5 million.

There was an increase of $1.2 million in beginning net assets for the correction of errors by Ivy Tech Community College. Ivy Tech Community College's beginning net assets increased by this amount due to the Ivy Tech Foundation's change in basis of accounting from the modified cash basis to the accrual basis.

The following schedule reconciles June 30, 2009 net assets as previously reported, to beginning net assets, as restated:

	Governmental Activities	Business-Type Activities	Discretely Presented Component Units (Non Fiduciary)
June 30, 2009, fund balance/retained earnings/net assets as reported	$ 17,646,102	$ (770,680)	$ 8,374,186
Correction of errors	231,562	-	1,268
Reclassifications of funds	1,237	(14,403)	155,538
Balance July 1, 2009 as restated	$ 17,878,901	$ (785,083)	$ 8,530,992

V. OTHER INFORMATION

A. Risk Management

The State of Indiana is exposed to various risks of loss. This includes damage to property owned by the agencies, personal injury or property damage liabilities incurred by a State officer, agent or employee, errors, omissions and theft by employees, certain employee health benefits, employee death benefits, and unemployment and worker's compensation costs for State employees.

The State records an expenditure for any loss as the liability is incurred or replacement items are purchased. The State purchases commercial

insurance related to certain employee health benefits and also some insurance coverage exists for DNR Inns properties. The State also purchases immaterial amounts of commercial insurance related to errors, omissions, and theft by employees. Settlements related to commercial insurance have not exceeded coverage in the past three fiscal years.

The State does have risk financing activity for the State employees' disability, certain State employees' health benefits, and certain health, disability and death benefits for State Police officers. These are reported in three individual Internal Service Funds.

The State employees' disability program is financed partially by State employees through payroll withholdings and by the funds from which employees are paid. The employees' health benefits and the State Police traditional health plan are funded by the employees who have selected certain health care benefit packages and the funds from which those employees are paid. (An insurance carrier does provide claims administration services for the health insurance programs.)

Located below is the table of claim liabilities. The liabilities are not maintained in the accounting records of the State. The claim liabilities for the health insurance programs and the State Disability fund were estimated based on the historical experience rate of claims paid that were for service dates incurred during a prior fiscal year. The surplus retained earnings in these funds are reserved for future catastrophic losses.

	State Police Health Insurance Fund	State Employees' Health Insurance Fund	State Employee Disability Fund	Total
2010				
Unpaid Claims, July 1, as restated	$ 4,584	$ 40,515	$ 4,137	**$ 49,236**
Incurred Claims and Changes in Estimate	28,638	277,708	21,189	**327,535**
Claims Paid	(29,218)	(278,582)	(20,394)	**(328,194)**
Unpaid Claims, June 30	**$ 4,004**	**$ 39,641**	**$ 4,932**	**$ 48,577**
2009				
Unpaid Claims, July 1	$ 2,883	$ 30,138	$ 4,281	**$ 37,302**
Incurred Claims and Changes in Estimate	25,877	293,397	23,696	**342,970**
Claims Paid	(25,723)	(291,414)	(23,840)	**(340,977)**
Unpaid Claims, June 30	**$ 3,037**	**$ 32,121**	**$ 4,137**	**$ 39,295**

B. Contingencies and Commitments

Litigation

The State does not establish reserves for judgments or other legal or equitable claims against the State. Judgments and other such claims must be paid from the State's unappropriated balances and reserves, if any.

With respect to tort claims only, the State's liability is limited to: (A) $300,000 for a cause of action that accrues before January 2006; (B) $500,000 for a cause of action that accrues between 2006 and 2008; or (C) $700,000 for a cause of action that accrues on or after January 2008, for injury to or death of one person in any one occurrence and $5 million for injury to or death of all persons in that occurrence.

The Indiana Attorney General's office estimates a total payment for liabilities and litigation expenses of $14 million to be made from the Tort Claim Fund during the next fiscal year. During the fiscal year ending June 30, 2010, the State paid $5 million for settlements, judgments, claims and litigation expenses from the Tort Claim Fund.

The following is a summary of certain significant litigation and claims currently pending against the

State involving amounts exceeding $5 million individually or in the aggregate. This summary is not exhaustive, either as to the description of the specific litigation or claims described or as to all of the litigation or claims currently pending or threatened against the State.

The Indiana Attorney General's office is currently handling the following cases that could result in significant liabilities to the State:

In 1968, a lawsuit seeking to desegregate the Indianapolis Public Schools was filed in the United States District Court for the Southern District of Indiana. Since 1978, the State has paid several million dollars per year for inter-district busing that is expected to continue through 2016. The District Court entered its final judgment in 1981 holding the State responsible for most of the costs of its desegregation plan, and those costs have been part of the State's budget since then. In June 1998, the parties negotiated an 18-year phase out of the desegregation plan that was approved by the Court for some school corporations and a 13-year phase out of the desegregation plan for the school corporations that had already began the desegregation plan. State expenditures will be gradually reduced as the plan is phased out.

In 1993, Plaintiffs filed a breach of employment contract lawsuit in a state trial court alleging that the State has failed to pay certain similarly classified state employees at an equal rate of pay from 1973 to 1993. The Court certified Plaintiffs' class and class notification was completed. Plaintiffs seek to recover damages as well as attorney fees and costs. A four-day bench trial was conducted. The Court took the matter under advisement and gave the parties time to submit proposed findings of fact and conclusions of law. In July 2009, the Court entered judgment against the State in the total amount of $43 million ($21 million awarded to merit, overtime eligible employees; $17 million awarded to non-merit, overtime eligible employees; $3 million awarded to merit, overtime exempt employees; $2 million awarded to non-merit, overtime exempt employees). In November 2009, Plaintiffs reduced their settlement demand to $20 million. The State responded with an offer of $8.5 million (inclusive of fees and costs) and later increased the offer to $10 million. The matter is fully briefed in the Court of Appeals. In its October 2010 opinion, the Court of Appeals affirmed in part, reversed in part (applying 10-day limitation period to reduce back pay period for merit employees from 20 years to about eight weeks), and remanded with instructions to recalculate the amount of back pay to which the merit employees are entitled. Impact of the opinion is a reduction in the trial court's judgment from $43 million to approximately $19 million. In November 2010, both Plaintiffs and the State have filed Petitions for Rehearing. The State filed a Brief In Opposition to Appellees/Plaintiffs' Petition for Rehearing.

In 2000, Plaintiffs along the Fawn River in northeastern Indiana, brought action against the State alleging violations of the Clean Water Act, unconstitutional takings of property and federal civil rights violations. Plaintiffs are seeking in excess of $38 million in damages, costs and attorney fees. The federal trial court granted summary judgment in favor of the State and Plaintiffs appealed. A federal appeals court remanded the case to the trial court on one issue under the federal Clean Water Act. This matter was reassigned to outside counsel. Plaintiffs renewed their request for attorney fees. In a 2008 order, the District Court ruled in favor of Plaintiffs and awarded nearly $1 million interim fees and costs which the State paid. The parties met with the consultants, IDEM, and the Army Corps to discuss next steps in getting federal and state approval for the removal of the sediment from the river. A Settlement Conference was held in November 2010 with another Settlement Conference set for December 2010.

The State on behalf of the Indiana Family and Social Services Administration (FSSA) is currently involved in the following case that could result in significant liability to the State:

Other Litigation

In May 2010 the State of Indiana, on behalf of the Indiana Family and Social Services Administration (FSSA), and counterclaim Plaintiff sued each other regarding counterclaim Plaintiff's state welfare system contract entered into in 2006. In October 2009 the State announced its intention to terminate the 10-year contract early effective December 2009 due to counterclaim Plaintiff's deficient performance. The State and counterclaim Plaintiff engaged in a series of informal dispute resolution meetings to try to resolve the competing claims. The State, represented by outside counsel, filed suit against counterclaim Plaintiff for breach of contract and unjust enrichment seeking to recover $438 million in payments, indemnification, damages, costs, fees, interest, treble damages, declaratory judgment, and other relief. Counterclaim Plaintiff filed suit against the State seeking deferred costs and fees, costs for Plaintiff's equipment retained by the State and other fees and costs related to the termination of the contract in excess of $100 million. Trial is set for September 2011.

Other Loss Contingencies

The U.S. Office of Inspector General (USOIG) has issued four audit reports that are dated September 2008 through October 2010 on Indiana's Medicaid Assistance Program. Findings in these reports identify several issues including state psychiatric hospitals that were ineligible to receive Medicaid Inpatient payments, coding issues, and unreported Medicaid overpayments. The reports request repayments totaling $70 million, but FSSA believes the possible loss contingency for these findings totals $34.3 million. FSSA management is working to arrange a settlement of these findings. It is unknown how much of this loss contingency, if any, will have to be repaid to the federal government.

Construction Commitments

As of June 30, 2010, the Indiana Department of Transportation had outstanding construction commitments totaling $1.6 billion for road and bridge projects. It is anticipated that these projects will be financed with approximately 6% State funds, 6% local funds, 51% Federal funds, and 37% from the Major Moves Construction Fund.

The Indiana Department of Administration, Public Works Division, had remaining construction commitments totaling $8.7 million for building and improvement projects of the State's business units as of June 30, 2010. These projects are to be funded through State appropriations, the State Highway Department Fund, capital projects funds, and federal funds.

C. Other Revenue

Other revenue represents revenue received which cannot accurately be included with any of the other revenue sources. In most cases, the amount of "other revenue" received by a fund is insignificant in comparison with total revenues received.

D. Economic Stabilization Fund

In 1982 the Indiana General Assembly adopted Indiana Code 4-10-18, which established the Counter-Cyclical Revenue and Economic Stabilization Fund ("Rainy Day Fund").

This fund was established to assist in stabilizing revenue during periods of economic recession and is accounted for within the State general fund.

Each year the State Budget Director determines calendar year Adjusted Personal Income (API) for the State and its growth rate over the previous year, using a formula determined by the legislature.

In general, monies are deposited automatically into the Rainy Day Fund if the growth rate in API exceeds 2%; monies are removed automatically from the Rainy Day Fund if API declines by more than 2%. If the balance in the fund at the end of the fiscal year exceeds 7% of total general fund revenues for the same period, the excess is transferred from the Rainy Day Fund to the State General Fund.

Loans can be made from the Rainy Day Fund to local units of government for specific purposes. The Rainy Day Fund cash and investment balance at the end of fiscal year 2010 was $0.00. Total outstanding loans were $18.3 million, resulting in total assets of $18.3 million. Because the API declined by more than 2%, $371.0 million was transferred from the Rainy Day Fund to the General Fund.

E. Employee Retirement Systems and Plans

The State of Indiana sponsors eight public employee retirement systems (PERS) that are included in the State's financial statements. They are reported and administered as described in Note I(A).

Summary of Significant Accounting Policies (Primary government and discretely presented component units)

The accrual basis is used for financial statement reporting purposes. Receivables are not maintained on the accounting records, but are calculated or estimated for financial statement reporting purposes. Throughout the year, the investments are maintained on the accounting records at the net asset value per the custodian banks. The custodian banks maintain records of the detailed holdings and accounts that comprise the net asset value. At fiscal year end, the accounting records and financial statements recognize investment receivables and payables using investment unit trust accounting. Investments of defined benefit plans are reported at fair value. Short-term investments are reported at market value when available, or at cost, which approximates fair value.

Securities traded on a national or international exchange are valued at the official closing price at current exchange rates. Collective trust funds' fair values are determined by the fair value per share of the pool's underlying portfolio as provided by the

trustee. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Values for limited partnership interests are those estimates most recently provided by the general manager, plus or minus cash flows transacted since the valuation date. Investments that do not have an established market are reported at estimated fair value.

The State sponsors the following defined benefit single-employer plans:

State Police Retirement Fund (Presented as a pension fund)

Plan Description The State Police Retirement Fund (SPRF) is a defined benefit, single-employer PERS, and is administered by the Treasurer of the State of Indiana as Trustee under a Pension Trust Agreement with the Indiana Department of State Police. Indiana Code 10-12-2-2 grants authority to the Department to establish and operate an actuarially sound pension plan governed by a pension trust. It also authorizes the Department to make annual contributions as necessary to prevent any deterioration in the actuarial status of the trust.

The State Police Retirement Fund does not issue a stand-alone financial report. The SPRF's financial statements are included in the State of Indiana's CAFR as part of the statements presented with fiduciary funds.

Funding Policy The pre-1987 plan required employee contributions of five percent of the salary of a sixth-year trooper. The 1987 plan applies to all officers hired after June 30, 1987. In addition, State police officers hired prior to July 1, 1987 could elect to be covered under this plan if the employee filed an election with the trustee before July 1, 1989. Participants under the 1987 plan contribute six percent of their monthly salary.

Periodic employer contributions to the pension plan are determined on an actuarial basis using the entry age normal cost actuarial method. Normal cost is funded on a current basis. Under the terms of the Trust Agreement, in the event the Department fails to make the minimum contribution for five successive years, the Trust shall terminate and the fund shall be liquidated. The unfunded actuarial accrued liability is being funded over a thirty-year closed period which commenced July 1, 2007. Periodic contributions for both normal cost and the amortization of the unfunded actuarial accrued liability are based on the level dollar of payroll method. The funding policy for normal cost and unfunded actuarial accrued liability should provide sufficient resources to pay employee pension benefits on a timely basis.

Funded Status and Funding Progress As of June 30, 2010, the most recent actuarial valuation date, the plan was 81 percent funded. The actuarial accrued liability for benefits was $447.1 million, and the actuarial value of assets was $363.5 million, resulting in an unfunded actuarial accrued liability (UAAL) of $83.6 million. The covered payroll (annual payroll of active employees covered by the plan) was $66.6 million, and the ratio of the UAAL to the covered payroll was 125 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statement, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan (Presented as part of PERF – a discretely presented component unit)

Plan Description The State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan (ECRP) is a single employer defined benefit plan administered by the Board of Trustees of the Public Employees' Retirement Fund. The retirement fund is for certain employees of the Indiana Department of Natural Resources, the Indiana Alcohol and Tobacco Commission, and any State excise police officer, Indiana state conservation enforcement officer, gaming agent or any gaming control officer who is engaged exclusively in the performance of law enforcement duties.

The Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Plan provides retirement, disability, and survivor benefits. Indiana Code 5-10-5.5 governs the requirements of the Fund. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public Employees Retirement Fund, 143 West Market Street, 5th Floor, Indianapolis, IN 46204, by calling 317-233-4162, or by visiting PERF's website, www.in.gov/perf.

Funding Policy Members are required by statute to contribute 4 percent of the member's annual salary to the Plan. The State of Indiana, as employer, is

required by statute to contribute the remaining amount necessary to actuarially fund the benefits. The funding policy for employer contributions of the State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Plan provides for biennial appropriations authorized by the Indiana General Assembly, which when combined with anticipated member contributions are sufficient to actuarially fund benefits (normal cost), amortize the unfunded accrued liability for thirty years, and prevent the State's unfunded accrued liability from increasing.

Funded Status and Funding Progress As of July 1, 2009, the most recent actuarial valuation date, the plan was 76 percent funded. The actuarial accrued liability for benefits was $89.3 million, and the actuarial value of assets was $68.2 million, resulting in an unfunded actuarial accrued liability (UAAL) of $21.1 million. The covered payroll (annual payroll of active employees covered by the plan) was $25.2 million, and the ratio of the UAAL to the covered payroll was 84 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statement, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Prosecuting Attorneys' Retirement Fund (Presented as part of PERF – a discretely presented component unit)

Plan Description The Prosecuting Attorneys' Retirement Fund (PARF) is a defined benefit single-employer plan administered by the Board of Trustees of the Public Employees' Retirement Fund. The Prosecuting Attorneys' Retirement Fund provides retirement, disability, and survivor benefits for individuals who serve as a prosecuting attorney, chief deputy prosecuting attorney, or certain other deputy prosecuting attorneys paid by the state of Indiana.

These individuals' salaries are paid from the General Fund of the State of Indiana. Indiana Code 33-39-7 governs the requirements of the Fund. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public Employees Retirement Fund, 143 West Market Street, 5th Floor, Indianapolis, IN 46204, by calling 317-233-4162, or by visiting PERF's website, www.in.gov/perf.

Funding Policy Contributions made by or on the behalf of members are not actuarially determined but are set by statute at six percent (6%) of wages. The amount required to actuarially fund participants' retirement benefits, as determined by the Board of Trustees on the recommendations of an actuary, is to be appropriated from the State's General Fund.

Funded Status and Funding Progress As of July 1, 2009, the most recent actuarial valuation date, the plan was 59 percent funded. The actuarial accrued liability for benefits was $44.6 million, and the actuarial value of assets was $26.5 million, resulting in an unfunded actuarial accrued liability (UAAL) of $18.2 million. The covered payroll (annual payroll of active employees covered by the plan) was $20.8 million, and the ratio of the UAAL to the covered payroll was 87 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statement, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Legislators' Retirement System – Legislators' Defined Benefit Plan (Presented as part of PERF – a discretely presented component unit)

Plan Description The Legislators' Defined Benefit Plan (IC 2-3.5-4), a single-employer defined benefit plan, applies to each member of the Indiana General Assembly who was serving on April 30, 1989 and filed an election under IC 2-3.5-3-1(b). The Legislators' Defined Benefit Plan provides retirement, disability and survivor benefits. The plan is administered by the Board of Trustees of the Public Employees' Retirement Fund. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public Employees Retirement Fund, 143 West Market Street, 5th Floor, Indianapolis, IN 46204, by calling 317-233-4162, or by visiting PERF's website, www.in.gov/perf.

Funding Policy The amount required by the funding policy to actuarially fund participants' retirement benefits, as determined by the Board of Trustees on the recommendation of the actuary, is to be appropriated from the State's General Fund.

Funded Status and Funding Progress As of July 1, 2009, the most recent actuarial valuation date, the plan was 93 percent funded. The actuarial accrued

liability for benefits was $5.1 million, and the actuarial value of assets was $4.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of $0.4 million. The benefit formula is determined based on service rather than compensation. The unfunded liability per active participant was $10,817 as of the most recent actuarial valuation.

The schedule of funding progress, presented as RSI following the notes to the financial statement, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Judges' Retirement System (Presented as part of PERF – a discretely presented component unit)

Plan Description The Judges' Retirement System (JRS) is a defined benefit single-employer public employee retirement system administered by the Board of Trustees of the Public Employees' Retirement Fund, and is governed by IC 33-38-6, 33-38-7, and IC 33-38-8. The Judges' Retirement System provides retirement, disability, and survivor benefits. Coverage is for any person who has served, is serving or shall serve as a regular judge of any of the following courts: Supreme Court of the State of Indiana; Circuit Court of any Judicial Circuit; Indiana Tax Court; or county courts including Circuit, Superior, Criminal, Probate, Juvenile, and Municipal Courts. The system consists of two plans: the 1977 system and the 1985 system. IC 33-38-7 applies to judges who began service before September 1, 1985. IC 33-38-8 applies to judges beginning service after August 31, 1985. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public Employees Retirement Fund, 143 West Market Street, 5th Floor, Indianapolis, IN 46204, by calling 317-233-4162, or by visiting PERF's website, www.in.gov/perf.

Funding Policy Member contributions are established by statute at six percent of total statutory compensation paid by the state of Indiana, deducted from the member's salary and remitted by the Auditor of State. However, no contribution is required and no such amounts shall be paid by the member for more than 22 years of service.

Employer contributions are determined by the Indiana General Assembly as biennial appropriations from the State's General Fund. Indiana Code 33-38-6-17 provides that this appropriation only include sufficient funds to cover the aggregate liability of the fund for benefits to the end of the biennium, on an actuarially funded basis. The statutes also provide for remittance of docket fees and court fees. These are considered employer contributions.

Funded Status and Funding Progress As of July 1, 2009, the most recent actuarial valuation date, the plan was 73 percent funded. The actuarial accrued liability for benefits was $330.6 million, and the actuarial value of assets was $241.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of $89.6 million. The covered payroll (annual payroll of active employees covered by the plan) was $36.2 million, and the ratio of the UAAL to the covered payroll was 248 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statement, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The State sponsors the following defined benefit agent multiple-employer plan:

Public Employees' Retirement Fund (Presented as part of PERF – a discretely presented component unit)

Plan Description The Public Employees' Retirement Fund (PERF) is a defined benefit agent multiple-employer plan for units of state and local governments administered by the Public Employees' Retirement Fund Board of Trustees. PERF provides retirement, disability, and survivor benefits. Indiana Code 5-10.2 and 5-10.3 governs the requirements of the Fund. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public Employees Retirement Fund, 143 West Market Street, 5th Floor, Indianapolis, IN 46204, by calling 317-233-4162, or by visiting PERF's website, www.in.gov/perf. At June 30, 2010, the number of participating political subdivisions was 1,208.

Funding Policy The State of Indiana and any political subdivision that elects to participate in the PERF fund is obligated by statute to make contributions to the plan. The required contributions are determined by the PERF Board of Trustees based on actuarial investigation and valuation. The funding policy provides for periodic

employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension portion of the retirement benefit (normal cost) and the amortization of unfunded liabilities.

Contributions made by or on the behalf of members are not actuarially determined but are set by statute at three percent (3%) of compensation. These contributions are credited to the member's annuity savings account that is a separate benefit from the defined pension benefit. The State is required to contribute for State employees at an actuarially determined rate; the current rate is 7.0% of covered payroll.

Funded Status and Funding Progress Funded status and funding progress information is being disclosed for the State of Indiana employee portion of the plan. The funded status and funding progress information presented is for non-retired assets.

State of Indiana Employees: As of July 1, 2009, the most recent actuarial valuation date, the state employees portion of the plan was 87 percent funded. The actuarial accrued liability for benefits was $2.4 billion, and the actuarial value of assets was $2.1 billion, resulting in an unfunded actuarial accrued liability (UAAL) of $0.3 billion. The covered payroll (annual payroll of active employees covered by the plan) was $1.7 billion, and the ratio of the UALL to the covered payroll was 18 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Annual Pension Cost and Net Pension Obligation The annual pension cost and net pension obligations, the significant actuarial assumptions, and three-year historical trend information of the single and agent multiple employer defined benefit plans are as follows:

(amounts expressed in thousands)	Primary Government	Discretely Presented Component Units					
	SPRF	PERF -State	ECRF	JRS	PARF	LRS	TRF - Pre-1996 Account
Annual Pension Cost and Net Pension Obligation (Asset)							
Annual required contribution	$ 14,229.9	$ 107,981.0	$ 4,426.7	$ 16,131.1	$ 1,340.1	$ 44.6	$ 700,307.0
Interest on net pension obligation	635.0	(4,389.0)	(125.6)	(1,545.7)	246.5	(13.0)	70,878.0
Adjustment to annual required contribution	(747.5)	5,002.0	143.1	1,799.2	(283.8)	20.9	(80,017.0)
Annual pension cost	14,117.4	108,594.0	4,444.2	16,384.6	1,302.8	52.5	691,168.0
Contributions made	(9,471.1)	(111,214.0)	(5,293.5)	(20,861.1)	(170.0)	(100.0)	(706,366.0)
Increase (decrease) in net pension obligation	4,646.3	(2,620.0)	(849.3)	(4,476.5)	1,132.8	(47.5)	(15,198.0)
Net pension obligation, beginning of year	9,071.9	(60,540.9)	(1,731.8)	(21,320.5)	3,400.1	(179.7)	945,027.0
Net pension obligation, end of year	$ 13,718.2	$ (63,160.9)	$ (2,581.1)	$ (25,797.0)	$ 4,532.9	$ (227.2)	$ 929,829.0
Significant Actuarial Assumptions							
Investment rate of return	7.00%	7.25%	7.25%	7.25%	7.25%	7.25%	7.50%
Projected future salary increases:							
Total	3.50 - 9.00%	4.00%	4.50%	4.00%	4.00%	3.00%	3.50 - 12.50%
Attributed to inflation	3.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.25%
Cost of living adjustments	N/A	1.50%	1.50%	4.00%	N/A	1.50%	1.50%
Contribution rates:							
State	18.40%	7.00%	20.75%	pay-as-you-go	8.00%	Flat Dollar Amount ***	N/A
Plan members	5.00% - 6.00%	3.00%	4.00%	6.00%	6.00%	0.00%	3.0%
Actuarial valuation date	7/1/2010	7/1/2009	7/1/2009	7/1/2009	7/1/2009	7/1/2009	6/30/2009
Actuarial cost method	entry age normal cost	entry age normal cost	entry age normal cost	entry age normal cost	entry age normal cost	accrued benefit (unprojected unit credit)	entry age normal cost
Amortization method	level dollar	level dollar	level dollar	level dollar	level dollar	level dollar	level dollar
Amortization period	30 years ****	30 years	30 years	30 years	30 years	30 years	30 years
Amortization period (from date)	7/1/2010 ****	7/1/2008	7/1/2007	7/1/2006	7/1/2007	7/1/1992	N/A
Amortization period (open or closed)	closed	closed	closed	closed	closed	closed	N/A
Asset valuation method	smoothed basis	smoothed market value	smoothed market value	smoothed market value	smoothed market value	smoothed market value	4-year smoothed market value with corridor
Historical Trend Information							
Year ended June 30, 2010							
Annual pension cost (APC)	$ 14,117.4	*	*	*	*	*	*
Percentage of APC contributed	67.1%	*	*	*	*	*	*
Net pension obligation (asset)	$ 13,718.2	*	*	*	*	*	*
Year ended June 30, 2009							
Annual pension cost (APC)	$ 10,266.8	$ 108,594.0	$ 4,444.2	$ 16,384.6	$ 1,302.8	$ 52.5	$ 691,168.0
Percentage of APC contributed	92.3%	102.4%	119.1%	127.3%	13.0%	190.7%	102.2%
Net pension obligation (asset)	$ 9,071.9	$ (63,160.9)	$ (2,581.1)	$ (25,797.0)	$ 4,532.9	$ (227.2)	$ 929,829.0
Year ended June 30, 2008							
Annual pension cost (APC)	$ 9,082.8	$ 99,674.7	$ 3,681.5	$ 10,199.4	$ 1,014.4	$ 71.9	$ 667,175.0
Percentage of APC contributed	103.6%	107.2%	131.9%	156.1%	16.9%	139.0%	101.3%
Net pension obligation (asset)	$ 8,277.6	$ (60,540.9)	$ (1,731.8)	$ (21,320.6)	$ 3,400.1	$ (179.7)	$ 945,027.0
Year ended June 30, 2007							
Annual pension cost (APC)	$ 9,361.2	$ 97,043.2	$ 3,130.9	$ 12,384.3	$ 1,026.1	$ 126.3	$ 592,436.0
Percentage of APC contributed	129.4%	92.5%	107.3%	118.4%	18.5%	79.2%	107.4%
Net pension obligation (asset)	$ 8,607.0	$ (53,348.3)	$ (559.1)	$ (15,599.6)	$ 2,555.7	$ (151.6)	$ 953,534.0

SPRF - State Police Retirement Fund
PERF - Public Employees' Retirement Fund
ECRF - Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Fund (Administered by the PERF board of trustees)
JRS - Judges' Retirement System (Administered by the PERF board of trustees)
PARF - Prosecuting Attorneys' Retirement Fund (Administered by the PERF board of trustees)
LRS - Legislators' Retirement System (Administered by the PERF board of trustees)
TRF - Teachers' Retirement Fund
N/A - not applicable
* - information not available.
*** - $63,407 based on July 1, 2009 actuarial valuation.
**** - 30 year amortization "fresh started" effective with the July 1, 2010 actuarial valuation. 40 year period was permitted for 10 years after the effective date (July 1, 1997 for Indiana) of GASB 27.

The State sponsors the following cost-sharing multiple-employer plans:

State Teachers' Retirement Fund (Presented as a discretely presented component unit)

Plan Description The State Teachers' Retirement Fund (STRF), is a defined benefit, multiple-employer cost-sharing PERS, administered by the Indiana State Teachers' Retirement Fund Board of Trustees. Indiana Code 5-10.4-2 governs the requirements of the Fund. The Indiana State Teachers' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Indiana State Teachers' Retirement Fund, 150 West Market Street, Suite 300, Indianapolis, IN 46204, by calling 317-232-3860, or at STRF's website, www.in.gov/trf.

At June 30, 2010, the number of participating employers was 394.

Funding Policy Each member is required to contribute 3% of his/her compensation to the plan. The Indiana State Teachers' Retirement Fund is funded on a "pay as you go" basis for employees hired prior to July 1, 1995, and who have maintained continuous employment with the same school corporation or covered institution since that date. State appropriations are made for the amount of estimated pension benefit payouts for each fiscal year. If the actual pension benefit payout for the fiscal year exceeds the amount appropriated, the difference is paid from the Pension Stabilization Fund. For employees hired on or after July 1, 1995; or hired before July 1, 1995, and prior to June 30, 2005, were either hired by another school corporation or institution covered by the Fund or were re-hired by a covered prior employer; the individual employer will make annual contributions. These contributions are set as a percentage of the employee's salary at a rate recommended by the Fund's actuaries and approved by the Fund's Board of Trustees.

As of June 30, 2009, TRF was 42% funded. Members in the Pre-1996 Account are funded on a "pay as you go" method for the employer portion of the pension and members in the 1996 Account are funded with employer contributions as they work. TRF accounts for these two classes of members as "Pre-1996 Account" and "1996 Account", respectively. The Pre-1996 Account is 32% funded and the 1996 Account is 93% funded.

The funded ratio of the Fund has decreased from 45% at June 30, 2004, to the ratio of 42% at June 30, 2009. The actuarial value of the Fund's assets as of the June 30, 2009 valuation was $8.0 billion and the actuarial accrued liability was $19.1 billion. The difference is the Fund's unfunded actuarial accrued liability of $11.1 billion. The annual covered payroll as of the June 30, 2009, actuarial valuation was $4.3 billion and the ratio of the unfunded actuarial liability to the annual covered payroll was 257%.

1977 Police Officers' and Firefighters' Pension and Disability Fund (Presented as part of PERF – a discretely presented component unit)

Plan Description The 1977 Police Officers' and Firefighters' Pension and Disability Fund (PFPF) is a defined benefit, multiple employer cost sharing public employees retirement system administered by the Public Employees' Retirement Fund Board of Trustees. Indiana Code 36-8-8 governs the requirements of the Fund that provides retirement, disability, and survivor benefits. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public Employees Retirement Fund, 143 West Market Street, 5th Floor, Indianapolis, IN 46204, by calling 317-233-4162, or by visiting PERF's website, www.in.gov/perf.

At June 30, 2010, the number of participating employer units totaled 163 (which include 258 police and fire departments).

Funding Policy A participant is required by statute to contribute six percent of a first class officer's or firefighter's salary for the term of their employment up to 32 years. Employer contributions are determined actuarially and the current rate is 19.5 percent of the salary of a first-class officer or firefighter. The funding policy mandated by statute requires quarterly remittances of member and employer contributions based on percentages of locally established estimated salary rates, rather than actual payroll.

The annual required contributions, percentage contributed, and three-year historical trend information, for the cost sharing, multiple-employer plans are as follows:

	Discretely Presented Component Units	
	STRF	PFPF *
Historical Trend Information (dollars in thousands)		
Year ended June 30, 2009		
Annual required contribution	$ 700,307.0	$ 62,881.3
Percentage contributed	101%	102%
Employer contribution	$ 706,366.0	$ 64,285.3
Year ended June 30, 2008		
Annual required contribution	$ 678,050.0	$ 89,673.7
Percentage contributed	100%	137%
Employer contribution	$ 675,682.0	$ 122,711.6
Year ended June 30, 2007		
Annual required contribution	$ 602,904.0	$ 102,964.2
Percentage contributed**	105%	139%
Employer contribution	$ 636,039.0	$ 143,271.7

STRF - State Teachers' Retirement Fund - Pre-1996 Account
PFPF - 1977 Police Officers and Firefighters' Retirement Fund (Administered by PERF)
* - year ended December 31 for 2007 and 2008, but June 30 for 2009. Actuarial valuation date changed and calculations were adjusted for the short plan year.
n/a - not available

The State sponsors the following defined contribution plan:

Legislators' Retirement System – Legislators' Defined Contribution Plan (Presented as part of PERF – a discretely presented component unit)

Plan Description The Legislators' Defined Contribution Plan (IC 2-3.5-5), a single employer defined contribution plan applies to each member of the General Assembly who was serving April 30, 1989 and files an election under IC 2-3.5-3-1(b), and each member of the General Assembly who is elected or appointed after April 30, 1989. The plan is administered by the Board of Trustees' of the Public Employees' Retirement Fund. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public Employees Retirement Fund, 143 West Market Street, 5th Floor, Indianapolis, IN 46204, by calling 317-233-4162, or by visiting PERF's website, www.in.gov/perf.

Funding Policy For the Legislators' Defined Contribution Plan, each participant is required to contribute 5 percent of annual salary. In addition, the state of Indiana is required to contribute a percentage of the member's annual salary on behalf of the participant as determined by PERF and confirmed by the State Budget Agency each year. Effective January 1, 2010 the rate was established at 9.5 percent. For the LDB Plan, the amount required to actuarially fund participants' retirement benefits, as determined by the PERF Board of Trustees on the recommendation of the actuary, is to be appropriated from the state of Indiana General Fund.

F. Other Postemployment Benefits

Defined Benefit Plans

Plan Descriptions The State of Indiana sponsors and contributes to four single-employer defined benefit healthcare plans: State Personnel Plan (SPP); Legislature Plan (LP); Indiana State Police Plan (ISPP); and the Conservation and Excise Police Plan (CEPP). The SPP and LP are administered by the State Personnel Department. The Indiana State Police administer the ISPP. The

CEPP is administered by the Indiana State Excise Police and Indiana Conservation Officers Health Insurance Committee. All four plans provide medical plan health care benefits to eligible State employee retirees and beneficiaries. The medical benefits provided to retirees are the same benefit options afforded active employees. Benefit provisions for each plan are established and may be amended by Indiana Code 5-10-8 *et seq*. Separate financial reports are not issued for these plans.

Funding Policy and Annual OPEB Cost The contribution funding policy for each of the four plans is on a pay-as-you-go cash basis. The State of Indiana's annual other postemployment benefit (OPEB) cost (expense) for each plan is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The State of Indiana's annual OPEB cost for the current year and the related information for each plan are as follows (dollar amounts in thousands):

	State Personnel Healthcare Plan	Legislature's Healthcare Plan	Indiana State Police Healthcare Plan	Conservation and Excise Police Health Care Plan
Contribution rates:				
State of Indiana	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go
Plan members (monthly premium)	See next chart	See next chart	See next chart	See next chart
Annual required contribution	$ 6,292	$ 519	$ 42,106	$ 5,373
Interest on net OPEB obligation	514	19	2,421	279
Amortization adjustment to ARC	(701)	(25)	(3,302)	(381)
Annual OPEB Cost	6,105	513	41,225	5,271
Contributions made	(1,913)	(313)	(9,009)	(1,303)
Change in net OPEB obligation	4,192	200	32,216	3,968
Net OPEB obligation - beginning of year	11,423	408	53,787	6,212
Net OPEB obligation - end of year	$ 15,615	$ 608	$ 86,003	$ 10,180

The plan administrators (see plan descriptions above) establish the contribution requirements of plan members.

Plan members (retirees and eligible dependents) who participate in these healthcare plans must pay the full 2010 monthly premiums (except for grandfathered LP current retirees) as shown in the following chart.

	Monthly Premium
State Personnel Healthcare Plan (SP) and Legislature's Healthcare Plan (LP)	
High Deductible Health Plan #1	
Single (Non-Tobacco)	$ 278.07
Family (Non-Tobacco)	865.02
High Deductible Health Plan #2	
Single (Non-Tobacco)	369.33
Family (Non-Tobacco)	1,064.31
Anthem Traditional II	
Single (Non-Tobacco)	558.61
Family (Non-Tobacco)	1,573.39
Indiana State Police Healthcare Plan (ISPP)	
Basic Plan - Medical Only	
Retiree Only (Pre-Medicare)	201.58
Retiree Plus One Dependent (Pre-Medicare)	259.72
Retiree Only (Post-Medicare)	109.47
Retiree Plus One Dependent (Post-Medicare)	131.79
Optional Plan - Medical, Dental, & Vision	
Retiree Only (Pre-Medicare)	235.68
Retiree Plus One Dependent (Pre-Medicare)	322.15
Retiree Only (Post-Medicare)	127.57
Retiree Plus One Dependent (Post-Medicare)	168.18
Conservation and Excise Police Health Care Plan (CEPP)	
Single - Under Age 60 (Pre-Medicare)	240.00
Family - Under Age 60 (Pre-Medicare)	360.00
Single - Age 60 -64 (Pre-Medicare)	160.00
Family - Age 60-64 (Pre-Medicare)	240.00
Single (Post-Medicare)	21.43
Family (Post-Medicare)	56.48

The State of Indiana's annual OPEB cost, the percentage of annual OPEB cost contributed , and the net OPEB obligation for June 30, 2008 (first year of OPEB reporting) through June 30, 2010 (third year of OPEB reporting) for each of the plans were as follows (dollar amounts in thousands):

	Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
State Personnel Healthcare Plan	6/30/2010	$ 6,105	31.3%	$ 15,615
	6/30/2009	7,624	23.6%	11,423
	6/30/2008	7,231	22.6%	5,595
Legislature's Healthcare Plan	6/30/2010	$ 512	61.1%	$ 608
	6/30/2009	493	61.0%	409
	6/30/2008	492	56.1%	216
Indiana State Police Healthcare Plan	6/30/2010	$ 41,224	21.9%	$ 86,003
	6/30/2009	34,831	22.7%	53,787
	6/30/2008	34,275	21.6%	26,867
Conservation and Excise Police Health Care Plan	6/30/2010	$ 5,271	24.7%	$ 10,180
	6/30/2009	4,128	23.8%	6,212
	6/30/2008	3,965	22.7%	3,067

Funded Status and Funding Progress The funded status of the plans as of June 30, 2010, was as follows (dollar amounts in thousands):

	State Personnel Healthcare Plan	Legislature's Healthcare Plan	Indiana State Police Healthcare Plan	Conservation and Excise Police Health Care Plan
Actuarial accrued liability (a)	$ 51,306	$ 8,402	$ 407,846	$ 57,305
Actuarial value of plan assets (b)	-	-	-	-
Unfunded actuarial accrued liability (funding excess) (a) - (b)	$ 51,306	$ 8,402	$ 407,846	$ 57,305
Funded ratio (b)/(a)	0.0%	0.0%	0.0%	0.0%
Covered payroll (c)	N/A	N/A	N/A	N/A
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ([(a)-(b)]/(c))	N/A	N/A	N/A	N/A

GASB 45 regulations permit employers to use the most recent available actuarial information up to two years prior to the current period. Accordingly, the State has elected to use the actuarial results for the period ending on June 30, 2009 for the period ending June 30, 2010.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Significant methods and assumptions were as follows:

	State Personnel Healthcare Plan	Legislature's Healthcare Plan	Indiana State Police Healthcare Plan	Conservation and Excise Police Health Care Plan
Actuarial valuation date	6/30/2009	6/30/2009	6/30/2009	6/30/2009
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Level dollar amount, open	Level dollar amount, open	Level dollar amount, open	Level dollar amount, open
Remaining amortization period	30 years	30 years	30 years	30 years
Asset valuation method	N/A	N/A	N/A	N/A
Actuarial assumptions:				
Investment rate of return	4.5%	4.5%	4.5%	4.5%
Projected salary increases	4.0%	4.0%	4.0%	4.0%
Healthcare inflation rate	9.2%	9.2% pre-65 & 10.0% post-65	9.2% pre-65 & 10.0% post-65	9.2% pre-65 & 10.0% post-65

GASB 45 regulations permit employers to use the most recent available actuarial information up to

two years prior to the current period. Accordingly, the State has elected to use the actuarial results for the period ending on June 30, 2009 for the period ending June 30, 2010.

Defined Contribution Plan

Plan Description The State of Indiana sponsors one single employer defined contribution OPEB plan established as a trust fund, the Retiree Health Benefit Trust Fund, in IC 5-10-8-8.5. The State established this trust fund to provide funding for the retiree health benefit plan developed under IC 5-10-8.5. The plan is a benefit to employees who retire and are eligible for and have received a normal, unreduced or disability retirement benefit (as determined by statutes and codes governing a State public employee retirement fund). Qualified retirees of the State are eligible to receive retirement medical benefits from this Plan. Retirees' and/or covered dependents' qualifying health insurance and medical costs are eligible for reimbursement from their reimbursement account, subject to Plan conditions and limitations.

Plan Provisions Benefit provisions for this plan are established or may be amended by the State legislature. The State Budget Agency of the State of Indiana is the administrator of the plan pursuant to Indiana Code 5-10-8-8.5. The plan establishes a retirement medical benefits account for elected officers, appointed officers, and employees of the executive, legislative, and judicial branches of state government to pay for participants' medical insurance after retirement. Benefits are entitled to be received from this account for a participant who: a) is eligible for and has applied to receive a normal, unreduced or disability retirement benefit under the Public Employees' Retirement Fund; or b) has completed at least 10 years of service as an elected or appointed officer; or c) has completed at least 15 years of service with the state for an employee. A surviving spouse or IRS dependent of a retired participant is allowed to receive the benefit from this account. Amounts credited to a retired participant are forfeited if the participant dies without a surviving spouse or IRS dependent.

The new trust meets the requirements of a qualified OPEB trust. The trust is qualified under section 115 of the Internal Revenue Code.

Contributions The State is required to make annual contributions to the account based on the following schedule:

Employee's Age	Annual State Contributions
Less than 30	$500
At least 30, but less than 40	$800
At least 40, but less than 50	$1,100
At least 50	$1,400

An additional bonus contribution is to be made upon a participant's retirement with normal unreduced benefits if the retirement occurs between July 1, 2007 and July 1, 2017, and the retiree on the last day of service has completed at least 15 years of service or 10 years of service as an elected or appointed officer. The additional bonus contribution amount is one thousand dollars ($1,000) multiplied by the participant's years of service (rounded down to the nearest whole year).

At June 30, 2010, the plan participants consisted of:

Description	**Number**
Active participants with accounts, not yet retired	32,341
Retired participants with accounts	2,700
Total	**35,041**

At June 30, 2010, plan participants' retirement medical plan account balances totaled $164.4 million which consisted of $100.8 million in unretired active participants' accounts and $63.6 million in retired participants' accounts.

This plan is a defined contribution individual account for GASB 45 purposes. The employer subsidy is defined in terms of an annual contribution to an individual account. Plan assets are maintained in the Retiree Health Benefit Trust Fund created by the State as a dedicated trust fund.

The trust fund consists of cigarette tax revenues deposited in the fund under IC 6-7-1-28.1(7) and other appropriations, revenues, or transfers to the trust fund under IC 4-12-1. The plan benefits satisfy the condition of being a defined contribution OPEB benefit and by definition, there is no unfunded liability.

For the fiscal year ending June 30, 2010, the State contributed $27.3 million to the State Retiree Health Fund. Another $28.2 million was contributed by state agencies that are funded by federal or dedicated funds for their portion of funding. The total contribution for the fiscal year was $55.5 million. The retiree contribution includes the bonus contributions of $1,000 per year of service to

employees retiring after July 1, 2007 who also met certain minimum age and service requirements. The annual required contribution for the year is $55.5 million.

G. Pollution Remediation Obligations

Nature and source of pollution remediation obligations: Five state agencies have identified themselves as responsible or potentially responsible parties to remediate eighty-six pollution sites pursuant to the State's implementation of GASB 49, Accounting and Financial Reporting for Pollution Remediation Obligations effective July 1, 2008. Obligating events for the cleanup of these sites include the federal Superfund law, being named by a regulator to remediate hazardous wastes and contamination, violation of the Resource Recovery and Conservation Act, being named in a lawsuit, and voluntarily assuming responsibility because of imminent threats to human health and the environment.

Amount of the estimated liability, methods and assumptions used for the estimate, and the potential for changes: The State's total estimated liability is $58.3 million of which $14.6 million is estimated to be payable within one year and $43.7 million estimated to be payable in more than one year. State agencies calculated their estimated liabilities using various approaches including existing agreements, contractor bids, records of decisions from regulators, matching requirements under the Superfund law, previous actual costs to cleanup similar sites, investigation activities, well known and recognized estimation methods, court established fee structure, and through the sampling and knowing the size and volume of existing contamination at a site. Superfund site estimated liabilities also applied a rolling thirty year liability as this was the number of years determined to be reasonably estimable. The estimated liabilities of state agencies are subject to annual review and adjustment for changes in agreements, laws, regulations, court decisions, price increases or decreases for goods and services used in cleanup, and other relevant changes that come to light.

Estimated recoveries reducing the liability: The estimated recoveries total $9.2 million. Of this total, $0.4 million is unrealizable or has not yet been realized and has been applied to reduce the State's total estimated liability. Estimated recoveries include the proceeds from the sale of stock from a bankruptcy court settlement, coverage of allowable costs by the State's Excess Liability Trust Fund (ELTF), a credit received for work performed on another Superfund site, and a court order. The ELTF state law states that if insufficient funds exists to pay claims neither the State nor the Fund are liable for unpaid claims

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress
Employee Retirement Systems and Plans

(amounts expressed in thousands)	Primary Government	Discretely Presented Component Units					
	SPRF	PERF - State	ECRF	JRS	PARF	LRS	TRF - Pre-1996 Account
Valuation Date: July 1, 2010							
Actuarial value of assets	$ 363,487	*	*	*	*	*	*
Actuarial accrued liability (AAL)	447,064	*	*	*	*	*	*
Excess of assets over (unfunded) AAL	(83,577)	*	*	*	*	*	*
Funded ratio	81%	*	*	*	*	*	*
Covered payroll	66,603	*	*	*	*	*	*
Excess (unfunded) AAL as a percentage of covered payroll	-125%	*	*	*	*	*	*
Valuation Date: July 1, 2009							
Actuarial value of assets	$ 356,056	$ 2,121,550	$ 68,170	$ 240,954	$ 26,467	$ 4,730	$ 5,109,086
Actuarial accrued liability (AAL)	453,688	2,443,039	89,296	330,551	44,632	5,087	16,027,093
Excess of assets over (unfunded) AAL	(97,632)	(321,489)	(21,126)	(89,597)	(18,165)	(357)	(10,918,007)
Funded ratio	78%	87%	76%	73%	59%	93%	32%
Covered payroll	68,283	1,749,781	25,238	36,196	20,782	**	2,030,484
Excess (unfunded) AAL as a percentage of covered payroll	-143%	-18%	-84%	-248%	-87%	**	-538%
Valuation Date: July 1, 2008							
Actuarial value of assets	$ 386,873	$ 2,469,432	$ 65,375	$ 234,881	$ 26,350	$ 5,120	$ 5,953,991
Actuarial accrued liability (AAL)	438,460	2,513,791	77,177	338,749	38,069	5,039	15,792,305
Excess of assets over (unfunded) AAL	(51,587)	(44,359)	(11,802)	(103,868)	(11,719)	81	(9,838,314)
Funded ratio	88%	98%	85%	69%	69%	102%	38%
Covered payroll	65,421	1,661,248	21,333	33,729	20,617	**	2,295,816
Excess (unfunded) AAL as a percentage of covered payroll	-79%	-3%	-55%	-308%	-57%	**	-429%
Valuation Date: July 1, 2007							
Actuarial value of assets	$ 371,918	$ 2,350,652	$ 57,414	$ 211,747	$ 23,815	$ 5,035	$ 5,763,508
Actuarial accrued liability (AAL)	413,969	2,335,082	74,451	283,995	32,052	5,169	15,988,259
Excess of assets over (unfunded) AAL	(42,051)	15,570	(17,037)	(72,248)	(8,237)	(134)	(10,224,751)
Funded ratio	90%	101%	77%	75%	74%	97%	36%
Covered payroll	59,863	1,573,566	17,715	29,712	18,092	**	2,376,390
Excess (unfunded) AAL as a percentage of covered payroll	-70%	1%	-96%	-243%	-46%	**	-430%

SPRF - State Police Retirement Fund
PERF - Public Employees' Retirement Fund
ECRF - Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Fund (Administered by the PERF board of trustees)
JRS - Judges' Retirement System (Administered by the PERF board of trustees)
PARF - Prosecuting Attorneys' Retirement Fund (Administered by the PERF board of trustees)
LRS - Legislators' Retirement System (Administered by the PERF board of trustees)
TRF - Teachers' Retirement Fund

* Information not available
** The benefit formula is determined based on service rather than compensation. July 1, 2009: The unfunded liability is expressed per active participant and there were 33 active participants. The unfunded liability per active participant was $10,817; July 1, 2008: The unfunded liability is expressed per active participant and there were 34 active participants. The funding excess per active participant was ($2,378); July 1, 2007: The unfunded liability is expressed per active participant and there were 43 active participants. The unfunded liability per active participant was $3,117.

Schedule of Funding Progress
Other Postemployment Benefits

(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
State Personnel Healthcare Plan						
6/30/2009	$ -	$ 51,306	$ 51,306	0.0%	N/A	N/A
6/30/2008	$ -	$ 67,405	$ 67,405	0.0%	N/A	N/A
6/30/2007	$ -	$ 62,190	$ 62,190	0.0%	$ 1,130,900	5.5%
Legislature's Healthcare Plan						
6/30/2009	$ -	$ 8,402	$ 8,402	0.0%	N/A	N/A
6/30/2008	$ -	$ 8,009	$ 8,009	0.0%	N/A	N/A
6/30/2007	$ -	$ 7,950	$ 7,950	0.0%	N/A	N/A
Indiana State Police Healthcare Plan						
6/30/2009	$ -	$ 407,846	$ 407,846	0.0%	N/A	N/A
6/30/2008	$ -	$ 341,923	$ 341,923	0.0%	N/A	N/A
6/30/2007	$ -	$ 329,292	$ 329,292	0.0%	N/A	N/A
Conservation and Excise Police Healthcare Plan						
6/30/2009	$ -	$ 57,305	$ 57,305	0.0%	N/A	N/A
6/30/2008	$ -	$ 45,308	$ 45,308	0.0%	N/A	N/A
6/30/2007	$ -	$ 42,836	$ 42,836	0.0%	$ 12,900	332.1%

Schedule of Employer Contributions
Other Postemployment Benefits

(dollar amounts in thousands)

Year Ended June 30	State Personnel Healthcare Plan		Legislature's Healthcare Plan		Indiana State Police Healthcare Plan		Conservation and Excise Police Healthcare Plan		Retiree Health Benefit Trust Fund	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2010	$ 6,292	30.4%	$ 519	60.3%	$ 42,106	21.4%	$ 5,373	24.3%	$ 55,502	100.0%
2009	$ 7,716	23.3%	$ 497	60.6%	$ 35,271	22.4%	$ 4,178	23.5%	$ 67,213	100.0%
2008	$ 7,231	22.6%	$ 492	56.1%	$ 34,275	21.6%	$ 3,965	22.7%	$ 56,113	100.0%

Budgetary Information

The Governor submits a budget biennially to be adopted by the General Assembly for the ensuing two-year period. The budget covers the general fund and most special revenue funds, but excludes the Armory Board and the Recreation funds at State institutions. The General Assembly enacts the budget through passage of specific appropriations, the sum of which may not exceed estimated revenues. Appropriations for programs funded from special revenue funds may allow expenditures in excess of original appropriations to the extent that revenues collected exceed estimated revenues.

The original budget is composed of the budget bill and continuing appropriations. The budget bill is enacted as the Appropriations Act that the Governor may veto, subject to legislative override. Continuing appropriations report budgeted expenditures as equal to the amount of revenues received during the year plus any balances carried forward from the previous year as determined by statute. Except as specifically provided by statute, appropriations or any part thereof remaining unexpended and unencumbered at the close of any fiscal year will lapse and be returned to the fund from which it was appropriated.

The final budget is composed of budgeted amounts as adopted and as amended by supplemental appropriations or appropriation transfers that were necessary during the current year. The State Board of Finance, which consists of the Governor, Auditor of State and Treasurer of State, is empowered to transfer appropriations from one fund of the State to another, with the exception of trust funds. The State Budget Agency may transfer, assign, and reassign almost any appropriation, except those restricted by law; but only when the uses and purposes of the funds concur. Excess general fund revenue is used to cover non-budgeted recurring expenditures and overdrafts of budgeted amounts at the end of the current year. Capital appropriations are initially posted to general government. As projects are approved by the State Budget Committee the appropriations are transferred to the function of government from which they are disbursed. In addition, expenditures under many federal grants are required to be spent before they are reimbursed by the federal government. These actions are considered supplemental appropriations; therefore, expenditures do not exceed appropriations for individual funds.

The legal level of budgetary control (the level on which expenditures may not legally exceed appropriations) is maintained at the fund level by the State Budget Agency. When budgets are submitted for each fund, certain recurring expenditures are not budgeted (medical service payments, tort claims) according to instructions from the State Budget Agency to the various agencies. The Budget Agency monitors all funds regularly in addition to monitoring excess general fund revenue that will be available at the end of the fiscal year to cover the non-budgeted, recurring expenditures.

State of Indiana
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
(Budgetary Basis)
For the Year Ended June 30, 2010
(amounts expressed in thousands)

	General Fund			
	Budget		Actual	Variance to Final Budget
	Original	Final		
Revenues:				
Taxes:				
Income	$ 5,089,306	$ 5,089,306	$ 4,407,837	$ (681,469)
Sales	6,131,700	6,131,700	5,891,874	(239,826)
Fuels	-	-	1	1
Gaming	645,800	645,800	91,144	(554,656)
Alcohol and tobacco	302,004	302,004	282,836	(19,168)
Insurance	177,200	177,200	176,469	(731)
Other	355,955	355,955	270,047	(85,908)
Total taxes	12,869,465	12,869,465	11,253,372	(1,616,093)
Current service charges	164,488	164,488	216,621	52,133
Investment income	50,077	50,077	27,551	(22,526)
Sales/rents	994	994	767	(227)
Grants	-	-	28,388	28,388
Other	30,055	30,055	75,522	45,467
Total revenues	13,115,079	13,115,079	11,602,221	(1,512,858)
Expenditures:				
Current:				
General government	1,208,396	1,919,986	1,090,533	829,453
Public safety	753,555	852,064	693,614	158,450
Health	59,581	80,501	58,523	21,978
Welfare	2,648,190	2,712,317	507,686	2,204,631
Conservation, culture and development	104,306	221,474	79,512	141,962
Education	9,195,527	9,213,742	8,638,332	575,410
Transportation	500	4,379	1,679	2,700
Total expenditures	13,970,055	15,004,463	11,069,879	3,934,584
Excess of revenues over (under) expenditures	(854,976)	(1,889,384)	532,342	(2,421,726)
Other financing sources (uses):				
Total other financing sources (uses)	(185,250)	(185,250)	(185,250)	-
Net change in fund balances	$ (1,040,226)	$ (2,074,634)	$ 347,092	$ 2,421,726
Fund balances July 1, as restated			$ 1,016,822	
Fund balances June 30			**$ 1,363,914**	

Public Welfare-Medicaid Assistance				State Highway Department			
Budget		Actual	Variance to Final Budget	Budget		Actual	Variance to Final Budget
Original	Final			Original	Final		
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
-	-	-	-	3	3	24,876	24,873
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	3	3	24,876	24,873
-	-	115,429	115,429	1,421	1,421	11,662	10,241
-	-	-	-	201	201	199	(2)
-	-	-	-	2,239	2,239	711	(1,528)
3,655,521	3,655,521	4,094,715	439,194	945,876	945,876	809,568	(136,308)
143,397	143,397	-	(143,397)	89,212	89,212	83,607	(5,605)
3,798,918	3,798,918	4,210,144	411,226	1,038,952	1,038,952	930,623	(108,329)
-	-	372	(372)	20,000	21,590	923	20,667
-	-	-	-	-	61,729	22,774	38,955
-	-	-	-	-	-	-	-
-	6,861,932	5,519,895	1,342,037	-	-	-	-
-	-	-	-	-	3,511	488	3,023
-	-	-	-	-	-	-	-
-	-	-	-	2,013,029	4,827,939	1,816,152	3,011,787
-	6,861,932	5,520,267	1,341,665	2,033,029	4,914,769	1,840,337	3,074,432
3,798,918	(3,063,014)	(1,310,123)	(1,752,891)	(994,077)	(3,875,817)	(909,714)	(2,966,103)
1,373,525	1,373,525	1,373,525	-	984,553	984,553	984,553	-
$ 5,172,443	$ (1,689,489)	$ 63,402	$ 1,752,891	$ (9,524)	$ (2,891,264)	$ 74,839	$ 2,966,103
		82,036				$ 236,936	
		$ 145,438				**$ 311,775**	

continued on next page

State of Indiana
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
(Budgetary Basis)
For the Year Ended June 30, 2010
(amounts expressed in thousands)

	Major Moves Construction Fund			
	Budget		Actual	Variance to Final Budget
	Original	Final		
Revenues:				
Taxes:				
Income	$ -	$ -	$ -	$ -
Sales	-	-	-	-
Fuels	-	-	-	-
Gaming	-	-	-	-
Alcohol and tobacco	-	-	-	-
Insurance	-	-	-	-
Other	-	-	-	-
Total taxes	-	-	-	-
Current service charges	-	-	-	-
Investment income	108,843	108,843	220,894	112,051
Sales/rents	-	-	-	-
Grants	-	-	-	-
Other	-	-	-	-
Total revenues	108,843	108,843	220,894	112,051
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Health	-	-	-	-
Welfare	-	-	-	-
Conservation, culture and development	-	-	-	-
Education	-	-	-	-
Transportation	545,000	555,000	10,661	544,339
Total expenditures	545,000	555,000	10,661	544,339
Excess of revenues over (under) expenditures	(436,157)	(446,157)	210,233	(656,390)
Other financing sources (uses):				
Total other financing sources (uses)	(535,271)	(535,271)	(535,271)	-
Net change in fund balances	$ (971,428)	$ (981,428)	$ (325,038)	$ 656,390
Fund balances July 1, as restated			$ 2,308,959	
Fund balances June 30			**$ 1,983,921**	

ARRA of 2009 Fund				U.S. Department of Health and Human Services Fund			
Budget		Actual	Variance to Final Budget	Budget		Actual	Variance to Final Budget
Original	Final			Original	Final		
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	44	44
-	-	-	-	-	-	44	44
-	-	-	-	-	-	589	589
-	-	-	-	-	-	11	11
-	-	-	-	-	-	-	-
955,414	955,414	1,547,508	592,094	-	-	1,083,762	1,083,762
-	-	98	98	-	-	8,352	8,352
955,414	955,414	1,547,606	592,192	-	-	1,092,758	1,092,758
75,778	244,504	249,134	(4,630)	-	19,730	11,090	8,640
-	36,917	9,803	27,114	-	6,870	4,218	2,652
-	27,435	16,607	10,828	-	460,647	239,615	221,032
549,200	983,918	781,240	202,678	-	2,165,306	1,224,315	940,991
-	90,761	31,674	59,087	-	-	11,736	(11,736)
52,459	830,288	447,772	382,516	-	1,623	604	1,019
440,838	468,967	332,591	136,376	-	-	-	-
1,118,275	2,682,790	1,868,821	813,969	-	2,654,176	1,491,578	1,162,598
(162,861)	(1,727,376)	(321,215)	(1,406,161)	-	(2,654,176)	(398,820)	(2,255,356)
8,467	8,467	8,467	-	298,755	298,755	298,755	-
$ (154,394)	$ (1,718,909)	$ (312,748)	$ 1,406,161	$ 298,755	$ (2,355,421)	$ (100,065)	$ 2,255,356
		$ 7,157				$ (7,555)	
		$ (305,591)				**$ (107,620)**	

Budget/GAAP Reconciliation
Major Funds

The cash basis of accounting (budgetary basis) is applied to each budget. The budgetary basis differs from GAAP. The major differences between budgetary (non-GAAP) basis and GAAP basis are:

(amounts expressed in thousands)	GENERAL FUND	PUBLIC WELFARE-MEDICAID ASSIS	STATE HIGHWAY DEPARTMENT	MAJOR MOVES CONSTRUCTION FUND	2009 ARRA FUND	U.S. DEPARTMENT OF HEALTH AND HUMAN	Total
Net change in fund balances (budgetary basis)	$ 347,092	$ 63,402	$ 74,839	$ (325,038)	$ (312,748)	$ (100,065)	**$ (252,518)**
Adjustments necessary to convert the results of operations on a budgetary basis to a GAAP basis are:							
Revenues are recorded when earned (GAAP) as opposed to when cash is received (budgetary)	(43,526)	44,889	(51,611)	116,622	33,283	33,980	**133,637**
Expenditures are recorded when the liability is incurred (GAAP) as opposed to when payment is made (budgetary)	481,638	(16,978)	(50,604)	130	(22,873)	(9,546)	**381,767**
Net change in fund balances (GAAP basis)	**$ 785,204**	**$ 91,313**	**$ (27,376)**	**$ (208,286)**	**$ (302,338)**	**$ (75,631)**	**$ 262,886**

Infrastructure - Modified Reporting
Condition Rating of the State's Highways and Bridges

Roads	Average International Roughness Index (IRI)		
	2010	2009	2008
Interstate Roads (excluding Rest Areas and Weigh Stations)	84%	78%	77%
NHS Roads - Non-Interstate (excluding Rest Areas and Weigh Stations)	88%	81%	76%
Non-NHS Roads	97%	77%	72%

The condition of road pavement is based on the International Roughness Index (IRI), which is a measure of the roughness of the pavement in terms of inches per mile, and applies both to Portland cement concrete (PCC) and hot mix asphalt (HMA) pavements. IRI's range from zero for a pavement in perfect condition to ratings above 170 for a failed pavement. The condition index is used to classify roads in excellent condition (0-79), good condition (80-114), fair condition (115-149), marginal condition (150-169), and poor condition (above 170). It is the State's policy to maintain a network average of no more than 95 IRI. Condition assessments are determined on an annual basis for all roads maintained by INDOT.
The ratings provided are based on data gathered during the summer (May to October) of the corresponding calendar year. The data are evaluated and compared to standard criteria by the end of the calendar year.

Bridges	Average Sufficiency Rating		
	2010	2009	2008
Interstate Bridges	88.8%	90.6%	88.9%
NHS Bridges - Non-Interstate	90.0%	90.6%	89.6%
Non-NHS Bridges	87.4%	88.7%	87.4%

The condition of the State's bridges is measured based on a sufficiency rating, which is based on a weighted average of four factors indicative of a bridge's sufficiency to remain in service. The sufficiency rating uses a measurement scale that ranges from zero for an entirely insufficient or deficient bridge to 100 for an entirely sufficient bridge. The sufficiency rating is used to classify bridges in excellent condition (90-100), good condition (80-89), fair condition (70-79), marginal condition (60-69), and poor condition (below 60). It is the State's policy to maintain Interstate bridges at a minimum sufficiency rating of 87%, NHS Non-Interstate bridges at 85%, and Non-NHS bridges at 83%. Sufficiency ratings are determined at least on a biennial basis for all bridges. Sufficiency ratings are determined more frequently for certain bridges depending on their design.

Infrastructure - Modified Reporting
Comparison of Needed-to-Actual Maintenance/Preservation
(dollars in thousands)

	2010	2009	2008	2007	2006
Roads					
Interstate Roads (including Rest Areas and Weigh Stations):					
Needed	$ 241,935	$ 263,764	$ 120,147	$ 212,485	$ 105,267
Actual	226,401	246,089	256,482	248,803	126,361
NHS and Non-NHS Roads - Non-Interstate (including Rest Areas and Weigh Stations)					
Needed	381,433	391,641	419,001	145,720	234,789
Actual	423,949	571,000	374,770	297,223	413,557
Roads at State Institutions and Properties					
Needed	2,073	1,734	1,225	2,529	1,173
Actual	1,635	4,884	3,146	3,069	4,496
Total					
Needed	625,441	657,139	540,373	360,734	341,229
Actual	651,985	821,973	634,398	549,095	544,414
Bridges					
Interstate Bridges					
Needed	$ 75,181	$ 82,668	$ 34,723	$ 37,157	$ 5,749
Actual	51,416	37,931	43,904	37,070	29,520
NHS Bridges - Non-Interstate					
Needed	25,706	24,438	4,695	10,220	31,943
Actual	24,299	7,794	13,568	14,154	11,459
Non-NHS Bridges					
Needed	79,055	48,214	26,694	31,549	44,859
Actual	60,861	39,707	34,138	35,118	31,145
Bridges at State Institutions and Properties					
Needed	5	-	-	-	-
Actual	354	253	3	-	-
Total					
Needed	179,947	155,320	66,112	78,926	82,551
Actual	136,930	85,685	91,613	86,342	72,124

Data provided by Comparative Report of Preservation Costs


SEAL OF THE STATE OF INDIANA
1816

SUPPLEMENTAL AUDIT OF

FEDERAL AWARDS

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 AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE STATE OF INDIANA

Compliance

We have audited the compliance of the State of Indiana with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. The State of Indiana's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the State of Indiana's management. Our responsibility is to express an opinion on the State of Indiana's compliance based on our audit.

The State of Indiana's basic financial statements include the operations of Purdue University, Indiana University, Indiana State University, Ball State University, Vincennes University, University of Southern Indiana, Ivy Tech State College, Indiana Finance Authority, and Indiana Housing and Community Development Authority which expended a total of $3,025,485,177 in federal awards that are not included in the schedule for the year ended June 30, 2010. Our audit, described below, did not include the operations of these units because they have separate audits performed in accordance with OMB Circular A-133. See Note 3 of the Notes to the Schedule of Expenditures of Federal Awards for federal funds expended by each unit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State of Indiana's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the State of Indiana's compliance with those requirements.

As described in Findings 2010-FSSA-7, 2010-DCS-1, 2010-DCS-5, 2008-FSSA-3, and 2007-FSSA-1, in the accompanying Schedule of Findings and Questioned Costs and Summary Schedule of Prior Audit Findings, the State of Indiana did not comply with requirements regarding Activities Allowed or Unallowed, Allowable Costs, Cost Principles, and Reporting that are applicable to the Medicaid Program, State Children's Health Insurance Program, and the Social Services Block Grant. Compliance with such requirements is necessary, in our opinion, for the State of Indiana to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the State of Indiana complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the year ended June 30, 2010. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 96-FSSA(DCS)-33, 2000-FSSA(DCS)-1, 2000-FSSA(DCS)-3, 2000-FSSA(DCS)-5, 2003-FSSA-16, 2005-FSSA-30, 2008-FSSA-1, 2008-FSSA-5, 2009-IDOE-1, 2009-IDOE-10, 2009-INDOT-1, 2009-IDWD-2, 2010-LT GOV-1, 2010-SBA-1, 2010-SBA-2, 2010-DCS-1, 2010-DCS-2, 2010-DCS-5, 2010-DCS-6, 2010-FSSA-4, 2010-FSSA-7, 2010-FSSA-10, 2010-FSSA-11, 2010-FSSA-12, 2010-FSSA-13.

Internal Control Over Compliance

The management of the State of Indiana is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the State of Indiana's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Indiana's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in the State of Indiana's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in 2010-FSSA-1, 2010-FSSA-2, 2010-FSSA-3, 2010-FSSA-5, 2010-FSSA-6, 2010-FSSA-8, 2010-FSSA-9, 2010-FSSA-10, 2010-DCS-2, 2010-DCS-3, 2010-DCS-4, 2010-DCS-6, 2010-DCS-7, 2010-IDHS-1, 2010-LT GOV-1, 2010-SBA-1, and 2010-IDOE-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies. Significant deficiencies per the prior audit that are still considered significant deficiencies are Findings 99-FSSA(DCS)-7, 2000-FSSA(DCS)-1, 2000-FSSA(DCS)-2, 2000-FSSA(DCS)-3, 2000-FSSA(DCS)-5, 2003-FSSA(DCS)-1, 2003-FSSA-16, 2004-FSSA-5, 2004-FSSA-6, 2004-FSSA-8, 2005-FSSA(DCS)-4, 2005-FSSA(DCS)-5, 2005-FSSA-10, 2005-FSSA-16, 2005-FSSA-19, 2005-FSSA-20, 2005-FSSA-23, 2005-FSSA-30, 2006-FSSA-2, 2006-FSSA-5, 2006-FSSA-11, 2006-FSSA-12, 2006-FSSA-13, 2006-FSSA-14, 2007-FSSA-1, 2007-FSSA-2, 2007-FSSA-6, 2008-FSSA-1, 2008-FSSA-3, 2008-FSSA-4, 2008-FSSA-5, 2008-FSSA-7, 2008-FSSA-9, 2008-FSSA-10, 2009-FSSA-2, 2009-FSSA-3, 2009-FSSA-4, 2009-FSSA-6, 2009-FSSA-7, 2009-FSSA-8, 2009-DCS-1, 2009-IDOE-1, 2009-IDOE-3, 2009-IDOE-4, 2009-IDOE-5, 2009-IDOE-6, 2009-IDOE-8, 2009-IDOE-9, 2009-IDOE-11, and 2009-IDWD-2.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider Findings 99-FSSA(DCS)-7, 2000-FSSA(DCS)-3, 2000-FSSA(DCS)-5, 2005-FSSA(DCS)-5, 2005-FSSA-30, 2007-FSSA-1, 2008-FSSA-3, 2008-FSSA-5, 2009-FSSA-4, 2009-IDOE-10, 2009-INDOT-1, 2010-FSSA-4, 2010-FSSA-7, 2010-FSSA-11, 2010-FSSA-12, 2010-FSSA-13, 2010-DCS-1, 2010-DCS-5, and 2010-SBA-2 to be material weaknesses.

The State of Indiana's response to the findings identified in our audit is described in the accompanying Official Response section of the report. We did not audit the State of Indiana's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the State of Indiana's management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

March 9, 2011

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF AGRICULTURE					
Supplemental Nutrition Assistance Program (SNAP) Cluster					
Supplemental Nutrition Assistance Program (SNAP)	10.551	FSSA	N/A	$ 1,251,159,626	$ -
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561				
Food Stamp		FSSA	2008 IS 2514 42	(2,479,456)	-
Food Stamp		FSSA	2009 IS 2514 42	25,498,986	-
FS IMPACT		FSSA	2008 IS 2519 42	(102,460)	-
FS IMPACT		FSSA	2009 IS 2519 42	1,711,408	-
FS IMPACT		FSSA	2008 IS 2520 42	1,125	-
FS IMPACT		FSSA	2009 IS 2520 42	52,392	-
FS IMPACT		FSSA	2009 IS 650342	346,693	-
Program Integrity		FSSA	2007 IS 8036 42	(5,664)	-
ARRA - SNAP Recovery Act- ARRA		FSSA	2009 ID 250342	3,042,289	-
Supplemental Nutrition Assistance Program (SNAP)		FSSA	2010 IS 2514 42	26,046,114	-
SNAP E&T		FSSA	2010 8E 2518 42	145,689	-
SNAP E&T		FSSA	2010 IE 2518 42	1,246,924	-
SNAP E&T		FSSA	2010 IS 2519 42	588,586	-
SNAP E&T		FSSA	2010 IS 2520 42	26,020	-
Program Integrity		FSSA	2009 IS 8026 42	713	-
Program Integrity		FSSA	2009 IS 8036 42	10,715	-
Program Integrity		FSSA	2010 IS 8036 42	1,525	-
SNAP Contingency 2 yr.		FSSA	2010 IQ 2703 42	7,209,731	-
		FSSA	2010 ID 250342	3,081,028	-
Total for Program				66,422,358	-
Total for Cluster				1,317,581,984	-
Child Nutrition Cluster					
School Breakfast Program (SBP)	10.553				
School Breakfast Program		IDOE	2009IN109942	10,865,706	10,865,706
School Breakfast Program		IDOE	2010IN109942	42,613,994	42,613,994
Total for Program				53,479,700	53,479,700
National School Lunch Program (NSLP)	10.555				
National School Lunch Program		IDOE	2008IN109942	710,603	111,741
National School Lunch Program		IDOE	2009IN109942	47,365,118	42,823,162
National School Lunch Program		IDOE	2010IN109942	165,121,156	164,934,299
Food Commodities		IDOE	n/a	28,055,281	-
Total for Program				241,252,158	207,869,202
Special Milk Program for Children (SMP)	10.556				
Special Milk Program		IDOE	2009IN109942	89,431	89,431
Special Milk Program		IDOE	2010IN109942	124,246	124,246
Total for Program				213,677	213,677
Summer Food Service Program for Children (SFSPC)	10.559				
Summer Food Service Program		IDOE	2009IN109942	6,738,408	-
Summer Food Service Program		IDOE	2010IN109942	508,518	-
Summer Food Service SAE		IDOE	2009IN109942	113	-
Total for Program				7,247,039	-
Total for Cluster				302,192,574	261,562,579
Emergency Food Assistance Cluster					
Emergency Food Assistance Program (Administrative Costs)	10.568				
The Emergency Food Assistance Program - 2009		ISDOH	2IN810001	467,823	-
The Emergency Food Assistance Program - 2010		ISDOH	2IN810001	691,063	69,045
ARRA - The Emergency Food Assistance Program - 2009		ISDOH	2IN840001	486,571	-
ARRA - The Emergency Food Assistance Program - 2010		ISDOH	2IN840001	274,378	-
Total for Program				1,919,835	69,045
Emergency Food Assistance Program (Food Commodities)	10.569	LTGOV	2008IY810542	232,256	-
Total for Cluster				2,152,091	69,045

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF AGRICULTURE (continued)					
Plant and Animal Disease, Pest Control, and Animal Care	10.025				
Johne's 2008		BOAH	08-9618-0159-CA	1,790	-
National Animal ID 2009		BOAH	09-9118-0723-CA	57,192	-
Viral Hemorrhagic Septicemia Disease (VHS) 2008		BOAH	08-9618-0880-CA	33,130	-
Viral Hemorrhagic Septicemia Disease (VHS) 2009		BOAH	09-9618-0880-CA	5,895	-
Emerald Ash Borer Education, Outreach, & Surveys		DNR	09-8218-0431-CA	112,873	-
Indiana Cooperative Agricultural Pest Survey Program		DNR	10-8218-0332-CA	1,733	-
Emerald Ash Borer Education, Outreach, & Surveys		DNR	10-8218-0431-CA	4,207	-
Indiana Cooperative Agricultural Pest Survey Program		DNR	09-8218-0332-CA	72,573	-
Noxious Weed Surveys		DNR	09-8218-0302-CA	8,075	-
Noxious Weed Surveys		DNR	10-8218-0302-CA	5,937	-
Total for Program				303,406	-
Animal and Plant Health Inspection Service (APHIS)					
Chronic Wasting Disease Surveillance & Management	10.026	DNR	09-9618-0129CA	44,215	-
Wildlife Services	10.028				
Avian Influenza Monitoring in Waterfowl		DNR	07-7100-0198-CA	12,477	-
Conservation Reserve Program - CRP Sign up 31-33	10.069	DNR	08-DG-11420004-311	65,783	-
Agricultural and Rural Economic Research	10.250				
Scrapie 2007		BOAH	07-9618-0039-CA	(20)	-
Scrapie 2008		BOAH	08-9618-0039-CA	47,540	-
Scrapie 2009		BOAH	09-9618-0039-CA	43,430	-
Scrapie 2010		BOAH	10-9618-0039-CA	577	-
Total for Program				91,527	-
Cooperative Agreements with States for Intrastate Meat & Poultry Inspection	10.475				
2009		BOAH	318-B-1-983	473,548	-
2010		BOAH	318-B-1-983	1,251,879	-
Total for Program				1,725,427	-
Food Safety Cooperative Agreements	10.479				
Food Emergency Response Network - 2009		ISDOH	FSIS-C-45-2005/04	60,655	-
Food Emergency Response Network - 2010		ISDOH	FSIS-C-45-2005/05	77,008	-
Total for Program				137,663	-
Food Distributions	10.550	EPCC	06-02-82-9550	19,185	-
Special Supplemental Nutrition Program for Women, Infants and Children	10.557				
USDA WIC Program-2008		ISDOH	MWSSHP2-3:WFM2	2,531	-
USDA WIC Program-2009		ISDOH	MWSSHP2-3:WFM2	28,322,020	11,049,962
USDA WIC Program-2010 *		ISDOH	2IN700002	74,101,182	13,009,425
WIC Peer Counselor Grant FY09		ISDOH	MWSSNP 2-3: WFM6	122,774	122,774
WIC Peer Counselor Grant FY10		ISDOH	2IN700012	145,793	145,793
WIC Peer Counselor Grant FY11		ISDOH	2IN700012	4,260	4,260
USDA WIC Farmers' Market Program-2009		ISDOH	MWSSNP 2-1:WC 15-3	236,738	-
USDA WIC Farmers' Market Program-2010		ISDOH	2IN810001	6,147	-
USDA WIC Senior Farmers' Market Program-2009		ISDOH	MWSSNP 2-1:SFMNP 4	58,105	-
Total for Program				102,999,552	24,332,215
Child and Adult Care Food Program	10.558				
Child Care Food Service Program		IDOE	2009IN109942	14,455,968	-
Child Care Food Service Program		IDOE	2010IN109942	28,765,232	-
Child Care Audit Program		IDOE	2009IN109942	37,036	-
Total for Program				43,258,236	-

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF AGRICULTURE (continued)					
State Administrative Expenses for Child Nutrition	10.560				
Child Nutrition SAE Program 2009		IDOE	2009IN253342	624,507	-
Child Nutrition SAE Program 2010		IDOE	2010IN253342	982,561	-
Total for Program				1,607,068	-
Commodity Supplemental Food Program	10.565				
		LTGOV	2008IY800542	6,855	-
Commodity & Supplemental Food Program - 2009		ISDOH	2IN810001	112,829	-
Commodity & Supplemental Food Program - 2010		ISDOH	2IN810001	164,572	-
Total for Program				284,256	-
Team Nutrition Grants	10.574	IDOE	2009IN350330	38,488	38,488
Stimulus Grant - School Lunch Equipment - Grant 2009	10.579	IDOE	2IN34026	1,878,773	1,878,773
Fresh Fruit and Vegetable Program	10.582				
Fresh Fruit and Vegetable Program		IDOE	2009IL160330	458,494	304,730
Fresh Fruit and Vegetable Program		IDOE	2010IL160330	684,882	637,280
Total for Program				1,143,376	942,010
Forest Research - Forest Inventory & Analysis 2008	10.652	DNR	08-CA-11252305-011	158,249	-
Cooperative Forestry Assistance	10.664				
Invasive Species - 2004		DNR	04-DG-11244225-437	33,920	-
Persistent Forestry Issues - 2004		DNR	04-DG-11244225-180	4,145	-
Watershed - 2004		DNR	04-DG-11244225-377	12,650	-
Consolidated Grant - 2005 EAB		DNR	05-DG-11244225-035	2,644	-
2006 Consolidated Grant		DNR	300FR106MAN6	14,850	-
2006 Consolidated Grant		DNR	06-DG-11244225-030	23,607	-
2007 State Fire Assistance		DNR	07-DG-11244225-019	38,388	-
2007 Slow the Spread		DNR	07-01-04	(51,027)	-
State Fire Assistance -08cons pmt		DNR	08-DG-11420004-208	255,153	-
Volunteer Fire Assistance 2008		DNR	08-DG-11420004-220	61,043	-
GM Slow the Spread 2008		DNR	08-01-04	(20,755)	-
GM Slow the Spread 2009		DNR	09-01-04	144,559	-
Volunteer Fire Assistance 2009		DNR	08-DG-11420004-220	167,877	-
GM Slow the Spread 2010		DNR	10-01-04	82,336	-
Total for Program				769,389	-
Urban and Community Forestry Program	10.675				
2007 Urban & Community Forest		DNR	07-DG-11244225-019	99,850	-
Community & Urban Forestry -08cons pmt		DNR	08-DG-11420004-208	112,005	-
Urban & Community Forestry -09 cons pmt		DNR	09-DG-11420004-211	230,819	-
Total for Program				442,674	-
Forestry Legacy Program	10.676				
2006 Forest Legacy Acquisition		DNR	06-DG-11244225-031	250,556	-
Forest Legacy-2006		DNR	06-DG-11244225-032	14,939	-
2007 Legacy Administration		DNR	07-DG-11420004-326	7,615	-
Forest Legacy Program-2003		DNR	03-DG-11244225-231	1,265,000	-
Total for Program				1,538,110	-
Forest Land Enhancement Program	10.677				
Forest Land Enhancement Program		DNR	05-DG-11244225-327	28,152	-
Forest Land Enhancement 2006		DNR	06-DG-11244225-230	(2,079)	-
Total for Program				26,073	-

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF AGRICULTURE (continued)					
Forest Stewardship Program	10.678				
CRP Sign-up 36		DNR	09-DG-11420004-384	23,000	-
Next Generation Forester		DNR	09-DG-11420004-209	2,516	-
Total for Program				25,516	-
Forest Health Protection	10.680				
Butternut Restoration		DNR	09-DG-11420004-210	24,389	-
EAB Delimitation Survey		DNR	09-DG-11420004-343	24,821	-
Total for Program				49,209	-
Wildlife Habitat Incentive Program	10.914				
Wildlife Habitat Incentives Program - Posey Co Flatwoods		DNR	7252KY4A101	2,629	-
Wildlife Habitat Incentives Program - Prairie Cr Barrens		DNR	7252KY4A149	3,300	-
Total for Program				5,929	-
Emergency Watershed Protection Program - 2010 Bear Lake Spill Way Repair	10.923	DNR	65-52KY-9-0043	13,706	-
Other Assistance					
Plant Surveys Hoosier National Forest	10.000	DNR	05-PA-11091200-040	11,120	-
Total for Other Assistance				11,120	-
Total U.S. Department of Agriculture				1,778,576,056	288,823,110
U.S. DEPARTMENT OF COMMERCE					
Economic Adjustment Assistance	11.307	LTGOV	06-69-05330	186,134	108,048
Coastal Zone Management Administration Awards	11.419				
Indiana Lake Michigan Coastal Program		DNR	NA06NOS4190161	210,334	30,882
Indiana Lake Michigan Coastal Program		DNR	NA07NOS4190067	304,410	270,909
Indiana Lake Michigan Coastal Program		DNR	NA07NOS4190067	82,106	-
Indiana Lake Michigan Coastal Program		DNR	NA08NOS4190420	414,099	110,884
Indiana Lake Michigan Coastal Program		DNR	NA09NOS4190079	383,697	80,980
Total for Program				1,394,646	493,655
Habitat Conservation - Dunes Creek Daylighting Final Phase	11.463	DNR	NA09NMF4630289	1,154,148	-
2007 PSIC	11.555	IDHS	2007-GS-H7-0041	2,360,136	2,280,631
Minority Business Enterprise Center					
Original award 02/01/2007 to 01/31/2010	11.800	IDOA	05-10-07005-01	83,333	-
Amendment 1 effective 07/01/07		IDOA	05-10-07005-01	100,000	-
Amendment 2 effective 02/01/08		IDOA	05-10-07005-01	200,000	-
Amendment 3 effective 02/01/09		IDOA	05-10-07005-01	100,000	-
Amendment 4 effective 07/01/09		IDOA	05-10-07005-01	100,000	-
Amendment 5 effective 02/01/10		IDOA	05-10-07005-01	33,171	-
Total for Program				616,504	-
Total U.S. Department of Commerce				5,711,568	2,882,335
U.S. DEPARTMENT OF DEFENSE					
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113				
BRAC 88 Army		IDEM	IN 08-1	26,424	-
Navy BRAC 95		IDEM	IN 08-1	1,273	-
Air Force IR		IDEM	IN 08-1	16,907	-
AF BRAC 91		IDEM	IN 08-1	3,808	-
FUDS		IDEM	IN 08-1	21,042	-

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF DEFENSE (continued)					
State Memorandum of Agreement Program for the Reimbursement of Technical Services (continued)					
FUDS MAP		IDEM	IN 08-1	795	-
DNSC-IR		IDEM	IN 08-1	5,035	-
1300000 Misc DERA		IDEM	IN 08-1	59,910	-
		IDEM		(7,347)	-
Newport Army Chemical Demilitarization		IDEM		58,185	-
Newport Army Non-Stockpile		IDEM		1,455	-
Newport Stockpile Environmental Per		IDEM		16,037	-
Total for Program				203,524	-
Military Construction, National Guard	12.400				
MOUT Urban Assault Training Course		MD	W912L9-06-2-2001	3,730	-
Lafayette Readiness Center		MD	W912L9-07-2-2001	15,985,134	-
Johnson County Readiness Center		MD	W912L9-08-2-2001	3,236,209	-
DPW Facilities at Camp Atterbury		MD	W912L9-09-2-2001	3,220,096	-
Total for Program				22,445,169	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401				
ARNG Real Property Operations and Maintenance		MD	W912L9-08-2-1001	231,049	-
ARNG Real Property Operations and Maintenance		MD	W912L9-09-2-1001	12,080,403	-
ARNG Real Property Operations and Maintenance		MD	W912L9-10-2-1001	10,570,493	-
ARNG Environmental		MD	W912L9-09-2-1002	267,464	-
ARNG Environmental		MD	W912L9-10-2-1002	490,359	-
ARNG Security Personnel		MD	W912L9-09-2-1003	733,669	-
ARNG Security Personnel		MD	W912L9-10-2-1003	1,569,534	-
ARNG Electronic Security		MD	W912L9-09-2-1004	64,066	-
ARNG Electronic Security		MD	W912L9-10-2-1004	26,301	-
ARNG Telecommunications		MD	W912L9-09-2-1005	1,146,780	-
ARNG Telecommunications		MD	W912L9-10-2-1005	2,271,813	-
ARNG Sustained Range Programs		MD	W912L9-09-2-1007	1,422,829	-
ARNG Sustained Range Programs		MD	W912L9-10-2-1007	747,697	-
ARNG Anti-Terrorism Program Managers		MD	W912L9-09-2-1010	17,475	-
ARNG Anti-Terrorism Program Managers		MD	W912L9-10-2-1010	44,619	-
ANG Facility Operations and Maintenance (Baer)		MD	W912L9-09-2-1021F	198,742	-
ANG Facility Operations and Maintenance (Baer)		MD	W912L9-10-2-1021F	473,733	-
ANG Facility Operations and Maintenance (Hulman)		MD	W912L9-09-2-1021T	193,654	-
ANG Facility Operations and Maintenance (Hulman)		MD	W912L9-10-2-1021T	464,682	-
ANG Security Guard Activities (Baer)		MD	W912L9-09-2-1023F	196,107	-
ANG Security Guard Activities (Baer)		MD	W912L9-10-2-1023F	445,799	-
ANG Security Guard Activities (Hulman)		MD	W912L9-09-2-1023T	197,308	-
ANG Security Guard Activities (Hulman)		MD	W912L9-10-2-1023T	418,802	-
ANG Fire Protection Activities (Baer)		MD	W912L9-09-2-1024F	234,532	-
ANG Fire Protection Activities (Baer)		MD	W912L9-10-2-1024F	521,270	-
ARRA - IMEF Roof Replacement		MD	W912L9-09-2-9041	463,750	-
ARRA - Roof Replacements and Bldg Renovation		MD	W912L9-09-2-9056	670,134	-
Total for Program				36,163,064	-
National Guard Civilian Youth Opportunities	12.404				
ARNG Youth ChalleNGe		MD	W912L9-09-2-4000	1,247,474	-
ARNG Youth ChalleNGe Travel		MD	W912L9-09-2-4003	8,369	-
ARNG Youth ChalleNGe Travel		MD	W912L9-10-2-4003	29,639	-
Total for Program				1,285,482	-
Community Economic Adjustment Planning Assistance for Joint Land Use Studies	12.610	LTGOV	EN0718-08-01	53,812	53,812
Total U.S. Department of Defense				60,151,051	53,812
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228				
Disaster Recovery Assistance		LTGOV	B-98-DC-180001	110,000	110,000
Disaster Recovery Assistance		LTGOV	B-00-DC-180001	30,000	30,000
Disaster Recovery Assistance		LTGOV	B-03-DC-180001	9,960	9,960

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (continued)					
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (continued)					
Disaster Recovery Assistance		LTGOV	B-04-DC-180001	87,115	87,115
Disaster Recovery Assistance		LTGOV	B-05-DC-180001	1,376,983	1,376,983
Disaster Recovery Assistance		LTGOV	B-06-DC-180001	333,828	299,152
Disaster Recovery Assistance		LTGOV	B-07-DC-180001	2,976,473	2,960,538
Disaster Recovery Assistance		LTGOV	B-08-DC-180001	19,376,546	18,731,316
Disaster Recovery Assistance		LTGOV	B-08-DF-18-0001	13,870,872	13,775,710
Disaster Recovery Assistance		LTGOV	B-08-DI-18-0001	15,085,715	14,979,620
Disaster Recovery Assistance		LTGOV	B-09-DC-180001	7,526,673	7,526,673
Total for Program				60,784,165	59,887,067
Fair Housing Assistance Program - State and Local	14.401				
Cooperative Agreement 07-08		ICRC	FF205K075008	199	-
Cooperative Agreement 05-06		ICRC	FF205K055008	13,799	-
Cooperative Agreement 2003		ICRC	FF205K035008	18,895	-
Total for Program				32,893	-
Lead-Based Paint Hazard Control in Privately-Owned Housing 2000	14.900	ISDOH	ILHB0450-09	5,716	-
Other Assistance					
Community Development Block Grant Recovery Funds	14	LTGOV	B-09-DY-18-001	1,181,707	1,171,775
Total Other Assistance				1,181,707	1,171,775
Total U.S. Department of Housing and Urban Development				62,004,481	61,058,842
U.S. DEPARTMENT OF INTERIOR					
Fish and Wildlife Cluster					
Sport Fish Restoration Program	15.605				
Statewide Public Access (Fishing and Boating)		DNR	FW-21-D-43	497,462	-
Statewide Fisheries Management		DNR	F-10-D-42	1,016,491	-
Statewide Fisheries Management		DNR	F-10-D-43	261,978	-
PA-Falls of the Ohio Boat Ramp		DNR	FW-21-D-44	64,442	-
Statewide Hatchery Operations		DNR	F-21-D-19	708,435	35,129
Statewide Hatchery Operations		DNR	F-21-D-20	703,263	14,485
Indiana Aquatic Resources Education Program		DNR	F-24-E-13	(2,987)	-
Indiana Aquatic Resources Education Program		DNR	F-24-E-14	99,699	-
Lake Michigan Yellow Perch Dynamics		DNR	F-27-R-2	174,278	174,278
Total for Program				3,523,059	223,892
Wildlife Restoration	15.611				
St. Joe Valley Conservation Club Phase IV		DNR	W-32-S-15	22,000	22,000
Wildlife Restoration Activities on Reservoir Properties		DNR	W-39-HM-1	9,402	-
Private Lands Technical Assistance		DNR	W-34-T-1	421,403	-
TB Deer Surveillance and Monitoring		DNR	W-35-R-1	37,808	-
IN Wildlife Surveys & Monitoring-Birds		DNR	W-36-R-1	43,081	-
Wildlife Restoration on Natural Areas		DNR	W-37-D-1	10,306	-
IN Wildlife Surveys & Monitoring-Birds		DNR	W-38-R-1	2,936	-
Total for Program				546,936	22,000
Total for Cluster				4,069,995	245,892
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	15.250				
Indiana Administration and Enforcement (A&E) Grant		DNR	S09AP15103	1,872,629	-
Abandoned Mine Land Reclamation (AMLR) Program	15.252				
Indiana Abandoned Mine Land (AML) Grant		DNR	S06AP12186	(1,827)	-
Indiana Abandoned Mine Land (AML) Grant		DNR	S07AP12391	1,458,621	-

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF INTERIOR (continued)					
Abandoned Mine Land Reclamation (AMLR) Program (continued)					
Indiana Abandoned Mine Land (AML) Grant		DNR	S08AP12632	2,809,253	-
Indiana Abandoned Mine Land (AML) Grant		DNR	S09AF15163	4,809,752	-
Indiana Abandoned Mine Land (AML) Grant		DNR	S10AP15796	1,070,334	-
Indiana Abandoned Mine Land (AML) Grant		DNR	S10AF16264	429,361	-
Total for Program				10,575,495	-
Cooperative Endangered Species Conservation Fund	15.615				
Endangered Species Program		DNR	E-1-15	18,676	18,676
Mitchell's Satyr Habitat Conservation Plan		DNR	E-5-HP-1	1,425	-
Conservation Strategy Federally Listed Plant Species		DNR	E-8-R-1	9,526	-
Overwinter Weight Loss in IN Bats		DNR	E-10-R-1	40,835	32,247
Bat Banding Registry for Indiana		DNR	E-7-R-1	10,159	10,159
NiSource Gas Transmission Line HCP		DNR	E-9-HP-1	759,452	759,452
Total for Program				840,074	820,535
Clean Vessel Act	15.616				
Clean Vessel Pumpout		IDEM	CV-1-7	22,823	-
Clean Vessel Pumpout		IDEM	CV-1-7	223	-
Clean Vessel Pumpout		IDEM	CV-1-8	10,550	-
Clean Vessel Pumpout		IDEM	CV-1-9	630	-
Clean Vessel Pumpout		IDEM	CV-1-10	37,125	-
Clean Vessel Pumpout		IDEM	CV-1-11	11,636	-
Clean Vessel Pumpout		IDEM	CV-1-12	14,847	-
Clean Vessel Pumpout		IDEM	CV-1-13	35,580	-
Tier 1		IDEM	Y-4-B-1	82,260	-
Tier 1		IDEM	Y-8-B-1	76,570	-
Total for Program				292,244	-
Firearm and Bow Hunter Education and Safety Program	15.626				
Wells County Conservation Club Improvements		DNR	W-33-E-1	187,368	23,893
Indiana Hunter Education Program		DNR	W-32-S-16	23,893	-
Total for Program				211,261	23,893
Landowner Incentive Program	15.633				
Conversion of Brome & Fescue Stands to Wildlife Friendly Grasses, etc.		DNR	I-4-T-1	52,620	-
State Wildlife Grant	15.634				
Wildlife Diversity Survey & Monitoring		DNR	T-3-5	112,674	-
Population Genetics Allegheny Woodrat in IN		DNR	T-7-R-2	58,270	37,053
Assessment of Eastern Hellbender Population Status		DNR	T-7-R-3	125,345	125,345
Assessment of the Role of Interstate Highways as Barriers to Gene Flow		DNR	T-7-R-4	215,554	215,554
DNA Sex Determination in Lake Sturgeon Using Roche 454		DNR	T-7-R-5	9,568	9,568
Redside Dace Population Research		DNR	T-7-R-6	10,168	10,168
Crawfish Frogs Population Research		DNR	T-7-R-7	162,447	162,447
Timber Rattlesnake Investigations		DNR	T-7-R-8	59,972	59,972
Box Turtle Investigations		DNR	T-7-R-9	56,210	56,210
Recovery of Allegheny Woodrats		DNR	T-7-R-10	20,883	9,076
State Wildlife Grant Project Coordination		DNR	T-9-C-4	133,445	-
Total for Program				964,536	685,394
Historic Preservation Fund Grants-In-Aid	15.904				
Historic Preservation Fund		DNR	18-08-21719	478,134	78,866
Historic Preservation Fund		DNR	18-09-21820	464,040	292,520
Total for Program				942,174	371,386
Outdoor Recreation - Acquisition, Development and Planning	15.916				
Red Mill County Park		DNR	18-00549	120,184	63,717
180557 Big Walnut Community Park		DNR	18-00557	129,342	-
Argos Community Park Expansion		DNR	18-00565	80,092	80,092
IN Statewide Outdoor Rec Plan (SCORP)		DNR	18-00566	9,293	-

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF INTERIOR (continued)					
Outdoor Recreation - Acquisition, Development and Planning (continued)					
Blue River Expansion Phase II		DNR	18-00544	20,000	-
Blue River III		DNR	18-00548	20,000	-
Corbus Creek		DNR	18-00554	50,000	50,000
Scherwood Park		DNR	18-00555	123,028	123,028
Miami SRA Campground Renovation		DNR	18-00563	244,561	-
Pine Knob Park Acquisition		DNR	18-00568	63,578	63,578
Total for Program				860,078	380,415
Other Assistance					
Federal Aid Coordination	15				
Federal Aid Coordination		DNR	FW-14-C-56	73,914	-
Fish and Wildlife Area Development	15				
Fish and Wildlife Area Development		DNR	FW-22-D-42	1,660,642	-
Fish and Wildlife Area Development		DNR	FW-22-D-43	1,100,219	-
Total for Program				2,760,861	-
Technical Assistance	15				
Technical Assistance		DNR	FW-26-T-19	292,864	-
Division of Historic Preservation	15				
Architectural Historian Position		DNR	SR-04-01	(86,834)	-
Total Other Assistance				3,040,805	-
Total U.S. Department of Interior				23,721,911	2,527,515
U.S. DEPARTMENT OF JUSTICE					
Prisoner ReEntry Initiative Demonstration (Offender Reentry)	16.202				
Prisoner Re-Entry Initiative		IDOC	2007-RE-CX-0018	(124,708)	-
Prisoner Re-Entry Initiative		IDOC	2008-RE-CX-0014	144,698	-
Total for Program				19,990	-
Comprehensive Approaches to Sex Offender Management Discretionary Grant (CASOM)	16.203				
CASOM TTA		IDOC	2008-WP-BX-K011	20,125	-
CASOM		IDOC	2006-WP-BX-0012	1,185	
CASOM		IDOC	2007-WP-BX-0026	336	-
Total for Program				21,646	-
Juvenile Accountability Block Grants	16.523				
FY 2001 Juvenile Accountability Incentive Block Grants (JAIBG) Program		ICJI	01JBBX0018	944	-
FY 2003 Juvenile Accountability Block Grants Program		ICJI	03JBBX0044	993	-
FY 2007 Juvenile Accountability Block Grant		ICJI	07JBFX0025	660,093	52,076
FY 2008 Juvenile Accountability Block Grant		ICJI	08JBFX0044	60,558	60,558
FY2009 Juvenile Accountability Block Grant		ICJI	09JBFX0066	29,990	-
Total for Program				752,578	112,634
Juvenile Justice and Delinquency Prevention-Allocation to States	16.540				
FY 2001 Formula Grant Award		ICJI	01JFFX0018	521	-
FY 2007 OJJDP Title II Formula Grants Program		ICJI	07JFFX0008	291,811	291,811
FY 2008 OJJDP Title II Formula Grants Program		ICJI	08JFFX0025	276,367	276,367
FY2009 OJJDP Title II Formula Grants Program		ICJI	09JFFX0022	286,348	88,085
Total for Program				855,047	656,263
Missing Children's Assistance	16.543				
ICAC TASK FORCE PROGRAM		IDSP	2003-MC-CX-K002	85,235	-
ICAC TASK FORCE PROGRAM		IDSP	2008-MC-CX-K006	254,019	83,134
ICAC TASK FORCE PROGRAM		IDSP	2008-MC-CX-K006	158,652	28,377
Total for Program				497,906	111,511

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF JUSTICE (continued)					
Title V - Delinquency Prevention Program	16.548				
FY 2002 OJJDP Title V Community Prevention Grants Program		ICJI	02JPFX0018	18,642	-
National Criminal History Improvement Program	16.554				
Paul Coverdell Forensic Sciences Award		ISDP	2009-CD-BX-0075	97,656	-
FY 2003 National Criminal History Improvement Program		ICJI	00RGCXK006	17,874	-
Total for Program				115,530	-
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560				
Solving Cold Cases with DNA		IDSP	2005-DN-BX-K028	11,238	-
Paul Coverdell Forensic Sciences Award		IDSP	2008-CD-BX-0031	123,210	-
2008 Paul Coverdell Forensic Science Improvement Program		ICJI	2008-CD-BX-0031	51,278	-
Total for Program				185,726	-
Crime Victim Assistance	16.575				
Crime Victim Assistance Grant Program		ICJI	00VAGX0018	607	-
Crime Victim Assistance Grant Program		ICJI	01VAGX0018	190	-
FY 2006 VOCA Victim Assistance Grant Program		ICJI	06VAGX0039	695,249	-
FY 07 VOCA Assistance Grant Program		ICJI	07VAGX0056	487,681	487,681
OVC FY2008 VOCA Victim Assistance Formula		ICJI	08VAGX0023	3,039,501	2,614,311
OVC FY2009 VOCA Victim Assistance Formula		ICJI	09VAGX0031	4,397,358	2,618,715
Total for Program				8,620,586	5,720,707
Crime Victim Compensation	16.576				
Crime Victim Compensation Program		ICJI	00VCGX0018	4	-
Crime Victim Compensation Grant Program		ICJI	01VCGX0018	6	-
Crime Victim Compensation Grant Program		ICJI	02VCGX0018	24	-
OVC FY 2008 VOCA Victim Compensation Formula		ICJI	2008-VC-GX-0023	581,000	-
OVC FY 2009 VOCA Victim Compensation Formula		ICJI	09VCGX0046	357,451	-
Total for Program				938,485	-
Edward Byrne Memorial Formula Grant Program	16.579				
FY 2005 Edward Byrne Justice Assistance Grant Program		ICJI	05DJBX0759	213	213
FY 2006 Edward Byrne Memorial Justice Assistance Grant (JAG) Program		ICJI	06DJBX0051	471,931	471,931
FY 2007 Edward Byrne Memorial Justice Assistance Grant (JAG) Program		ICJI	07DJBX0081	2,094,156	2,094,156
FY 2008 Justice Assistance Grant		ICJI	08DJBX0018	996,503	996,503
2008 Edward Byrne Memorial Justice Assistance Grant		ICJI	2008-DJ-BX-0752	15,569	15,569
2009 Edward Byrne Memorial Justice Assistance Grant		ICJI	09DJBX0049	329,561	329,561
Total for Program				3,907,934	3,907,933
Violence Against Women Formula Grant	16.588				
STOP Violence Against Women Formula Grants Program		ICJI	00WFVX0050		
STOP Violence Against Women Formula Grants Program		ICJI	01WFBX0054	4	-
Indiana's FY 2007 STOP Violence Against Women Formula Grant Program		ICJI	07WFAX0003	123,866	-
Indiana's FY 2008 STOP Violence Against Women Formula Grant Program		ICJI	08WFAX0011	713,461	713,461
Indiana's FY 2009 STOP Violence Against Women Formula Grant Prog		ICJI	09WFAX0060	1,702,371	1,702,371
ARRA - Indiana STOP Recovery Act Formula Grant Program		ICJI	2009-EF-S6-0020	732,312	-
Total for Program				3,272,014	2,415,832
Local Law Enforcement Block - Grants Program	16.592				
FY 2003 Local Law Enforcement Block Grants		ICJI	03LBBX1698	1,284	-
FY 2004 Local Law Enforcement Block Grants		ICJI	04LBBX0840	11,976	-
Total for Program				13,261	-
Residential Substance Abuse Treatment for State Prisoners	16.593				
FY 2007 Residential Substance Abuse Treatment Program		ICJI	07RTBX0054	1,622	1,622
FY 2008 Residential Substance Abuse Treatment Program		ICJI	08RTBX0024	53,578	53,578
FY 2009 Residential Substance Abuse Treatment Program		ICJI	09RTBX0052	16,776	16,776
Total for Program				71,976	71,976

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF JUSTICE (continued)					
State Criminal Alien Assistance Program	16.606				
SCAAP		IDOC	2008-AP-BX-00204	31,447	-
SCAAP		IDOC	2008-AP-BX-1581	96,574	-
Total for Program				128,021	-
Community Prosecution and Project Safe Neighborhood	16.609				
FY 2007 Project Safe Neighborhoods - N.		ICJI	07GPCX0062	67,738	67,738
FY 2008 Project Safe Neighborhoods - Northern District, IN		ICJI	2008-GP-CX-0050	53,998	53,998
FY 2005 Project Safe Neighborhood - Southern Indiana		ICJI	06GPCX0082	8,425	8,425
FY 2007 Project Safe Neighborhoods - Indiana Southern District		ICJI	07GPCX0010	76,497	76,497
FY 2008 Project Safe Neighborhoods - Southern District of Indiana		ICJI	2008-GP-CX-0049	48,118	48,118
FY 2009 Project Safe Neighborhoods - N		ICJI	09GPCX0032	2,341	2,341
FY 2009 Project Safe Neighborhoods - S		ICJI	09GPCX0033	53,251	53,251
Total for Program				310,367	310,368
Public Safety Partnership and Community Policing Grants	16.710				
2006 Methamphetamine Initiative		IDSP	2006-CK-WX-0498	51,900	-
2006 Methamphetamine Initiative		IDSP	2006-CK-WX-0057	7,980	-
2007 Methamphetamine Initiative		IDSP	2007-CK-WX-0298	19,600	-
2009 Child Sexual Predator Program		IDSP	2009-CS-WX-0010	68,750	-
COPS - Regional Community Policing Initiative		ICJI	07CKWXK017	33,324	3,860
Total for Program				181,553	3,860
Police Corps	16.712	ICJI	2002-PO-R-039	19,157	-
Enforcing Underage Drinking Laws Program	16.727				
FY 2006 Enforcing the Underage Drinking Laws (EUDL) Grant Program		ICJI	06AHFX0003	252,569	252,569
Enforcing Underage Drinking Laws of Indiana and Supporting Statewide Prevention Initiatives		ICJI	07AHFX0041	17,648	17,648
Enforcing the Underage Drinking Laws of Indiana and Supporting Statewide Initiatives		ICJI	08AHFX0032	263,915	263,915
Enforcing the Underage Drinking Laws of Indiana and Supporting Statewide Initiatives		ICJI	09AHFX0088	576	-
Total for Program				534,709	534,132
Edward Byrne Memorial Justice Assistance Grant Program	16.738				
Ind. Risk Assessment Project		IJC	07-DJ-092	125,000	-
Ind Risk Assessment Project-Amendment		IJC	07-DJ-092	10,536	-
Training for Ind. Risk Assessment Tools		IJC	09-DJ-033	49,465	-
DES Training Grant		IDSP	2006-DJ-BX-0051	5,506	-
ISP Lab Training Grant		IDSP	2006-DJ-BX-0051	8,550	-
Meth Suppression Section 2009		IDSP	2007-DJ-BX-0018	76,125	-
DRUG ENFORCEMENT UNIT 2009		IDSP	2007-DJ-BX-0018	83,953	-
Replacement of GCMS 2009		IDSP	2008-DJ-BX-0018	58,224	-
Polygraph Equipment		IDSP	2009-DJ-BX-0049	386	-
Drug Enforcement Section 2010		IDSP	2009-DJ-BX-0049	48,206	-
Meth Suppression Section 2010		IDSP	2009-DJ-BX-0049	24,981	-
Meth Clan Lab Certification		IDSP	2009-DJ-BX-0049	40,937	-
Total for Program				531,869	-
Forensic DNA Backlog Reduction Program	16.741				
Forensic DNA Backlog Reduction FY 2008		IDSP	2008-DN-BX-K085	426,563	-
Forensic DNA Backlog Reduction FY 2009		IDSP	2009-DN-BX-K119	116,041	-
Total for Program				542,604	-
Anti Gang Initiative	16.744				
Anti Gang South		ICJI	07PGBX0068	131,213	131,213
Anti Gang North		ICJI	07PGBX0067	55,862	55,862
Comprehensive Anti Gang Indpls/Marion Co		ICJI	08PGBX0003	1,001,185	322,667
Total for Program				1,188,261	509,742
Recovery Act - Internet Crimes against Children Task Force Program (ICAC)	16.800	IDSP	2009-SN-B9-K051	114,748	-
ARRA - Recovery Act - State Victim Assistance Formula Grant Program	16.801	ICJI	2009-SF-B9-0105	161,692	-
ARRA - Recovery Act - State Victim Compensation Formula Grant Program	16.802	ICJI	2009-SG-B9-0094	589,724	-

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF JUSTICE (continued)					
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	16.803				
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program		ICJI	2009-SU-B9-0047	1,293,397	-
2009 Recovery Act Justice Assist--Livescan Project		IDSP	2009-SU-B9-0047	1,537,174	-
2009 Recovery Act Justice Assist--ISP Fleet Upgrade		IDSP	2009-SU-B9-0047	2,814,934	-
Total for Program				5,645,506	-
Other Assistance					
Drug Enforcement Administration	16				
Marijuana Eradication		IDSP	ME-2009-71	645,211	-
Marijuana Eradication		IDSP	ME-2009-71	89,495	-
Total for Program				734,706	-
Total U.S. Department of Justice				29,974,236	14,354,959
U.S. DEPARTMENT OF LABOR					
Employment Services Cluster					
Employment Service	17.207				
W/P 7B (247,249,252,648)		IDWD	ES-14863-05-55	132	-
W/P 7A (205,206,207,256)		IDWD	ES-15694-06-55	14,121	-
W/P 7B (247,249,252,648)		IDWD	ES-15694-06-55	(2,720)	-
WOTC		IDWD	ES-15694-06-55	73,639	-
W/P 7A (205,206,207,256)		IDWD	ES-16212-07-55-A-18	805,573	-
W/P 7B (247,249,252,648)		IDWD	ES-16212-07-55-A-18	1,098,568	-
ONE STOP LMI		IDWD	ES-16212-07-55-A-18	17,117	-
W/P 7A (205,206,207,256)		IDWD	ES-17559-08-55-A-18	5,228,262	-
W/P 7B (247,249,252,648)		IDWD	ES-17559-08-55-A-18	1,137,374	-
ONE STOP LMI		IDWD	ES-17559-08-55-A-18	329,631	-
W/P 7A ARRA		IDWD	ES-17559-08-55	1,166,185	-
WP 7B ARRA		IDWD	ES-17559-08-55	92,209	-
W/P 7A (205,207)		IDWD	ES-19201-09-55	5,657,019	-
W/P 7B (247,249)		IDWD	ES-19201-09-55	350,040	-
ONE STOP LMI		IDWD	ES-19201-09-55	431,562	-
Total for Program				16,398,713	-
Disabled Veterans' Outreach Program (DVOP)	17.801				
DVOP		IDWD	E-9-5-6-5064	158	-
DVOP		IDWD	E-9-5-7-5064	220	-
DVOP		IDWD	E-9-5-9-5064	490,766	18,596
DVOP		IDWD	DV-19650-10-55	967,119	58,710
Total for Program				1,458,263	77,306
Local Veterans Employment Representative Program (LVER)	17.804				
LVER		IDWD	E-9-5-6-5064	170	-
LVER		IDWD	E-9-5-7-5064	592	-
LVER		IDWD	E-9-5-9-5064	529,243	42,361
LVER		IDWD	DV-19650-10-55	1,272,184	54,726
Total for Program				1,802,189	97,087
Total for Cluster				19,659,165	174,393
WIA Cluster					
WIA Adult Program	17.258				
WIA ADMINISTRAT		IDWD	AA-14674-05-55	(27,610)	(27,610)
ADULT WIA		IDWD	AA-14674-05-55	(68,571)	(68,571)
WIA ADM STAT AC		IDWD	AA-14674-05-55	810	-
WIA ADMINISTRAT		IDWD	AA-14674-05-55	6,728	-
WIA PROGRAM SUP		IDWD	AA-14674-05-55	9,460	9,460
ADULT WIA		IDWD	AA-15478-06-55	(3,227,787)	-
WIA ADM STAT AC		IDWD	AA-15478-06-55	235,100	124,716
WIA ADMINISTRAT		IDWD	AA-15478-06-55	189,844	40,371
WIA PROGRAM SUP		IDWD	AA-15478-06-55	722,501	715,274

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF LABOR (continued)					
WIA Cluster (continued)					
WIA Adult Program (continued)					
WIA ADMINISTRAT		IDWD	AA-16027-07-55-A-18	32,461	32,461
ADULT WIA		IDWD	AA-16027-07-55-A-18	(776,530)	-
WIA ADM STAT AC		IDWD	AA-16027-07-55-A-18	69,847	14,020
WIA ADMINISTRAT		IDWD	AA-16027-07-55-A-18	133,635	-
WIA PROGRAM SUP		IDWD	AA-16027-07-55-A-18	558,527	558,527
WIA ADMINISTRAT		IDWD	AA-17120-08-55-A-18	682,465	682,465
ADULT WIA		IDWD	AA-17120-08-55-A-18	317,909	317,909
WIA ADMINISTRAT		IDWD	AA-17120-08-55-A-18	(91,598)	-
WIA PROGRAM SUP		IDWD	AA-17120-08-55-A-18	(491,995)	-
WIA Adult Admin ARRA		IDWD	AA-17120-08-55	207,817	153,813
WIA Adult Admin ARRA		IDWD	AA-17120-08-55	6,091,186	4,603,850
WIA Admin. -Gov Res ARRA		IDWD	AA-17120-08-55	28,936	15,004
WIA Proj-Gov Res ARRA		IDWD	AA-17120-08-55	627,479	627,479
WIA ADMINISTRAT		IDWD	AA-18639-09-55	918,558	918,558
ADULT WIA		IDWD	AA-18639-09-55	10,827,748	10,827,748
WIA ADMINISTRAT		IDWD	AA-18639-09-55	733,685	-
WIA PROGRAM SUP		IDWD	AA-18639-09-55	775,023	775,000
Total for Program				18,485,628	20,320,474
WIA Youth Activities	17.259				
WIA ADMINISTRAT		IDWD	AA-14674-05-55	(31,924)	(31,924)
WIA ADM STAT AC		IDWD	AA-14674-05-55	8,917	-
WIA ADMINISTRAT		IDWD	AA-14674-05-55	74,009	-
WIA PROGRAM SUP		IDWD	AA-14674-05-55	104,063	104,063
WIA YOUTH		IDWD	AA-15478-06-55	315,512	315,512
WIA ADM STAT AC		IDWD	AA-15478-06-55	269,882	143,167
WIA ADMINISTRAT		IDWD	AA-15478-06-55	217,969	46,352
WIA PROGRAM SUP		IDWD	AA-15478-06-55	829,548	821,251
WIA ADMINISTRAT		IDWD	AA-16027-07-55-A-18	37,696	37,696
WIA YOUTH		IDWD	AA-16027-07-55-A-18	644,775	644,775
WIA ADM STAT AC		IDWD	AA-16027-07-55-A-18	80,200	16,098
WIA ADMINISTRAT		IDWD	AA-16027-07-55-A-18	153,432	-
WIA PROGRAM SUP		IDWD	AA-16027-07-55-A-18	641,272	641,272
WIA ADMINISTRAT		IDWD	AA-17120-08-55-A-18	1,068,200	1,068,200
WIA Youth Funds (formula)		IDWD	AA-17120-08-55-A-18	5,172,862	5,172,862
ARRA - WIA Youth ARRA 85% Substate		IDWD	AA-17120-08-55-A-18	10,371,174	2,790,469
ARRA - WIA ADMINISTRAT		IDWD	AA-17120-08-55-A-18	(143,371)	-
ARRA - WIA ARRA Youth		IDWD	AA-17120-08-55-A-18	280,736	-
ARRA - WIA PROGRAM SUP		IDWD	AA-17120-08-55-A-18	(770,077)	-
ARRA - WIA Youth Admin ARRA		IDWD	AA-17120-08-55-A-18	702,249	149,474
WIA Proj-Gov Res ARRA		IDWD	AA-17120-08-55	25	-
WIA ADMINISTRAT		IDWD	AA-18639-09-55	223,505	223,505
WIA Youth Funds (formula)		IDWD	AA-18639-09-55	9,016,391	9,016,391
WIA ADMINISTRAT		IDWD	AA-18639-09-55	435,772	211,809
WIA PROGRAM SUP		IDWD	AA-18639-09-55	8	-
Total for Program				29,702,825	21,370,972
WIA Dislocated Workers	17.260				
WIA ADMINISTRAT		IDWD	AA-14674-05-55	(26,747)	(26,747)
WIA ADM STAT AC		IDWD	AA-14674-05-55	6,486	-
WIA ADMINISTRAT		IDWD	AA-14674-05-55	53,825	-
WIA PROGRAM SUP		IDWD	AA-14674-05-55	75,682	75,682
ADULT DIS WRK W		IDWD	AA-15478-06-55	3,494,269	3,494,269
RAPID RESPONS W		IDWD	AA-15478-06-55	43,706	43,706
WIA ADM STAT AC		IDWD	AA-15478-06-55	365,663	193,978
WIA ADMINISTRAT		IDWD	AA-15478-06-55	295,312	62,799
WIA RAPID RESPO		IDWD	AA-15478-06-55	23,102	23,102
WIA PROGRAM SUP		IDWD	AA-15478-06-55	1,123,903	1,112,662
WIA ADMINISTRAT		IDWD	AA-16027-07-55-A-18	34,555	34,555
ADULT DIS WRK W		IDWD	AA-16027-07-55-A-18	98,432	98,432
RAPID RESPONS W		IDWD	AA-16027-07-55-A-18	2,801,440	2,754,013
WIA ADM STAT AC		IDWD	AA-16027-07-55-A-18	108,655	21,810
WIA ADMINISTRAT		IDWD	AA-16027-07-55-A-18	207,876	-
WIA RAPID RESPO		IDWD	AA-16027-07-55-A-18	8,692	-
WIA PROGRAM SUP		IDWD	AA-16027-07-55-A-18	868,820	868,820
WIA Adult from Disl Wkr		IDWD	AA-17120-08-55-A-18	2,475,249	2,475,249
WIA ADMINISTRAT		IDWD	AA-17120-08-55-A-18	1,216,556	1,216,556

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF LABOR (continued)					
WIA Dislocated Workers (continued)					
ADULT DIS WRK W		IDWD	AA-17120-08-55-A-18	450,868	450,868
RAPID RESPONS W		IDWD	AA-17120-08-55-A-18	1,588,897	1,588,897
WIA ADMINISTRAT		IDWD	AA-17120-08-55-A-18	(163,283)	-
WIA RAPID RESPO		IDWD	AA-17120-08-55-A-18	60,837	-
WIA PROGRAM SUP		IDWD	AA-17120-08-55-A-18	(877,034)	-
WIA IN Weather Related Disaster		IDWD	EM-17482-08-60-A-18	630,229	269,672
WIA IN Weather Related Disaster		IDWD	EM-17498-08-60-A-18	2,761	2,761
WIA IN Weather Related Disaster		IDWD	EM-17760-08-60-A-18	1,125,259	1,120,149
WIA IN Weather Related Disaster		IDWD	EM-18152-08-60-A-18	189,761	165,986
WIA Adult from Disl Wkr		IDWD	AA-17120-08-55	339,415	339,415
WIA Dosl WK Admin ARRA		IDWD	AA-17120-08-55	191,155	191,155
WIA Dosl WK Admin ARRA		IDWD	AA-17120-08-55	6,600,515	6,600,515
WIA Admin-Gov Res ARRA		IDWD	AA-17120-08-55	97,691	-
WIA Proj-Gov Res ARRA		IDWD	AA-17120-08-55	19,018	19,018
WIA Adult from Disl Wkr		IDWD	AA-18639-09-55	146,846	146,846
WIA ADMINISTRAT		IDWD	AA-18639-09-55	476,538	476,538
WIA Adult from Disl Wkr		IDWD	AA-18639-09-55	1,941,903	1,941,903
ADULT DIS WRK W		IDWD	AA-18639-09-55	9,514,854	9,514,854
RAPID RESPONS W		IDWD	AA-18639-09-55	394,448	394,148
WIA ADMINISTRAT		IDWD	AA-18639-09-55	1,012,435	-
WIA RAPID RESPO		IDWD	AA-18639-09-55	708,089	-
WIA PROGRAM SUP		IDWD	AA-18639-09-55	1,426,258	1,425,713
Total for Program				39,152,936	37,097,324
Total for Cluster				87,341,389	78,788,770
Labor Force Statistics	17.002				
BLS-CES		IDWD	LMI1795009A	115,078	-
BLS-LAUS		IDWD	LMI1795009B	31,675	-
BLS-OES		IDWD	LMI1795009C	121,504	-
BLS-QCEW		IDWD	LMI1795009D	132,561	-
BLS-MLS		IDWD	LMI1795009E	17,139	-
BLS-CES		IDWD	LMI1849410A	210,533	-
BLS-LAUS		IDWD	LMI1849410B	99,841	-
BLS-OES		IDWD	LMI1849410C	330,573	-
BLS-QCEW		IDWD	LMI1849410D	336,072	-
BLS-MLS		IDWD	LMI1849410E	50,815	-
Total for Program				1,445,792	-
Compensation and Working Conditions	17.005				
OSHS Survey & CFOI Grants 2009		IDOL	W9J9-8118	10,714	-
OSHS Survey & CFOI Grants 2010		IDOL	OS-18527-10-75-J-18	80,515	-
Total for Program				91,229	-
Unemployment Insurance	17.225				
State Unemployment Benefits		IDWD	N/A	1,360,591,790	-
FECA-UCFE, UCPE, and UCS		IDWD	N/A	2,119,667,724	-
UI Grant		IDWD	UI-15120-06-55	354	-
UI SBR 2008 Wireless PC Cards		IDWD	UI-15797-07-55	12,808	-
UI SBR 2008 Agy Disaster Relief		IDWD	UI-15797-07-55	(10,029)	-
UI SBR Document Shredding		IDWD	UI-15797-07-55	1,342	-
UI Grant		IDWD	UI-16745-08-55-A-18	(513)	-
Emergency Unemployment Compens		IDWD	UI-16745-08-55-A-18	94,566	-
UI Admin Grant		IDWD	UI-18019-09-55-A-18	26,164,701	-
Emergency Unemployment Compens		IDWD	UI-18019-09-55-A-18	3,584,195	-
UI Disaster Relief Admin/Ben		IDWD	UI-18019-09-55-A-18	(6,102)	-
UI REA GRANT		IDWD	UI-18019-09-55-A-18	342,016	-
EUC State Administration		IDWD	UI-18019-09-55	415,554	-
UI REA GRANT		IDWD	UI-18019-09-55	193,905	-
UI Admin Grant (less 209&225)		IDWD	UI-19581-10-55	22,155,701	-
Emergency Unemployment Compens		IDWD	UI-19581-10-55	350,535	-
EUC State Administration		IDWD	UI-18019-09-55	1,285,768	-
UI REA GRANT		IDWD	UI-19581-10-55	162,027	-
Total for Program				3,535,006,342	-

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF LABOR (continued)					
Senior Community Service Employment Program	17.235				
Title V		FSSA	AD 161323GO	598,196	592,214
Title V		FSSA	AD 187077RO	2,094,110	2,073,169
Title V ARRA		FSSA	AD 18366520	571,023	565,313
Older Americans program		FSSA	AD199789Z0	22,361	22,137
Total for Program				3,285,690	3,252,834
Trade Adjustment Assistance	17.245				
TRADE ADJ ASST		IDWD	TA-16798-08-55-A-18	178,457	-
TRADE ADJ ASST		IDWD	TA-17850-09-55-A-18	2,808,818	-
TRADE ADJ ASST		IDWD	TA-17850-09-55-A-18	18,125,307	-
TRADE ADJ ASST		IDWD	TA-19705-10-55	1,023,117	-
TRADE ADJ ASST		IDWD	TA-19705-10-55	4,494,976	-
Trade (TAA) Benefits (TRA)		IDWD	UI-18019-09-55-A-18	6,347,763	-
Trade (TAA) Benefits (TRA)		IDWD	UI-19581-10-55	5,478,007	-
Alt Trade Adj. Assistance		IDWD	UI-18019-09-55-A-18	814,955	-
Alt Trade Adj. Assistance		IDWD	UI-19581-10-55	994,019	-
Total for Program				40,265,419	-
WIA Pilots, Demonstration and Research Projects	17.261				
Career Advancement Account Dem		IDWD	MI-15741-06-60	593,093	593,093
Career Advancement Account Dem		IDWD	MI-15741-06-60	1,550	-
Total for Program				594,643	593,093
Work Incentive Grants	17.266				
NAVIGATOR USDOL		IDWD	WI-15560-06-60	6,686	230
NAVIGATOR USDOL		IDWD	WI-15560-06-60	55,123	55,123
NAVIGATOR USDOL		IDWD	WI-15560-06-60	51,316	51,274
NAVIGATOR USDOL		IDWD	WI-15560-06-60	163,826	163,826
Total for Program				276,951	270,453
Incentive Grants - WIA Section 503	17.267				
WIA INCENTIVE G		IDWD	PI-19148-09-55	306,319	306,319
H-1B Job Training Grants	17.268				
WIRED		IDWD	WR-15406-06-60	8,178	-
WIRED not in GA17		IDWD	WR-15406-06-60	1,355,051	1,355,051
WIRED not in GA17		IDWD	WR-15406-06-60	1,453,611	1,453,611
WIRED		IDWD	WR-15538-06-60	2,307,603	2,307,511
Total for Program				5,124,443	5,116,173
Work Opportunity Tax Credit Program	17.271	IDWD	ES-16212-07-55-A-18	400,199	87,074
Temporary Labor Certification for Foreign Workers - LABOR CRTFCTN	17.273	IDWD	ES-17559-08-55-A-18	19,966	-
Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	IDWD	GJ198461060A18	512,864	67,000
Occupational Safety and Health-State Program	17.503				
23G Grant 2009		IDOL	SP177370975F18	497,435	-
23G Grant 2010		IDOL	SP194131055F18	1,502,109	-
Total for Program				1,999,544	-
Consultation Agreements	17.504				
21D Grant 2009		IDOL	CS176940975F18	16,815	-
21D Grant 2010		IDOL	CS193691075F18	693,603	-
Total for Program				710,418	-

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF LABOR (continued)					
OSHA Data Initiative	17.505				
ODI 2009		IDOL	DC180940975F18	36,930	-
ODI 2010		IDOL	DC195451075F18	28,421	-
Total for Program				65,351	-
Women's Bureau	17.700	IDWD	5104425P09	3,000	-
Veterans Employment Program	17.802				
WVET		IDWD	VW-19182-09-60	464,519	464,250
Total U.S. Department of Labor				3,697,573,241	89,120,359
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
IDOC PREP Program	18.750				
IDOC PREP Program		IDOC	90FR0101/03	177,914	-
IDOC PRFD		IDOC	90FR0019/03	97,292	-
Total for Program and U.S. Department of Health and Human Services				275,206	-
Total U.S. Department of Health and Human Services				275,206	-
U.S. DEPARTMENT OF TRANSPORTATION					
Highway Planning and Construction Cluster					
Highway Planning and Construction	20.205				
Highway Planning and Construction		IDOT	N/A	710,324,199	-
ARRA - Highway Planning and Construction		IDOT	N/A	220,139,060	-
ARRA - Highway Planning and Construction		IDOT	N/A	96,945,678	-
ARRA - Highway Planning and Construction		IDOT	N/A	6,568,501	-
Total for Program				1,033,977,439	-
Recreational Trails Program	20.219				
Greentown Trail		DNR	RT04-06	42,470	42,470
Hoosier Mountain Biking Assoc		DNR	RT05-005	28,267	28,267
RTP Admin-RT0506		DNR	RT05-006	1,791	-
Towpath Trail Fort Wayne		DNR	RT05-007	150,000	150,000
Interlake (Redbird OHV Area)		DNR	RT06-001	4,546	-
Nickel Plate Trail Phase III		DNR	RT06-003	128,324	-
Greenfield Trails		DNR	RT07-005	10,748	10,748
Panhandle Pathway		DNR	RT07-006	150,000	150,000
Red Bird		DNR	RT08-001	33,131	-
Tipton Park Trail		DNR	RT08-003	15,948	15,948
Eel river Trail		DNR	RT08-005	24,895	24,895
Burkhart Creek		DNR	RT08-006	14,582	14,582
ATV Safety Education		DNR	RT08-009	4,000	4,000
Admin Grant		DNR	RT09-002	23,296	-
Total for Program				631,998	440,910
Total for Cluster				1,034,609,437	440,910
Transit Services Programs Cluster					
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513				
		IDOT	IN-16-X001-00	(8,975)	-
		IDOT	IN-16-X002-00	89,742	62,050
		IDOT	IN-16-X003-00	405,437	405,437
		IDOT	IN-16-X004-00	624,920	624,920
Total for Program				1,111,124	1,092,407
Job Access - Reverse Commute Program	20.516				
		IDOT	IN-37-X104-00	10,858	-
		IDOT	IN-37-X099-00	107,502	107,502
Total for Program				118,360	107,502

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF TRANSPORTATION (continued)					
Transit Services Programs Cluster (continued)					
New Freedom Program	20.521				
		IDOT	IN-57-X059-00	89,520	89,520
		IDOT	IN-57-X056-00	340,134	340,134
Total for Program				429,654	429,654
Total for Cluster				1,659,138	1,629,563
Highway Safety Cluster					
State and Community Highway Safety	20.600				
CODES NETWORK		IDHS	DTNH22-07-H-00096	37,479	-
State and Community Highway Safety		ICJI		2,238,923	2,097,000
Total for Program				2,276,402	2,097,000
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601				
Alcohol Impaired Driving Countermeasures		ICJI	N/A	1,539,298	1,539,298
Traffic Safety Resource Prosecutor		IPAC	K4-2009-03006-01	68,578	-
Traffic Safety Resource Prosecutor		IPAC	K4-2010-03-06-01	81,312	-
Total for Program				1,689,188	1,539,298
Occupant Protection Incentive Grants	20.602	ICJI		494,866	494,866
Safety Belt Performance Grants	20.609	ICJI		8,605,657	5,163,000
State Traffic Safety Information System Improvement Grants	20.610	ICJI		1,358	1,358
Incentive Grant Program to Increase Motorcyclist Safety	20.612				
408 Grant		IDHS	K9-07-01-04-01	1,095	-
408 Grant		IDHS	K9-08-04-01-01	47	-
Total for Program				1,142	-
Total for Cluster				13,068,614	9,295,522
Airport Improvement Program	20.106				
Federal Aviation Administration (FAA) - AERO		IDOT	IN-18-0000-005	373,813	373,813
Federal Aviation Administration (FAA) - AERO		IDOT	3-18-0000-06	288,359	288,359
Total for Program				662,172	662,172
National Motor Carrier Safety	20.218				
2009 MCSAP Basic		IDSP	MC091810000000	3,107,680	-
2010 MCSAP Basic		IDSP	MC101810000000	1,688,171	-
2008 High Priority Traffic Enforcement		IDSP	27XX18MH081815780	125,207	-
2008 New Entrant Program		IDSP	27XX18MN081815780	124,215	-
2009 New Entrant Program		IDSP	MN091810000000	387,384	-
2010 New Entrant Program		IDSP	MN101810000000	207,017	-
2009 High Priority TACT project-Enforce/evaluation		IDSP	MH091830000000	69,608	-
2009 High Priority Performance Brake Tester		IDSP	MH091840000000	248,584	-
2009 High Priority Rural Road Initiative		IDSP	MH091850000000	138,855	-
2009 High Priority TACT project-education component		IDSP	MH091860000000	68,091	-
Total for Program				6,164,811	-
Performance and Registration Information Systems Management	20.231	IDOR	PZ091810000000	1,600	-
Safety Data Improvement Program	20.234	IDSP	MR-08-18-01-G-00000	146,386	-
Commercial Vehicle Information Systems and Networks	20.237				
CVIEW		IDOR	IT061801G00000	441	-
FEES		IDOR	IT091810000000	78,819	-
Total for Program				79,260	-

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF TRANSPORTATION (continued)					
Federal Transit Capital Investment Grants	20.500	IDOT	IN-03-0109-04	792,754	395,286
Federal Transit - Metropolitan Planning Grants	20.505				
Federal Transit Technical Studies Grants		IDOT	IN-80-0001-00	143,352	143,352
Federal Transit Technical Studies Grants		IDOT	IN-80-X014-00	(990)	-
Federal Transit Technical Studies Grants		IDOT	IN-80-X015-00	282,618	282,618
Federal Transit Technical Studies Grants		IDOT	IN-80-X016-00	105,502	105,502
Total for Program				530,482	531,472
Formula Grants for Other Than Urbanized Areas	20.509				
Public Transp. For Non-urbanized Areas		IDOT	IN-18-X025-00	(51,767)	-
Public Transp. For Non-urbanized Areas		IDOT	IN-18-X026-00	1,737,817	1,568,364
Public Transp. For Non-urbanized Areas		IDOT	IN-18-X027-00	5,522,540	5,518,397
Public Transp. For Non-urbanized Areas		IDOT	IN-86-X001-00	8,811,731	8,811,731
Public Transp. For Non-urbanized Areas		IDOT	IN-18-X027-00	58,041	58,041
Public Transp. For Non-urbanized Areas		IDOT	IN-18-X028-00	2,196,874	2,196,874
Total for Program				18,275,235	18,153,407
National Highway Transportation Safety Administration (NHTSA) Discretionary Safety Grants	20.614	ISP	DTNH22-07-H-00126	105,066	-
Pipeline Safety Program Base Grants	20.700				
One Call Grant 2008		IURC	DTPH56-08-G-PHPC10	3,280	-
One Call Grant 2009		IURC	DTPH56-09-G-PHPC08	30,000	30,000
Total for Program				33,280	30,000
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703				
Hazardous Materials 2009 #16		IDHS	HMEIN8050160	285,320	273,320
Hazardous Materials 2010		IDHS	HMP0022090100	71,678	71,679
Total for Program				356,998	344,999
Total U.S. Department of Transportation				1,076,485,233	31,483,331
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION					
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	30.002				
Cooperative Agreement 09-10		ICRC	FPSLP02510	3,098	-
Cooperative Agreement 08-09		ICRC	FPSLP02501	15,478	-
Cooperative Agreement 07-08		ICRC	FPSLP004	1,892	-
Total for Program				20,468	-
Total Equal Employment Opportunity Commission				20,468	-
GENERAL SERVICES ADMINISTRATION					
Donation of Federal Surplus Personal Property	39.003	IDOA	N/A	3,839,664	-
HAVA Early Payments	39.011				
Section 101 Funds		SOS	369940	330,070	-
Total for Program				330,070	-
Total for General Services Administration				4,169,734	-
NATIONAL ENDOWMENT FOR THE ARTS AND HUMANITIES					
Accessibility grant					
FY09 Promotion of Arts - Grants	45.024	IAC	09-3900-7018	11,262	10,400

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
NATIONAL ENDOWMENT FOR THE ARTS AND HUMANITIES (continued)					
Promotion of the Arts - Partnership Agreements	45.025				
Basic State Program		IAC	08-6100-2016	52,167	27,059
Under-served		IAC	08-6100-2016	5,099	5,099
FY09 N. E. A.		IAC	09-6100-2016	685,278	554,785
FY09 ARRA Promotion of Arts		IAC	09-6188-2114	225,711	204,751
Total for Program				968,255	791,694
Museums for America - Gus Grissom Memorial	45.301	DNR	MA-01-07-0202-09	150,000	-
Grants to States	45.310				
2006 GRANT		ISL	LS-00050015-08	88,181	-
2007 GRANT		ISL	LS-00060015-08	160	-
2008 GRANT		ISL	LS-00080015-08	1,243,038	1,206,580
2009 GRANT		ISL	LS-00090015-09	2,168,676	2,089,431
Total for Program				3,500,055	3,296,011
Laura Bush 21st Century Librarian Program	45.313	ISL	MA-01-07-0202-09	518,369	-
Total National Endowment for the Arts and Humanities				5,147,941	4,098,105
SMALL BUSINESS ADMINISTRATION					
Small Business Development Centers	59.037				
Small Business Development Center 2009		IEDC	9-603001-Z-0015-24-01	1,963,241	1,349,895
Small Business Development Center 2007		IEDC	7-603001-Z-0015	75,371	-
Total for Program				2,038,612	1,349,895
Total for Small Business Administration				2,038,612	1,349,895
U.S. DEPARTMENT OF VETERANS AFFAIRS					
Grants to States for Construction of State Home Facilities	64.005	IDOH	FAI 18-002	59,443	-
Veterans State Domiciliary Care - Domiciliary VA Per Diem	64.014	IDOH	N/A	421,071	-
Veterans State Nursing Home Care - Nursing Home Care VA Per Diem	64.015	IDOH	N/A	4,785,122	-
All-Volunteer Force Educational Assistance	64.124				
State Approving Agency 09		IDVA	V101 (223C) P-4917	89,771	-
State Approving Agency 10		IDVA	V101 (223C) P-5017	271,895	-
Total for Program				361,666	-
Total U.S. Department of Veteran Affairs				5,627,302	-
ENVIRONMENTAL PROTECTION AGENCY					
State Indoor Radon Grants	66.032				
State Indoor Radon Grant Program 2009		ISDOH	K1-00E13103	47,367	41,923
State Indoor Radon Grant Program 2010		ISDOH	K1-00E13104	8,464	8,464
Total for Program				55,831	50,387
Survey, Studies, Investigation Demonstration and Special Purpose Activities Relating to the Clean Air Act	66.034				
Region 5 2008 Indoor Environments FY 2009		ISDOH	XA-00E66401-0	12,623	-
Region 5 2008 Indoor Environments FY 2010		ISDOH	XA-00E66401-0	14,607	-
Diesel Locomotive		IDEM	XA00E158-01	102,544	-
Total for Program				129,774	-
National Clean Diesel Emissions Reduction Program	66.039				
Clean Diesel		IDEM	DE00E815-01	23,927	-
ARRA Clean Diesel Emerg		IDEM	2A834413-01	95,841	-
Total for Program				119,768	-

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
ENVIRONMENTAL PROTECTION AGENCY (continued)					
State Clean Diesel Grant Program	66.040				
Clean Diesel Allocation		IDEM	DS00E667-01	112,813	-
ARRA Clean Diesel		IDEM	2D00E832-01	666,916	-
Rapids Great Lakes Phase 14		IDEM		1,673	-
Total for Program				781,402	-
Water Pollution Control State, Interstate and Tribal Program Support	66.419				
106 Watershed Monitoring		IDEM	I965557-06	56,757	-
Water Pollution Control - State and Local Manpower Development	66.420				
Outreach Operator Training		IDEM	T005757-95	1,678	-
State Underground Water Source Protection	66.433				
Underground Injection Control		DNR	G99590109	45,410	-
Underground Injection Control		DNR	G99590110	102,790	-
Total for Program				148,200	-
Water Quality Management Planning	66.454				
Water Quality Management 205(j)(1)		IDEM	C6975750-04	2,630	-
Water Quality Management 205(j)(1)		IDEM	C6975750-06	201	-
Water Quality Management 205(j)(1)		IDEM	C600E388-01	69,875	-
ARRA water Quality		IDEM	2P00E746-01	184,106	-
Watershed 08 Monitoring		IDEM	I965557-07	63,197	-
CWA Sect 604b 09		IDEM	C600E720-01	961	-
Total for Program				320,970	-
Nonpoint Source Implementation Grants	66.460				
319 NPS Surface Water		IDEM	C9975482-02	118,978	-
319 NPS Surface Water		IDEM	C9975482-03	177,527	-
319 NPS Surface Water		IDEM	C9975482-04	558,565	-
319 NPS Surface Water		IDEM	C9975482-05	437,605	-
319 NPS Surface Water		IDEM	C9975482-06	690,820	-
319 NPS Surface Water		IDEM	C9975482-07	851,890	-
319 NPS Surface Water		IDEM	C9975482-07	9,222	-
319 NPS Surface Water		IDEM	C9975482-08	663,890	-
319 NPS Surface Water		IDEM	C9975482-08	14,560	-
319 NPS Surface Water		IDEM	C9975482-09	1,284,734	-
319 NPS Surface Water		IDEM	C9975482-09	810	-
319 NPS Surface Water		IDEM	C9975482-10	36,516	-
Payroll holding account		IDEM		(52,529)	-
Total for Program				4,792,588	-
Regional Wetland Program Development Grant	66.461				
Mapping Wetlands Impacts		IDEM	CD00E398-01	11,558	-
Capitalization Grants for Drinking Water State Revolving Fund	66.468				
Drinking Water-PWSS		IDEM	FS975486-03	(89)	-
Great Lakes Program	66.469				
Lamp Lake Michigan		IDEM	GL965509-01	5,181	-
Lamp Lake Michigan		IDEM	GL00E204-01	41,887	-
Lamp Lake Michigan		IDEM	GL00E204-01	61,576	-
Total for Program				108,644	-
State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	66.471				
ERG Operator Cert		IDEM	CT965138-01	267,541	-
Beach Monitoring and Notification Program Implementation Grants	66.472				
FY 2008 Great Lakes		IDEM	CU00E527-01	120,897	-
FY 2008 Great Lakes		IDEM	CU00E527-01	2,613	-
FY 2008 Great Lakes		IDEM	CU00E527-01	239	-
2010 Great Lakes		IDEM	CU00E731-01	11,962	-
Total for Program				135,711	-

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
ENVIRONMENTAL PROTECTION AGENCY (continued)					
Water Protection Grants to States	66.474				
Great Lakes Beach Monitoring		IDEM	CU00E269-01	72,822	-
Counter Terrorism		IDEM	WP00E096-01	69,289	-
Counter Terrorism		IDEM	WP975634-01	216,971	-
Counter Terrorism 07		IDEM	WP00E096-01	1,578	-
Counter Terrorism 09		IDEM	WP00E765-01	1,303	-
Total for Program				361,963	-
Environmental Protection Consolidated Research					
Bio-Watch Monitoring	66.500	IDEM	BW965172-01	6	-
Performance Partnership Grants	66.605				
PPG		IDEM	BG985432-08	596,486	-
PPG		IDEM	BG985432-08	12,486	-
PPG		IDEM	BG985432-08	28,149	-
PPG		IDEM	BG985432-08	9,770	-
PPG		IDEM	BG985432-08	1,613	-
PPG		IDEM	BG985432-08	27,663	-
PPG		IDEM	BG985432-08	(705)	-
PPG		IDEM	BG985432-08	(52)	-
PPG		IDEM	BG985432-10	1,704,363	-
PPG		IDEM	BG985432-08	51,814	-
PPG		IDEM	BG985432-08	(462)	-
PPG		IDEM	BG985432-10	138,051	-
PPG		IDEM	BG985432-08	619,436	-
PPG		IDEM	BG985432-08	20,450	-
PPG		IDEM	BG985432-08	27,472	-
PPG		IDEM	BG985432-08	11,791	-
PPG		IDEM	BG985432-08	15,464	-
PPG		IDEM	BG985432-08	68,487	-
PPG		IDEM	BG985432-08	(41,936)	-
PPG		IDEM	BG985432-08	(65)	-
PPG		IDEM	BG985432-10	1,922,061	-
PPG		IDEM	BG985432-10	7,011	-
PPG		IDEM	BG985432-08	850,680	-
PPG		IDEM	BG985432-08	13,816	-
PPG		IDEM	BG985432-08	23,713	-
PPG		IDEM	BG985432-08	1,586	-
PPG		IDEM	BG985432-08	55,192	-
PPG		IDEM	BG985432-08	(37)	-
PPG		IDEM	BG985432-03	29,375	-
PPG		IDEM	BG985432-08	571,689	-
PPG		IDEM	BG985432-10	1,778,870	-
PPG		IDEM	BG985432-10	8,849	-
PPG		IDEM	BG985432-08	20,215	-
PPG		IDEM	BG985432-08	5,568	-
PPG		IDEM	BG985432-08	5,032	-
PPG		IDEM	BG985432-08	21,673	-
PPG		IDEM	BG985432-08	38,991	-
PPG		IDEM	BG985432-08	(62,669)	-
PPG		IDEM	BG985432-08	(14,921)	-
PPG		IDEM	BG985432-10	1,562,137	-
PPG		IDEM	BG985432-10	2,787	-
Underground Storage Tk		IDEM	BG985432-08	(8)	-
Underground Storage Tk		IDEM	BG985432-08	(36)	-
PPG PCB		IDEM	BG985432-10	24,523	-
PPG PCB		IDEM	BG985432-08	10,191	-
Total for Program				10,166,563	-
Surveys, Studies, Investigations and Special Purposes Grants	66.606				
Ambient Air Monitoring		IDEM	PM985773-05	771,757	-
Ambient Air Monitoring		IDEM	PM985773-05	19,954	-
Ambient Air Monitoring		IDEM	PM985773-05	212	-
Ambient Air Monitoring		IDEM	PM985773-05	63	-
Local Scale Air Toxics		IDEM	XA965784-01	8,495	-
Local Scale Air Toxics		IDEM	XA965784-01	3,759	-
Total for Program				804,240	-

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
ENVIRONMENTAL PROTECTION AGENCY (continued)					
Environmental Information Exchange Network Grant Program and Related Assistance	66.608				
National Env. Information Exchange 06		IDEM	OS833045-01	45,362	-
Exchange Network 07		IDEM	OS833484-01	80,565	-
Exchange Network 08		IDEM	OS834104-01	37,761	-
Total for Program				163,688	-
Environmental Policy and Innovation Grants	66.611				
Auto Salvage Environmental		IDEM	PI975839-01	11,404	-
Auto Salvage Environmental		IDEM	PI975839-01	2	-
Environmental Stewardship		IDEM	PI00E001-01	41,032	-
Total for Program				52,438	-
TSCA Title IV State Lead Grants - Certification of Lead-Based Paint Professionals	66.707				
Lead Based Paint Program 2008		ISDOH	PB-00E44701	(832)	-
Lead Based Paint Program 2009		ISDOH	PB-00E44702	96,240	-
Lead Based Paint Program 2010		ISDOH	PB-00E44703	172,748	-
Total for Program				268,155	-
Pollution Prevention Grants Programs	66.708				
Linking Pollution Prevention		IDEM	NP00E309-01	3,022	-
Capacity Building Grant	66.709				
Permit Compliance System		IDEM	EA00E233-01	82,407	-
Superfunds State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreement	66.802				
RCRA 3012 Program-CERCLIS Management		IDEM	V00E188-01	21,519	-
RCRA 3012 Program-PreCERCLIS Screening		IDEM	V00E188-01	7,844	-
RCRA 3012 Program-CERCLIS Pre-Assess		IDEM	V00E188-01	6,907	-
RCRA 3012 Program-CERCLIS Site Inspect		IDEM	V00E188-01	20,065	-
RCRA 3012 Program-CERCLIS Expand Site		IDEM	V00E188-01	10,796	-
RCRA 3012 Program-CERCLIS ReAssess		IDEM	V00E188-01	6,490	-
RCRA 3012 Program-CERCLIS Hazard Rank		IDEM	V00E188-01	8,120	-
RCRA 3012 Program-CERCLIS Management		IDEM	V00E188-02	66,749	-
RCRA 3012 Program-PreCERCLIS Screening		IDEM	V00E188-02	88,335	-
RCRA 3012 Program-CERCLIS Pre-Assess		IDEM	V00E188-02	32,582	-
RCRA 3012 Program-CERCLIS Site Inspect		IDEM	V00E188-02	47,941	-
RCRA 3012 Program-CERCLIS Expand Site		IDEM	V00E188-02	84,248	-
RCRA 3012 Program-CERCLIS ReAssess		IDEM	V00E188-02	64,640	-
RCRA 3012 Program-CERCLIS Hazard Rank		IDEM	V00E188-02	19,398	-
Salary & fringe Holding Account		IDEM	V00E188-02	(14,817)	-
Elkhart Main Street Well Field-East-447		IDEM	V965003-02	3,814	-
Elkhart Main Street Well Field-West-448		IDEM	V965003-02	1,674	-
Galen Myers Remedial Action		IDEM	V965884-01	57,861	-
Galen Myers Remedial Action		IDEM	V965884-01	1,041	-
Cont Steel Remd Action		IDEM	V985768-02	75,431	-
Payroll holding		IDEM	V985768-01	(44,115)	-
Waste		IDEM	V965003-02	2,915	-
Conrail Yard Site-		IDEM	V965003-02	19,456	-
International Minerals & Chem		IDEM	V965003-02	11	-
International Minerals & Chem		IDEM	V965003-02	2,309	-
American Chemical Services		IDEM	V965003-02	15,066	-
Douglas Road Landfill		IDEM	V965003-02	488	-
Douglas Road Landfill		IDEM	V965003-02	6,954	-
Lemon Lane		IDEM	V965003-02	14,998	-
Illinois Central Springs		IDEM	V965478-01	17,857	-
Lakeland Disposal		IDEM	V965003-02	14,723	-
Neal's Landfill		IDEM	V965003-02	2,222	-
Bennet Stone		IDEM	V965003-02	13,679	-
Jacobsville		IDEM	V965003-02	9,639	-
Jacobsville OU2 SZ02S		IDEM	V965003-02	1,140	-
Jacobsville OU1 SZ02J		IDEM	V965003-02	4,949	-
Elm Street		IDEM	V965003-02	4,226	-
Lusher St		IDEM	V965003-02	14,396	-
Payroll holding		IDEM	V965003-02	(74,780)	-
Ft Wayne Reduction Dump SZ00G		IDEM	V965003-02	4,335	-
Lake Sandy Jo SZ025		IDEM	V965003-02	153	-
Northside Sanitary Landfill SZ00Q		IDEM	V965003-02	10,378	-

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
ENVIRONMENTAL PROTECTION AGENCY (continued)					
Superfunds State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreement (continued)					
Southside Landfill SZ007		IDEM	V965003-02	1,890	-
US Smelter SZ029		IDEM	V965003-02	2,289	-
ABB Westinghouse SZ02O		IDEM	V965003-02	2,706	-
Cont Steel Remd Action		IDEM	V985768-02	1,020	-
Cont Steel Remd Lead		IDEM	V985768-02	5,724	-
Cont Steel Remd Lead		IDEM	V985768-02	176	-
Lane Street SZ02T		IDEM	V965003-02	329	-
Total for Program				665,771	-
Underground Storage Tank Prevention, Detection and Compliance Program	66.804				
Underground Storage Tk		IDEM	L00E497-01	437,000	-
Underground Storage Tk		IDEM	L00E497-01	8,676	-
Underground Storage Tk		IDEM	L00E497-01	210	-
Underground Storage Tk		IDEM	L00E497-01	199	-
Underground Storage Tk		IDEM	L00E497-01	114	-
Total for Program				446,199	-
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805				
Leaking Underground Storage Tank		IDEM	LS005981-16 7	317,539	-
Leaking Underground Storage Tank		IDEM	LS005981-16 7	2,653	-
Leaking Underground Storage Tank		IDEM	LS005981-16 E	484,503	-
Leaking Underground Storage Tank		IDEM	LS005981-16 4	28,210	-
Leaking Underground Storage Tank		IDEM	LS005981-16 E	9,271	-
Leaking Underground Storage Tank		IDEM	LS005981-16 E	1,870	-
Leaking Underground Storage Tank		IDEM	LS005981-16 E	354	-
Leaking Underground Storage Tank		IDEM	LS005981-16 7	(3)	-
Leaking Underground Storage Tank		IDEM	LS005981-16 7	(174)	-
Leaking Underground Storage Tank		IDEM	LS005981-16 E	(305)	-
Leaking Underground Storage Tank		IDEM	LS005981-17 7	113,239	-
Leaking Underground Storage Tank		IDEM	LS005981-17 E	145,364	-
Leaking Underground Storage Tank		IDEM	LS005981-17 4	2,868	-
Total for Program				1,105,389	-
Superfund State and Indian Tribe Core Program Cooperative Agreements	66.809				
Core Superfund		IDEM	VC005990-03	62,235	-
Core Superfund		IDEM	VC005990-04	198,431	-
Core Superfund		IDEM	VC005990-04	748	-
Total for Program				261,414	-
Total Environmental Protection Agency				21,311,588	50,387
U.S. DEPARTMENT OF ENERGY					
State Energy Program	81.041				
Cooperative Sub Grant Agreement		IDHS	DE-FC02-97CH10881	47,780	-
State Energy Program		LTGOV	DE-FG26-07NT43163	471,949	388,574
Recovery Act State Energy Program Award		LTGOV	DE-EE0000169	1,322,631	692,210
Total for Program				1,842,360	1,080,784
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117				
Indiana Wind Working Group		LTGOV	AAM-7-77543-02	18,348	18,348
Save Energy Now: Purdue Industrial Energy Efficiency Assessment Initiative		LTGOV	DE-FG36-08GO48006	34,753	34,753
Total for Program				53,101	53,101
State Energy Program Special Projects	81.119				
Industrial Energy Efficiency Assessment Initiative Save Energy Now Indiana!		LTGOV	DE-EE0000355	59,110	59,110
BioFuels Corridor		LTGOV	DE-FC26-06NT43014	334,580	-
Total for Program				393,690	59,110

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF ENERGY (continued)					
Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122	IURC	DE-OE0000166	27,349	427
Energy Efficient Appliance Rebate Program (EEARP)	81.127	LTGOV	DE-EE0001591	3,358,866	3,358,866
Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	LTGOV	DE-EE0000725	79,135	-
Total for U.S. Department of Energy				5,754,501	4,552,288
U.S. DEPARTMENT OF EDUCATION					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	84.010				
Title I		ISSCH	03-9105	88,679	-
Grants to States 2008		IDOE	S010A070014	152	-
Grants to States 2009		IDOE	S010A080014	44,998,461	43,319,674
Grants to States 2009		IDOE	S010A090014	211,822,470	211,249,922
Total for Program				256,909,762	254,569,596
Stimulus Grant - Title I Grants to LEAs					
Stimulus Grant - Title I Grants to LEAs - Grant 2009	84.389	IDOE	S389A090014	90,685,898	90,685,898
Total for Cluster				347,595,660	345,255,494
Special Education Cluster (IDEA)					
Special Education Grants to States (IDEA, Part B)	84.027				
State Grant 2008		IDOE	H027A070084	6,834,796	6,483,269
State Grant 2009		IDOE	H027A080084	39,413,489	36,714,165
State Grant 2010		IDOE	H027A090084	196,339,317	193,964,103
Part B		IDOH	14209-102-PN01	216,693	-
Special Education Grant		ISSCH	14205-100-PN01	26,400	-
Total for Program				242,830,695	237,161,537
Special Education Preschool Grants (IDEA Preschool)	84.173				
State Grant 2008		IDOE	H173A070104	65,861	65,861
State Grant 2009		IDOE	H173A080104	1,252,631	993,120
State Grant 2010		IDOE	H173A090104	7,032,357	7,025,227
Early Childhood		IDOH	45710-102-PN01	21,596	-
Total for Program				8,372,445	8,084,208
ARRA - Stimulus Grant - Special Ed Grants to States (IDEA Part B)	84.391				
ARRA - Stimulus Grant - Special Ed Grants to States		IDOE	H391A090084	131,558,963	131,558,963
Preschool Stimulus		IDOH	33310-102-SN01	100,734	-
Total for Program				131,659,697	131,558,963
ARRA - Stimulus Grant - Special Ed Preschool (IDEA Preschool)	84.392				
ARRA - Stimulus Grant - Special Ed Preschool		IDOE	H392A090104	4,782,447	4,782,447
Preschool Stimulus		IDOH	44410-102-SN01	3,376	-
Total for Program				4,785,823	4,782,447
Total for Cluster				387,648,660	381,587,155
Early Intervention Services (IDEA) Cluster					
Special Education - Grants for Infants and Families	84.181				
Infants & Families with Disabilities (First Steps)		FSSA	H 181A 07 0030	1,792	-
Infants & Families with Disabilities (First Steps)		FSSA	H 181A 08 0030	6,945,836	-
Infants & Families with Disabilities (First Steps)		FSSA	H 181A 09 0030	1,448,629	-
Total for Program				8,396,258	-
First Steps ARRA	84.393	FSSA	H 393A 09 0030	6,120,750	-
Total for Cluster				14,517,007	-

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF EDUCATION (continued)					
Educational Technology State Grants Cluster					
Education Technology State Grants	84.318				
State Grant 2007		IDOE	S318X060014	105,224	-
State Grant 2008		IDOE	S318X070014	2,692,172	2,692,058
State Grant 2009		IDOE	S318X080014	3,695,084	3,376,505
State Grant 2010		IDOE	S318X090014	1,149,727	858,218
Total for Program				7,642,207	6,926,781
Stimulus Grant - Education Technology - Grant 2009	84.386A	IDOE	S386A090014	7,121,850	7,121,850
Total for Cluster				14,764,057	14,048,631
State Stabilization Fund Cluster					
ARRA - Stabilization - State Fiscal Stabilization, Education - 2009	84.394A	IDOE	S394A090015	208,828,853	208,828,853
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397				
Homestead Credits		SBA		109,998,267	-
Midwest Institute of Nanotechnology (MIND)		SBA		782,462	782,462
Indiana Comprehensive Health Insurance Association (ICHIA)		SBA		9,000,000	-
School Improvement Programs (DOE)		SBA		1,367,500	1,367,500
Veterans Home		SBA		387,870	387,870
Adjutant General (Knightstown)		SBA		139,819	139,819
Total for Program				121,675,918	2,677,651
Total for Cluster				330,504,771	211,506,504
Adult Education - Basic Grants to States	84.002				
State Grant Program 2009		IDOE	V002A0080014	774,014	528,263
State Grant Program 2010		IDOE	V002A0090014	7,814,515	7,623,304
Adult Education Family Literacy		IDOH	FY10-8125	31,013	-
Total for Program				8,619,542	8,151,567
Migrant Education - State Grant Program	84.011				
Basic State Grant 2007		IDOE	S011A060014	2,518	-
Basic State Grant 2008		IDOE	S011A070014	149,660	129,031
Basic State Grant 2008		IDOE	S011A080014	4,065,306	3,557,345
Basic State Grant 2008		IDOE	S011A090014	556,315	544,364
Total for Program				4,773,799	4,230,740
Career and Technical Education - Basic Grants to States	84.048				
COMM TECH ED		IDWD	VO48A070014A	(29)	-
STATE LEADERSHIP		IDWD	VO48A070014A	1,864,501	1,463,269
CP SECONDARY B/		IDWD	VO48A070014A	1,377,828	1,377,828
POST 2ND VOC. ED		IDWD	VO48A070014A	837,812	837,812
COMM TECH ED		IDWD	VO48A080014A	132,427	-
STATE LEADERSHIP		IDWD	VO48A080014A	562,575	447,224
POST 2ND VOC. ED		IDWD	VO48A080014A	2,429,418	2,429,418
CP SECONDARY B/		IDWD	VO48A060014A	9,364	-
COMM TECH ED		IDWD	VO48A090014A	343,172	-
STATE LEADERSHIP		IDWD	VO48A090014A	1,202,887	495,880
POST 2ND VOC. ED		IDWD	VO48A090014A	6,110,722	6,110,722
Total for Program				14,870,676	13,162,153
Leveraging Educational Assistance Partnership	84.069				
Leveraging Education Assistance Program		SSACI	N069A90016	625,266	-
Special Leveraging Education Assistance Program		SSACI	N069B090013A	803,928	-
Total for Program				1,429,194	-

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF EDUCATION (continued)					
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126				
Title I, Section 110		FSSA	H 126A 08 0019	6,107,906	-
Title I, Section 110		FSSA	H 126A 09 0019	25,958,246	-
Title I, Section 110		FSSA	H 126A 09 0019	180,690	-
Title I, Section 110		FSSA	H 126A 09 0019	22,086	-
Title I, Section 110		FSSA	H 126A 09 0019	50,808	-
Title I, Section 110		FSSA	H 126A 10 0019	32,425,835	-
Total for Program				64,745,571	-
Rehabilitation Services - Client Assistance Program	84.161				
2007		IPASC	H161A080015B	3,728	-
2008		IPASC	H161A090015B	127,702	-
2009		IPASC	H161A100015B	319,103	-
2010		IPASC		363,345	-
Total for Program				813,878	-
Independent Living - State Grants	84.169				
Independent Living		FSSA	H 169A 09 0020	203,162	-
Independent Living		FSSA	H 169A 10 0020	309,973	-
Total for Program				513,135	-
Douglas Teacher Scholarships	84.176	SSACI	P176A40014	11,184	-
Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	84.177				
Rehabilitative Services		FSSA	H 177B 08 0014	281,320	-
Rehabilitative Services		FSSA	H 177B 09 0014	319,863	-
Total for Program				601,184	-
Safe and Drug-Free Schools and Communities - National Programs	84.184	IDOE	S184C030015	53,000	-
Byrd Honors Scholarship - 2010 Grant	84.185	IDOE	P185A090015	861,000	-
Safe and Drug Free Schools and Communities - State Grants	84.186				
State Grant 2007		IDOE	Q186A060015	-	-
State Grant 2008		IDOE	Q186A070015	1,907,786	1,874,278
State Grant 2009		IDOE	Q186A080015	963,079	900,527
State Grant 2010		IDOE	Q186A090015	994,405	972,802
2006 Safe & Drug-Free Schools and Communities - State Grants		ICJI	Q186B060016	62,545	62,545
2007 Safe & Drug-Free Schools and Communities - State Grants		ICJI	Q186B070016	689,339	689,339
2008 Safe & Drug-Free Schools and Communities - State Grants		ICJI	Q186B080016	332,103	332,103
2009 Safe & Drug-Free Schools and Communities - State Grants		ICJI	Q186B090016	5,958	5,958
Total for Program				4,955,215	4,837,551
Supported Employment Services for Individuals with Significant Disabilities	84.187				
Supported Employment Services for Individuals with Significant Disabilities		FSSA	H 187A 08 0020	518,893	-
Supported Employment Services for Individuals with Significant Disabilities		FSSA	H 187A 09 0020	517,775	-
Supported Employment Services for Individuals with Significant Disabilities		FSSA	H 187A 10 0020	516,185	-
Total for Program				1,552,853	-
Education for Homeless Children and Youth	84.196				
State Grant 2008		IDOE	S196A070015	639	-
State Grant 2009		IDOE	S196A080015	98,109	52,000
State Grant 2010		IDOE	S196A090015	6,827	-
Total for Program				105,575	52,000
Even Start State Educational Agencies	84.213				
State Grant 2010		IDOE	S213C090015	903,861	901,876
Assistive Technology	84.224				
Assistive Technology (ATTAIN)		FSSA	H 224A 08	202,444	-
Assistive Technology (ATTAIN)		FSSA	H 224A 09	122,371	-
Total for Program				324,815	-

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF EDUCATION (continued)					
Program of Protection and Advocacy of Individual Rights	84.240				
2005		IPASC	H240A060015	63	-
2006		IPASC	H240A070015	19	-
2007		IPASC	H240A080015	1,401	-
2008		IPASC	H240A090015	101,574	-
2009		IPASC	H240A100015B	88,845	-
Total for Program				191,903	-
Tech-Prep Education	84.243				
COM TECH ED-PRE		IDWD	V243A070014	369,709	369,709
COM TECH ED-PRE		IDWD	V243A080014	1,074,631	1,041,136
COM TECH ED-PRE		IDWD	V243A090014	124,845	124,685
Total for Program				1,569,185	1,535,529
Rehabilitation Training-State Vocational Rehabilitation Unit In-Service Training	84.265	FSSA	H 265A 05 0040	34,647	-
Eisenhower Professional Development	84.281	IDOE	S281A010014	483	-
Charter Schools					
State Grant 2007	84.282	IDOE	U282A070012-08A	3,823,114	3,512,545
State Grant 2010		IDOE	U282D090013	1,549,072	1,549,072
Total for Program				5,372,186	5,061,617
Twenty First Century Community Learning Center	84.287				
Award 2008		IDOE	S287A070014	3,322,996	3,250,569
Award 2009		IDOE	S287C080014	11,448,726	7,965,486
Award 2010		IDOE	S287C090014	609,358	609,358
Total for Program				15,381,080	11,825,412
State Grants for Innovative Education	84.298				
State Grant 2007		IDOE	S298A060014	242,761	242,761
State Grant 2008		IDOE	S298A070014	513,034	512,945
Total for Program				755,795	755,706
Special Education - State Personnel Development	84.323	IDOE	H323A030003	640,699	640,699
Advanced Placement Incentive Programs	84.330				
State Grant 2010		IDOE	S330B090032	172,579	8,775
Grants to States for Workplace and Community Transition Training for Incarcerated Individuals	84.331				
Specter 08		IDOC	Q331A080015	289,551	-
Specter 09		IDOC	Q331A090015	334,132	-
Total for Program				623,683	-
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334				
Gear Up		IDSP	P334S050010-09	3,105,277	-
Assistive Technology-State Grants for Protection and Advocacy	84.343				
2005		IPASC	H343A050015A	98	-
2007		IPASC	H343A070015A	2,501	-
2008		IPASC	H343A080015A	240	-
2009		IPASC	H343A090015A	37,630	-
2010		IPASC	H434A100015B	44,437	-
Total for Program				84,906	-
Reading First State Grants	84.357				
State Grant		IDOE	S357A070015	4,710,745	4,166,059
State Grant		IDOE	S357A080015	2,658,459	2,485,226
Total for Program				7,369,204	6,651,285

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF EDUCATION (continued)					
Rural Education	84.358				
State Grant		IDOE	S358B080014	165,483	128,977
State Grant		IDOE	S358B090014	171,322	171,322
Total for Program				336,805	300,299
English Language Acquisition Grants	84.365				
State Formula Grant Program		IDOE	T365A070014	13,733	-
State Formula Grant Program		IDOE	T365A080014	5,723,427	5,677,144
Total for Program				5,737,159	5,677,144
Mathematics and Science Partnerships	84.366				
Grant 2008		IDOE	S366B070015	842,693	842,593
Grant 2009		IDOE	S366B080015	1,756,206	1,583,292
Grant 2010		IDOE	S366B090015	270,241	270,241
Total for Program				2,869,140	2,696,126
Improving Teacher Quality State Grants	84.367				
Grant 2008		IDOE	S367A070013	2,195,912	2,101,560
Grant 2009		IDOE	S367A080013	34,942,930	33,948,412
Grant 2010		IDOE	S367A090013	13,254,618	13,254,618
Improving Teacher Quality		CHE	S367B080014A	1,238,994	107,500
Improving Teacher Quality		CHE	S367B090014A	1,042,740	1,042,740
Total for Program				52,675,194	50,454,830
Grants for State Assessments & Related Activities	84.369				
State Grant		IDOE	S369A070015	13,178	-
State Grant		IDOE	S369A080015	3,409,149	89,700
State Grant		IDOE	S369A090015	7,457,294	-
Total for Program				10,879,621	89,700
Statewide Data Systems	84.372	IDOE	R372A070013	1,365,368	-
Special Education - Technical Assistance on State Data Collection	84.373	IDOE	H373X060039	970	-
School Improvement Grants - State Grant 2009	84.377	IDOE	S377A080016	4,379,864	4,187,017
Stimulus Grant - McKinney-Vento Homeless - Grant 2009	84.387	IDOE	S387A090015	816,480	816,480
Stimulus Grant - Title I ARRA School Improvement - Grant 2009	84.388A	IDOE	S388A090015	147,586	147,586
Total U.S. Department of Education				1,314,674,452	1,074,581,877
NATIONAL ARCHIVES AND RECORDS ADMINISTRATION					
National Historical Publications and Records Grants	89.003				
Original award 02/01/2007 to 01/31/2010		ICPR	NAR07-RS-10032-07	1,380	-
Total National Archives and Records Administration				1,380	-
U.S. ELECTION ASSISTANCE COMMISSION					
Help America Vote Act Requirements Payments	90.401				
Title III Funds		SOS	412089	1,302,089	-
Total U.S. Election Assistance Commission				1,302,089	-

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Aging Cluster					
Special Programs for the Aging-Title III, Part B - Grants for Supportive Services and Senior Centers	93.044				
Support Services		FSSA	09 AA IN T3 SP	4,739,097	4,502,142
Support Services		FSSA	10 AA IN T3 SP	2,644,591	2,512,362
Total for Program				7,383,688	7,014,504
Special Programs for the Aging-Title III, Part C-Nutrition Services	93.045				
Congregate Meals		FSSA	09 AA IN T3 SP	5,231,147	4,969,590
Congregate Meals		FSSA	10 AA IN T3 SP	427,339	405,972
Home Delivered Meals		FSSA	09 AA IN T3 SP	4,619,386	4,388,416
Home Delivered Meals		FSSA	10 AA IN T3 SP	2,135,946	2,029,149
Total for Program				12,413,818	11,793,127
Nutrition Services Incentive Program	93.053				
Nutrition Services Incentive Program		FSSA	2 09 AA IN NSIP	1,047,618	995,237
Nutrition Services Incentive Program		FSSA	2 10 AA IN NSIP	474,389	450,669
Total for Program				1,522,006	1,445,906
ARRA - Aging Home-Delivered Nutrition Services for States	93.705	FSSA	09AAINC2RR	350,332	(276,877)
ARRA - Aging Congregate Nutrition Services for States	93.707	FSSA	09AAINC1RR	1,095,001	1,040,251
Total for Cluster				22,764,846	21,016,910
Immunization Cluster					
Immunization Grants	93.268				
Immunization Program-2009		ISDOH	5H23IP522522-07	1,879,708	339,680
Immunization Program-2010		ISDOH	5H23IP522522-08	1,164,410	133,861
Immunization Program-2010-Non-Cash Assistance			5H23IP522522-08	264,708	-
ARRA Immunization Program-2010-Non-Cash Assistance			n/a	5,230,660	-
Total for Program				8,539,487	473,542
ARRA - Meningococcal Conjugate Vaccine-2011	93.712		3U50CI523777-05S2	939	-
Total for Cluster				8,540,426	473,542
CCDF Cluster					
Child Care and Development Block Grant	93.575				
Child Care and Development Block Grant (CCDBG) - Administration		FSSA	G 09 01 IN CCDF	4,919,574	-
Child Care and Development Block Grant (CCDBG) - Administration		FSSA	G 10 01 IN CCDF	16,556,320	-
Total for Program				21,475,894	-
Child Care Mandatory and Matching Funds of the Child Care Development Fund	93.596				
Child Care Development Fund (CCDF) Matching/Mandatory		FSSA	G 08 01 IN CCDF	7,936	-
ARRA - Child Care Development Fund (CCDF) Matching/Mandatory		FSSA	G 09 01 IN CCDF	45,333,761	-
Child Care Development Fund (CCDF) Matching/Mandatory		FSSA	G 1001 IN CCDF	47,541,313	-
Total for Program				92,883,010	-
ARRA - Child Care and Development Block Grant	93.713	FSSA	G 09 01 IN CCD7	15,862,033	-
Total for Cluster				130,220,937	-
Medicaid Cluster					
State Medicaid Fraud Control Unit	93.775				
State Medicaid Fraud Control Unit		AG	01-0901-IN-5050	741,518	-
State Medicaid Fraud Control Unit		AG	01-1001-IN-5050	2,264,502	-
Total for Program				3,006,020	-

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)					
Medicaid Cluster (continued)					
State Survey and Certification of Health Care Providers and Suppliers	93.777				
Medicare Title XVIII-2009		ISDOH	05-0905-IN-5000	1,719,084	-
Medicare Title XVIII-2010		ISDOH	05-1005-IN-5000	4,277,611	-
CLIA (Clinical Lab Improvement Act)-2009		ISDOH	05-0905-IN-5002	74,732	-
CLIA(Clinical Lab.Improvement Act)-2010		ISDOH	05-1005-IN-5002	203,118	-
Title XIX - Certification of Health Care Providers		FSSA	5 09 05 IN 5001	(1,450,330)	-
Title XIX - Certification of Health Care Providers		FSSA	5 07 05 IN 5001	2,087,588	-
Title XIX - Certification of Health Care Providers		FSSA	5 08 05 IN 5001	160,974	-
Total for Program				7,072,777	-
Medical Assistance Program (Medicaid)	93.778				
Medicaid Assistance		FSSA	5 09 05 IN 5028	1,099,280,710	-
Medicaid Administration		FSSA	5 09 05 IN 5048	42,382,511	-
ARRA - Medicaid Assistance		FSSA	0905INARRA	162,142,347	-
Medicaid Assistance		FSSA	5 10 05 IN 5MAP	2,902,643,262	-
Medicaid Administration		FSSA	5 10 05 IN 5ADM	98,717,108	-
FMAP - ARRA Medicaid Assistance		FSSA	1005INARRA	138,314,165	-
FMAP - ARRA Medicaid Assistance		FSSA	1005INARRA	147,793,809	-
FMAP - ARRA Medicaid Assistance		FSSA	1005INARRA	124,134,356	-
ARRA - Medicaid Assistance		FSSA	5 1005INQUAL	3,198,501	-
Total for Program				4,718,606,770	-
Total for Cluster				4,728,685,567	-
State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	93.006				
OMH State Partnership Program FY08		ISDOH	1STTMP051005-03	8,851	-
OMH State Partnership Program FY09		ISDOH	1STTMP051005-04	75,875	16,725
OMH State Partnership Program FY10		ISDOH	5STTMP051005-05	70,953	-
Total for Program				155,679	16,725
Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041				
Elder Protection Services		FSSA	09 AA IN T7 SP	100,589	97,571
Special Programs for the Aging - Title VII, Chapter 2 Long-Term Care Ombudsman Service for Older Individuals	93.042				
Ombudsman		FSSA	09 AA IN T7 SP	59,370	57,589
Ombudsman		FSSA	10 AA IN T7 SP	217,226	210,709
Total for Program				276,596	268,298
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043				
Preventative Health		FSSA	09 AA IN T3 SP	276,663	262,830
Preventative Health		FSSA	10 AA IN T3 SP	183,626	174,445
Total for Program				460,289	437,275
Special Programs for the Aging - Title IV and Title II Discretionary Projects	93.048				
Building a Community Living Program		FSSA	90 CD 1200	405	401
Empowering Individuals		FSSA	90 DR000701	30,811	30,503
Total for Program				31,215	30,903
Alzheimer's Disease Demonstration Grants to States	93.051	FSSA	90AI000901	60,609	60,306
National Family Caregiver Support, Title III, Part E	93.052				
NFCSP (Title III Admin)		FSSA	09 AA IN T3 SP	2,341,502	2,224,426
NFCSP (Title III Admin)		FSSA	10 AA IN T3 SP	1,129,645	1,073,163
Total for Program				3,471,147	3,297,589

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)					
Public Health Emergency Preparedness	93.069				
Degradation of Rural Healthcare Services in Pan Flu - 2009		ISDOH	1U90TP000222-01	308,494	87,822
Public Health Preparedness & Response for Bioterrorism - 2008		ISDOH	5U90TP517024-08	69,275	69,275
Public Health Preparedness & Response for Bioterrorism - 2009		ISDOH	5U90TP517024-09	5,175,720	1,483,153
Public Health Preparedness & Response for Bioterrorism - 2010		ISDOH	5U90TP517024-10	9,234,095	341,939
Public Health Preparedness & Response for H1N1- 2010		ISDOH	1H75TP000339-01	12,267,867	9,746,466
Total for Program				27,055,450	11,728,655
Environmental Public Health and Emergency Response - Addressing Asthma - 2010	93.070	ISDOH	1U59EH000507-01	242,063	72,330
Advancing System Improvements to Support Targets for Healthy People 2010	93.071				
MIPPA ADRC		FSSA	09AAINMIDR	69,871	69,871
MIPPA AAA		FSSA	09AAINMIPP	8,837	8,837
Total for Program				78,708	78,708
Advancing System Improvements to Support Targets for Healthy People 2010	93.088				
Office of Women's Health ASIST Program 2009		ISDOH	1ASTWH070013-02	138,912	120,933
Office of Women's Health ASIST Program 2010		ISDOH	1ASTWH070013-03	185,482	119,351
Total for Program				324,393	240,284
Food and Drug Administration - Research	93.103				
State Food Safety & Security Task Force Meetings FY10		ISDOH	5R13FD003580-02	5,723	-
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	FSSA	U9SM58518	1,147,786	1,147,786
Maternal and Child Health Federal Consolidated Programs	93.110				
Early Childhood Comprehensive System Planning 2008		ISDOH	4H25MC00263-05	64,113	7,500
Early Childhood Comprehensive System Planning 2010		ISDOH	6H25MC00263-06	100,031	-
Data Integration-2008		ISDOH	5H18MC00017-12	3,014	-
Data Integration-2009		ISDOH	5H18MC00017-13	39,246	-
Data Integration-2010		ISDOH	5H18MC00017-14	26,887	-
Heritable Disorders-2010		ISDOH	6U22MC16507-01	82,761	-
Integrated Community Systems-2010		ISDOH	6D70MC12842-01	60,873	56,686
Total for Program				376,925	64,186
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116				
Tuberculosis Control Program-2009		ISDOH	5U52-PS500520-27	561,188	375,890
Tuberculosis Control Program-2010		ISDOH	2U52-PS500520-28	200,054	160,183
Total for Program				761,242	536,073
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130				
Primary Care Offices-2010		ISDOH	6U68HP11487-01	76,954	26,800
Primary Care Offices-2011		ISDOH	5U68HP11487-02	14,165	-
Total for Program				91,119	26,800
Injury Prevention and Control Research and State and Community Based Programs	93.136				
Rape Prevention and Education - FY 2009		ISDOH	5VF1CE001115-03	462,838	447,523
Rape Prevention and Education - FY 2010		ISDOH	5VF1CE001115-04	356,588	356,340
Total for Program				819,426	803,864
Protection and Advocacy for Individuals with Mental Illness	93.138				
2006		IPASC	SMX189700L	33	-
2008		IPASC	3X98SM001897-08S1	814	-
2009		IPASC	3X98SM001897-09S1	257,331	-
2010		IPASC	2X98SM001897-1	372,274	-
Total for Program				630,452	-

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)					
Projects for Assistance in Transition from Homelessness	93.150				
Projects for Assistance in Transition from Homelessness (PATH)		FSSA	S MX 060015 Q	481,145	481,145
Projects for Assistance in Transition from Homelessness (PATH)		FSSA	S MX 060015 S	237,029	237,029
Total for Program				718,175	718,175
Grants to States for Loan Repayment Program	93.165				
State Loan Repayment Program FY07		ISDOH	6H56HP00122-05	10,000	10,000
State Loan Repayment Program FY10		ISDOH	6H56HP15641-01	14,041	-
Total for Program				24,041	10,000
Childhood Lead Poisoning Prevention Projects	93.197				
Childhood Lead Poison Prevention - 2009		ISDOH	5H64EH000135-03	171,992	146,153
Childhood Lead Poison Prevention - 2010		ISDOH	5H64EH000135-04	689,337	339,524
Total for Program				861,329	485,678
Research on Healthcare Costs, Quality and Outcomes	93.226				
Cooperative Health Statistics-2008		ISDOH	200-2007-M19929	3,751	154
Cooperative Health Statistics-2009		ISDOH	200-2007-M19929	430,449	10,575
Cooperative Health Statistics-2010		ISDOH	200-2007-M19929	398,012	4,196
Total for Program				832,212	14,924
Traumatic Brain Injury State Demonstration Grant	93.234				
Traumatic Brain Injury - VR		FSSA	H2106756B0	172,779	-
Abstinence Education Program	93.235				
Abstinence Education Block Grant - 2008		ISDOH	G-0801INAEGP	194,749	-
Abstinence Education Block Grant - 2009		ISDOH	G-0901INAEGP	230,549	49,981
Total for Program				425,298	49,981
Grants for Dental Public Health Residency Training	93.236	ISDOH	T12HP10693-01	36,803	36,803
State Rural Hospital Flexibility Program	93.241				
RHFP-Critical Access Hospitals-2009		ISDOH	5H54RH00042-10	362,385	294,797
RHFP-Critical Access Hospitals-2010		ISDOH	6H54RH00042-11	83,890	82,270
Total for Program				446,275	377,068
Substance Abuse and Mental Health Services	93.243				
MI DIG III		FSSA	H1SM058070-01	236,936	-
Alternatives to Restraint & Seclusion		FSSA	H9 SM 58129A	145,989	123,878
IN Offender Reentry Program		FSSA	1H79TIO21948-01	27,794	21,653
NASMHP - TTI		FSSA	SC-1026-IN-01	1,508	-
Total for Program				412,227	145,530
Universal Newborn Hearing Screening	93.251				
Universal Newborn Hearing Screening-2010		ISDOH	4H61MC00059-08	8,045	8,045
Universal Newborn Hearing Screening-2011		ISDOH	5H61MC00059-09	252,486	94,909
Total for Program				260,531	102,954
State Grants for Protection and Advocacy Services	93.267				
2008		IPASC	X82MC09917	6,121	-
2009		IPASC	X82MC11200	38,868	-
2010		IPASC	X82MC16925	1,482	-
Total for Program				46,471	-

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)					
Substance Abuse and Mental Health Services - Access to Recovery	93.275				
Access to Recovery		FSSA	1H79TIO19486-01	5,730,597	529,987
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283				
Viral Hepatitis Prevention Grant 2009		ISDOH	5U51PS5000911-02	25,250	-
Viral Hepatitis Prevention Grant 2010		ISDOH	5U51PS000911-03	46,730	-
Comprehensive Cancer Control 2009		ISDOH	1U58DP000838-02	54,577	45,070
Comprehensive Cancer Control 2010		ISDOH	5U58DP000838-03	195,814	173,383
Nutrition, Physical Activity, & Obesity Program - FY 2009		ISDOH	1U58DP001481-01	62,460	-
Nutrition, Physical Activity, & Obesity Program - FY 2010		ISDOH	5U58DP001481-03	259,162	1,326
Early Hearing Detection & Intervention 2008		ISDOH	5UR3-DD524776-03	15,096	-
Early Hearing Detection & Intervention 2009		ISDOH	5UR3-DD000425-01	35,081	4,618
Early Hearing Detection & Intervention 2010		ISDOH	5UR3DD000425-02	135,828	44,895
National Program of Cancer Registries-2008		ISDOH	1U58DP000838-01	148,560	-
National Program of Cancer Registries-2010		ISDOH	1U58DP000838-03	425,036	10,118
Behavioral Risk Factor Surveillance-2008		ISDOH	5U58-DP522814-05	76	-
Behavioral Risk Factor Surveillance-2010		ISDOH	5U58DP001966-01	248,190	-
Behavioral Risk Factor Surveillance-2011		ISDOH	5U58DP001966-02	758	-
Healthy Communities - 2010		ISDOH	5U58DP001966-01	15,536	-
Healthy Communities - 2011		ISDOH	5U58DP001966-02	5,502	-
Addressing Asthma - 2008		ISDOH	5U59-EH525032	122,954	9,729
Tobacco Use Prevention and Control-2010		ISDOH	5U58-DP001966-01	1,005,896	-
Diabetes Grant-2010		ISDOH	5U58-DP001966-01	197,374	(6,833)
Diabetes Grant-2011		ISDOH	5U58DP001966-02	45,226	-
State Epidemiology & Laboratory Surveillance and Response-08		ISDOH	5U50-CI523777-04	(1,009)	-
State Epidemiology & Laboratory Surveillance and Response-09		ISDOH	5U50-CI523777-05	487,019	90,153
BRFSS, DIABETES PREVENTION, IN TOBACCO PREVENTION		ISDOH	1U58DP001966-01	1,002,132	35,000
BRFSS, DIABETES PREVENTION, IN TOBACCO PREVENTION		ISDOH	1U58DP001966-01	170,656	30,000
Total for Program				4,703,902	437,459
Small Rural Hospital Improvement Grant Program	93.301				
Small Rural Hospital Improvement Grant - 2009		ISDOH	6 H3HRH00003-07	178,379	178,379
ARRA - State Primary Care Offices - 2010	93.414	ISDOH	U6AHP16683-01	2,252	2,252
Promoting Safe and Stable Families	93.556				
Family Preservation and Support Services (Title IV Pt II)		DCS	08 01 INFPSS	2,288,495	-
Family Preservation and Support Services (Title IV Pt II)		DCS	09 01 INFPSS	1,655,772	-
Family Preservation and Support Services (Title IV Pt II)		FSSA	G 08 01 IN 00FP	2,293,174	2,293,174
Family Preservation and Support Services (Title IV Pt II)		FSSA	G 08 11 IN FPCV	105,369	-
Total for Program				6,342,810	2,293,174
Temporary Assistance for Needy Families	93.558				
Temporary Assistance to Needy Families (TANF)		FSSA	G 07 01 IN TANF	53,568	-
Temporary Assistance to Needy Families (TANF)		FSSA	G 08 01 IN TANF	21,222,571	-
Temporary Assistance to Needy Families (TANF)		FSSA	G 09 01 IN TANF	78,246,647	7,723,419
Temporary Assistance to Needy Families (TANF)		FSSA	G 10 01 IN TANF	105,647,323	27,117,512
TANF Transfer to CCDF		FSSA	G 10 01 IN TANF	(18,322,775)	-
Total for Program				186,847,333	34,840,931
Child Support Enforcement	93.563				
Title IV-D - Child Support Enforcement		FSSA	G 08 04 IN 4004	3,046,221	3,046,221
Healthy Marriages/ Healthy Relationship		FSSA	G 08 01 IN HMHR	78,972	78,972
Title IV-D - Child Support Enforcement		DCS	09 04 IN4004	15,192,505	-
ARRA - Title IV-D - Child Support Enforcement		DCS	09 04 IN4002	944,591	307,831
Title IV-D - Child Support Enforcement		DCS	08 04 IN4004	10,559,842	-
Title IV-D - Child Support Enforcement		DCS	10 04 IN4004	40,574,403	13,278,210
Title IV-D - Child Support (Stimulus)		DCS	10 04 IN4002	4,286,201	2,369,835
Total for Program				74,682,735	19,081,069
Refugee and Entrant Assistance - State Admin	93.566				
Refugee and Entrant Assistance - State Admin		FSSA	G 09 AA IN 5100	606,876	206,396
Refugee and Entrant Assistance - State Admin		FSSA	G 08 AA IN 5110	565,120	514,751
Refugee and Entrant Assistance - State Admin		FSSA	G 09 AA IN 5110	323,178	294,373
Total for Program				1,495,173	1,015,521

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)					
Community Service Block Grant	93.569	LTGOV	G07B3INCOSR	6,432	6,075
Refugee and Entrant Assistance - Discretionary Grants	93.576				
Health Programs for Refugees-2009		ISDOH	90RX0162-03	44,310	-
Health Programs for Refugees-2010		ISDOH	90RX0162-04	101,390	-
Total for Program				145,700	-
Refugee and Entrant Assistance-Targeted Assistance Grants	93.584				
Refugee Targeted Assistance		FSSA	0801INRRTA	134,423	134,423
Refugee Targeted Assistance		FSSA	0901INRRTA	23,999	23,999
Total for Program				158,422	158,422
State Court Improvement Program	93.586				
CIP GRANT FY07		SC	0601INSCID	96,014	-
CIP GRANT FY08		SC	0701INSCID	130,130	-
CIP GRANT FY09		SC	0801INSCID	76,196	-
DATA GRANT FY08		SC	0601INSCIT	46,129	-
DATA GRANT FY09		SC	0701INSCIT	100,559	-
CIP Grant FY 10		SC	0801INSCIT	89,634	-
TRAINING GRANT FY06		SC	0901INSCIT	56,036	-
TRAINING GRANT FY08		SC	0701INSCIP	119,573	-
TRAINING GRANT FY09		SC	0801INSCIP	166,384	-
CIP Grant FY 10		SC	0901INSCIP	111,250	-
Total for Program				991,905	-
Community Based Child Abuse Prevention Grant	93.590				
Comm Based Family Res Program Grant (CBCAP)		DCS	G 09 01 INFRPG	1,189,008	-
Grants to States for Access and Visitation Program	93.597				
Access and Visitation		FSSA	G 08 01 IN SAVP	143,679	143,679
Access and Visitation		DCS	G 08 01 IN SAVP	146,863	-
Access and Visitation		DCS	G 09 01 IN SAVP	36,382	-
Total for Program				326,924	143,679
Chafee Education and Training Vouchers Program (ETV)	93.599				
Title IV-E Educational & Training vouchers		FSSA	G 08 01 IN CETV	225,193	225,193
Independent Living/ CETV		DCS	08 01 INCETV	225,193	-
Independent Living/ CETV		DCS	09 01 INCETV	210,765	-
Total for Program				661,150	225,193
Head Start	93.600				
Head Start		FSSA	G 05 CD002003	73,251	-
Head Start		FSSA	G 05 CD002004	70,204	-
Total for Program				143,455	-
Adoption Incentive Program Payments	93.603				
Adoption Incentive Program Payments		DCS	0602INAIPP	16,156	-
Adoption Incentive Program Payments		DCS	0802INAIPP	124,384	-
Total for Program				140,540	-
Voting Access for Individuals with Disabilities - Grants to States	93.617				
HHS Polling Place Accessibility Grant		SOS	G-0603INVOTE	129,959	129,959
HHS Polling Place Accessibility Grant		SOS	G-0703INVOTE	86,855	86,855
HHS Polling Place Accessibility Grant		SOS	G-0803INVOTE	225,109	-
Total for Program				441,923	216,814

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)					
Voting Access for Individuals with Disabilities-Grants for Protection and Advocacy Systems	93.618				
2005		IPASC	G0503INVOTP	510	-
2006		IPASC	G0603INVOTP	294	-
2007		IPASC	G0703INVOTP	41,889	-
2008		IPASC	G0803INVOTP	42,693	-
Total for Program				85,386	-
Developmental Disabilities Basic Support and Advocacy Grants	93.630				
State Developmental Disabilities Councils grant		IGPC	75-0-1536	1,401,735	-
P&A for Developmental Disabilities 2007		IPASC	G0701INPA15	2,715	-
P&A for Developmental Disabilities 2009		IPASC	G0901INPA15	364,777	-
P&A for Developmental Disabilities 2010		IPASC	G1001INPA15	323,964	-
P&A for Developmental Disabilities 2010		IPASC		1,724,284	-
Total for Program				3,817,475	-
Children's Justice Grants to States	93.643				
Children's Justice Act		DCS	07 02 IN CJA	284,028	281,824
Children's Justice Act		DCS	08 02 IN CJA	287,530	225,407
Total for Program				571,558	507,231
Child Welfare Services - State Grants	93.645				
Title IV-B Child Welfare Social Services		FSSA	G 08 01 IN 1400	1,490,401	-
Title IV-B Child Welfare Social Services		DCS	G 08 01 INCWSS	1,662,224	-
Title IV-B Child Welfare Social Services		DCS	G 09 01 INCWSS	1,209,277	-
Total for Program				4,361,903	-
Social Services Research and Demonstration	93.647	FSSA	90PD026901	245	-
Adoption Opportunities	93.652				
Engaging Non-Resident Fathers		DCS	90CO1025IDCS09	205,518	-
Foster Care - Title IV - E	93.658				
Title IV-E Foster Care		FSSA	G 08 01 IN 1401	15,554,861	-
Title IV-E Foster Care		DCS	0901 IN 1401	18,200,212	-
Title IV-E Foster Care		DCS	1001 IN 1401	54,616,773	-
ARRA - Title IV-E Foster Care		DCS	0901 IN 1402	1,859,183	-
ARRA - Title IV-E Foster Care		DCS	1001 IN 1402	3,043,012	-
Total for Program				93,274,042	-
Adoption Assistance	93.659				
Adoption Assistance		DCS	09 01 IN1407	22,933,848	-
Adoption Assistance		DCS	10 01 IN1407	46,226,994	-
ARRA - Adoption Assistance		DCS	09 01 IN1403	2,179,920	-
Adoption Assistance Stimulus		DCS	10 01 IN1403	2,384,242	-
Total for Program				73,725,004	-
Social Services Block Grant	93.667				
Social Services Block Grant Suppl		DCS	G 09 01 INSOS2	4,744,350	-
Social Services Block Grant		DCS	G 09 02 INSOSR	7,443,575	1,741,309
Social Services Block Grant		DCS	G 10 02 INSOSR	17,699,153	17,606,077
Total for Program				29,887,078	19,347,386
Child Abuse and Neglect State Grants	93.669				
Child Abuse Prevention (CAPTA)		FSSA	CAPTA 08	500,000	500,000
Shelter's Grants to States and Indian Tribes	93.671				
Family Violence Prevention and Services		FSSA	G 08 01 IN FVPS	390,874	-
09 Family Violence		ICJI	0320901INFVPS	1,401,389	-
08 Family Violence		ICJI	0320801INFVPS	303,341	-
Total for Program				2,095,604	-

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)					
Chafee Foster Care Independence Program	93.674				
Title IV-E Independent Living		DCS	G 09 01 IN1420	2,740,575	-
Title IV-E Independent Living		DCS	G 10 01 IN1420	1,040,475	-
Total for Program				3,781,050	-
ARRA - Preventing Healthcare-Associated Infections	93.717	ISDOH	3U50CI523777-05S1	24,926	23,280
ARRA - Prevention and Wellness-State, Territories and Pacific Islands	93.723				
Supplemental Funding for Cooperative Agreement		ISDOH	DP0990101ARRA09	711,416	-
Children's Health Insurance Program	93.767				
Children's Health Insurance Program (CHIP) Assistance		FSSA	5 08 05IN 5021	65,022,492	-
Children's Health Insurance Program (CHIP) Assistance		FSSA	5 09 05IN 5021	14,150,369	-
Total for Program				79,172,861	-
Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities	93.768				
		FSSA	1QACMS030232	546,854	-
		FSSA	1QACMS030530	278,763	-
Total for Program				825,617	-
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779				
State Health Insurance Assistance Program 2009		IDOI	11-P-20202/5-17	665,051	-
SHIP 04/01/2010 03/31/2011		IDOI	INOCMS020202-18	119,593	-
LIS/MSP Enrollment Center 1		IDOI	1Y0CMS030348	39,518	-
LIS/MSP Enrollment Center 2		IDOI	IX0CMS030393	21,288	-
Money Follows the Person		FSSA	1LICMS300 150A	1,187,856	-
Total for Program				2,033,305	-
Alternatives to Psychiatric Residential Treatment Facilities for Children	93.789	FSSA	SO30013401	5,712,782	-
Alternate Non-Emergency Service Providers or Networks	93.790	FSSA	1VOC30247A	1,157,127	-
Medicaid Transformation Grants	93.793				
Medicaid Transformation - Estate Recovery		FSSA	0705INTRA1	80,346	-
Medicaid InfoTech Architecture		FSSA	1U030220A	628,924	-
Total for Program				709,271	-
National Bioterrorism Hospital Preparedness Program	93.889				
Bioterrorism Hospital Preparedness Program - 2008		ISDOH	1U3REP070014-01	160,444	151,725
Hospital Preparedness Program - 2009		ISDOH	1U3REP080015-01	4,094,387	3,292,171
Hospital Preparedness Program - 2010		ISDOH	1U3REP090262-01	8,592,935	5,454,861
Total for Program				12,847,766	8,898,758
Grants to States for Operation of Offices of Rural Health	93.913				
Rural Health - 2009		ISDOH	6H95RH00136-17	53,325	50,354
Rural Health - 2010		ISDOH	6H95RH00136-18	35,027	27,700
Total for Program				88,352	78,054
HIV Care Formula Grants	93.917				
Title II HIV Care Grants-2009		ISDOH	6X07HA00033-18	2,638	-
Title II HIV Care Grants-2010		ISDOH	6X07HA00033-19	16,490,672	22,990
Title II HIV Care Grants-2011		ISDOH	6X07HA00033-20	1,858,887	5,581
Total for Program				18,352,197	28,570
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919				
Breast & Cervical Cancer Early Detection-2009		ISDOH	1U58DP000838-02	467,235	72,332
Breast & Cervical Cancer Early Detection-2010		ISDOH	1U58DP000838-03	1,502,939	513,451
Total for Program				1,970,174	585,783

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)					
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938				
CSHP and HIV-AIDS Education		IDOE	5U87DP001178-01	41,215	-
CSHP and HIV-AIDS Education		IDOE	5U87DP001178-02	147,771	6,294
Total for Program				188,987	6,294
HIV Prevention Activities-Health Department Based	93.940				
HIV Prevention Project-2008		ISDOH	3U62PS523488-05	1,662,617	1,138,849
HIV Prevention Project-2010		ISDOH	2U62PS523488-06	783,178	367,406
Total for Program				2,445,795	1,506,255
Human Immunodeficiency Virus/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944				
HIV/AIDS Surveillance &Seroprevalence-2008		ISDOH	1U62-PS001049-01	(125)	-
HIV/AIDS Surveillance &Seroprevalence-2009		ISDOH	5U62-PS001049-02	507,162	120,341
HIV/AIDS Surveillance &Seroprevalence-2010		ISDOH	5U62PS001049-03	356,069	40,672
Morbidity and Risk Behavior 09		ISDOH	5U62-PS524446-04	8,188	-
Morbidity and Risk Behavior 10		ISDOH	1U62-PS001599-01	331,358	9,666
Morbidity and Risk Behavior 11		ISDOH	5U62PS001599-02	22,934	-
Surveillance of HIV/Aids Related Events Among Persons Not Receiving Care FY09		ISDOH	5U01-PS000116-04	150,347	-
Total for Program				1,375,933	170,680
Block Grants for Community Mental Health Services	93.958				
Community Mental Health Block Grants		FSSA	09 B1 IN CMHS	5,223,174	2,639,918
Community Mental Health Block Grants		FSSA	10 B1 IN CMHS	857,003	490,101
Total for Program				6,080,178	3,130,018
Block Grants for Prevention and Treatment of Substance Abuse	93.959				
Prev and Treat of Substance Abuse Block Grant		FSSA	09 B1 IN SAPT	30,909,576	22,550,775
Preventive Health Services-Sexually Transmitted Diseases Control Grants	93.977				
Sexually Transmitted Disease Accel Prev Campaign-09		ISDOH	1H25PS501360-01	955,146	843,770
Sexually Transmitted Disease Accel Prev Campaign-10		ISDOH	5H25PS001360-02	344,129	212,682
Total for Program				1,299,275	1,056,452
Mental Health Disaster Assistance and Emergency Mental Health	93.982	FSSA	H7SM00255	283,133	-
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems - Diabetes Grant-2008	93.988	ISDOH	3U32DP522713-05	6,027	-
Preventive Health and Health Services Block Grant	93.991				
Preventive Health Services Block Grant-2009		ISDOH	3B01DP009019-08	578,782	-
Preventive Health Services Block Grant-2010		ISDOH	3B01DP009019-09	571,703	-
Preventive Health Services Block Grant-2011		ISDOH	3B01DP009019-10W1	98,718	5,111
Total for Program				1,249,203	5,111
Maternal and Child Health Services Block Grant to the States	93.994				
Maternal and Child Health Block Grant-2008		ISDOH	1B04MC04272-01	605,482	-
Maternal and Child Health Block Grant-2009		ISDOH	1B04MC11185-01	3,770,623	2,112,370
Maternal and Child Health Block Grant-2010		ISDOH	6B04MC17028-01	6,452,405	2,980,885
Total for Program				10,828,510	5,093,255
Other Assistance					
DASIS (Drug & Alcohol Services Information Systems)	93	FSSA	283 02 9026	138,759	-
Arthritis Integrated Dissemination FY 09	93	ISDOH		51,630	-
Mammography Inspection Program	93				
Mammography Inspection Program-2009		ISDOH	HHSF223200840107C	-	-
Mammography Inspection Program-2010		ISDOH	HHSF223200840107C	64,723	-
Mammography Inspection Program-2011		ISDOH	HHSF223200840107C	3,037	-
Total for Program				67,760	-

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)					
Other Assistance (continued)					
Sex Offense Service	93				
Sex Offense Service 2009		ICJI	32361014660093	97,150	-
Sex Offense Service 2010		ICJI	32361014660013	48,305	-
Total for Program				145,455	-
SSBG 2009	93	ICJI	032SOCSRVBLKF09	183,113	-
Total Other Assistance				586,717	-
Total U.S. Department of Health and Human Services				5,605,889,958	164,955,776
CORPORATION FOR NATIONAL & COMMUNITY SERVICE					
State Commissions	94.003				
ICCSV Federal Administration		CCSV	07CAHIN001	86,212	-
		CCSV	10CAHIN001	15,278	-
Total for Program				101,490	-
Learn and Serve America - School and Community Based Programs	94.004				
K-12Formula Grant 2007		IDOE	06KSNIN001	207,898	140,750
Learn & Service Homeland Security Initiative		IDOE	04KSNIN001	61,784	-
K-12Formula Grant 2009		IDOE	08KSNIN001	213,480	-
Total for Program				483,163	140,750
AmeriCorps	94.006				
AmeriCorps Competitive		CCSV	06ACHIN001	-	-
AmeriCorps Competitive		CCSV	09ACHIN001	409,593	409,593
AmeriCorps Formula		CCSV	03AFHIN001	-	-
AmeriCorps Formula		CCSV	06AFHIN001	985,293	985,293
AmeriCorps ARRA		CCSV	09RFHIN001	466,978	466,978
Total for Program				1,861,864	1,861,864
Program Development and Innovation Grants	94.007				
Disability Placement Funds		CCSV	07CDHIN001	14,767	-
Training and Technical Assistance	94.009				
Program Development and Technical Assistance		CCSV	05PTHIN001	4,114	-
Program Development and Technical Assistance		CCSV	06PTHIN001	17,384	-
Program Development and Technical Assistance		CCSV	09PTHIN001	13,728	-
Total for Program				35,226	-
Volunteers in Service to America	94.013	AG	09RVNIN001	11,408	-
Total Corporation for National and Community Service				2,507,917	2,002,614
SOCIAL SECURITY ADMINISTRATION					
Social Security - Disability Insurance	96.001				
Social Security Disability Ins		FSSA	0804IND100	2,501,203	-
Social Security Disability Ins		FSSA	0904IND100	15,156,108	-
Social Security Disability Ins		FSSA	1004IND100	30,273,892	-
Total for Program				47,931,203	-
Social Security State Grants for Work Incentives Assistance to Disabled Beneficiaries	96.009				
2007		IPASC	17B20018-5-04	507	-
2008		IPASC	17B20018-5-05	30,821	-
2009		IPASC	17B20018-5.05	79,185	-
2010		IPASC		61,169	-
Total for Program				171,682	-
Total for Social Security Administration				48,102,884	-

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF HOMELAND SECURITY					
Homeland Security Cluster					
State Domestic Preparedness Equipment Support Program	97.004				
2008 IN Dept of Homeland Security		BOAH	ODP08HSGP	69,211	-
Homeland Security Grant Program	97.067				
Homeland Security Grant Program 2009		IDOT	80008SHSGIS0000	51,000	-
Homeland Security Grant Program 2009		IDOT	N/A	131,268	-
2006 SHSP		IDHS	2006-GE-T6-0019	850,058	225,864
2006 CCP		IDHS	2006-GE-T6-0019	12,051	566
2006 MMRS		IDHS	2006-GE-T6-0019	139,545	139,545
2006 UASI		IDHS	2006-GE-T6-0019	2,559,131	936,869
2007 SHSP		IDHS	2007-GE-T7-0026	3,023,469	1,926,035
2007 CCP		IDHS	2007-GE-T7-0026	86,508	-
2007 MMRS		IDHS	2007-GE-T7-0026	351,155	42,027
2007 UASI		IDHS	2007-GE-T7-0026	2,067,891	167,713
2008 SHSP		IDHS	2008-GE-T7-0032	7,774,630	895,713
2008 UASI		IDHS	2008-GE-T8-0032	238,627	-
2008 CCP		IDHS	2008-GE-T8-0032	(34)	-
2009 SHSP		IDHS	2009-SS-T9-0032	1,478,923	1,016,725
2009 UASI		IDHS	2009-SS-T9-0032	44,749	-
Total for Program				18,808,970	5,351,057
Cluster Total				18,878,181	5,351,057
Interoperable Emergency Communications Grant Program 2008	97.001	IDHS	2008-IO-T8-0025	14,402	3,739
Non-Profit Security Program	97.008				
2007 UASI-NP		IDHS	2007-TU-XM-0003	77,956	77,956
2009 Radiological Initiatives UASI		IDSP	2007-GE-T7-0026	33,267	-
Total for Program				111,223	77,956
Boating Safety Financial Assistance	97.012				
US Department of Homeland Security/US Boating Grant		DNR	19.01.20	917,322	-
US Department of Homeland Security/US Boating Grant		DNR	10.01.18	649,918	-
Total for Program				1,567,240	-
Community Assistance Program State Support Services Element	97.023				
Community Assistance Program - SSSE		DNR	EMC-2009-CA-7002	40,181	-
Community Assistance Program - SSSE		DNR	EMC-2010-CA-7004	115,617	-
Total for Program				155,798	-
Flood Mitigation Assistance	97.029				
FMA 2007 Planning		IDHS	EMC-2007-FM-E002	18,300	18,300
FMA 2007 Project		IDHS	EMC-2007-FM-E007	5,225	5,225
FMA 2008		IDHS	EMC-2008-FM-E004	7,486	7,486
Total for Program				31,011	31,011
Disaster Unemployment Assistance	97.034				
FEMA Disaster Relief		IDWD	UI-15797-07-55	(112)	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036				
DNR Disasters - Flooding June		DNR	1766DRINP00000001	34,438	-
DNR Disasters - Hurricane Sept		DNR	1795DRINP00000001	22,844	-
FEMA Disaster 1828		DNR	1828DRINP00000001	48,216	-
Disaster 1433		IDHS	N/A	14,454	-
Disaster 1573		IDHS	N/A	28,908	28,908
Disaster 1612		IDHS	N/A	40,948	-
Disaster 1740		IDHS	N/A	358,202	355,615
Disaster 1766		IDHS	N/A	9,969,694	7,793,756
Disaster 1795		IDHS	N/A	1,740,689	1,324,319
Disaster 1828		IDHS	N/A	5,033,333	4,740,540
Total for Program				17,291,726	14,243,137

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF HOMELAND SECURITY (continued)					
Hazard Mitigation Grant	97.039				
Disaster 1418		IDHS	N/A	29,963	24,056
Disaster 1433		IDHS	N/A	26,218	15,457
Disaster 1476		IDHS	N/A	11,600	-
Disaster 1520		IDHS	N/A	6,645	3,108
Disaster 1542		IDHS	N/A	(23,212)	-
Disaster 1573		IDHS	N/A	20,918	16,280
Disaster 1612		IDHS	N/A	85,054	85,054
Disaster 1766		IDHS	N/A	3,831,205	2,878,855
Disaster 1662		IDHS	N/A	542,260	407,475
Disaster 1662 Wells County		IDHS	N/A	1,800	1,800
Disaster 1662 Morgan County		IDHS	N/A	12,000	12,000
Disaster 1732		IDHS	N/A	522,979	522,979
Disaster 1740		IDHS	N/A	281,381	281,381
Disaster 1795		IDHS	N/A	48,876	-
Total for Program				5,397,686	4,248,445
National Dam Safety Program	97.041				
National Dam Safety Program		DNR	EMW-2003-GR-0353	(51,720)	-
National Dam Safety Program		DNR	EMW-2006-ND-0054	(43,414)	-
National Dam Safety Program		DNR	EMW-2007-GR-0746	10,900	-
National Dam Safety Program		DNR	EMW-2008-GR-0639	46,144	-
National Dam Safety Program		DNR	2009-RC-55-0032	12,000	-
Total for Program				(38,090)	-
Emergency Management Performance Grant	97.042				
2008 Swiftwater Rescue Training		IDSP	2008-EM-E08-0050	8,818	-
EMPG 2009		IDOL	2009-EP-E9-0012	13,992	-
2007 EMPG		IDHS	2007-EME7-0028	244,057	-
2007 EMPG-S		IDHS	2007-EME7-0091	256,040	-
2008 EMPG		IDHS	2008-EME8-0050	2,268,298	486,023
Total for Program				2,791,205	486,023
Cooperating Technical Partners	97.045				
Cooperating Technical Partners		DNR	EMC-2004-GR-0210	(2)	-
Cooperating Technical Partners		DNR	EMC-2005-GR-7022	(607,887)	-
Cooperating Technical Partners		DNR	EMC-2006- CA-7016	364,492	-
Cooperating Technical Partners		DNR	EMC-2007-CA-7027	582,202	-
Cooperating Technical Partners		DNR	EMC-2008-CA-7017	929,108	-
Cooperating Technical Partners		DNR	EMC-2009-CA-7008	118,789	-
Total for Program				1,386,702	-
Pre-Disaster Mitigation	97.047				
PDM-C 2005		IDHS	EMC-2005-PC-0004	32,500	32,500
PDM-C 2006		IDHS	EMC-2006-PC-0005	5,850	5,850
PDM-C 2008		IDHS	EMC-2008-PC-0002	1,234,968	-
LPDM-C 2008		IDHS	EMC-2008-PD-0002	200,000	200,000
Total for Program				1,473,318	238,350
Port Security Grant Program	97.056				
IDNR LE DHS IPP-PSGP Lake Michigan		DNR	2007-GB-T7-0137	3,006	-
Map Modernization Management Support	97.070				
Map Modernization Management Support (MMMS)		DNR	EMC-2008-CA-7011	51,945	-
State Homeland Security Program	97.073				
2009 Criminal Intelligence IBASE System		IDSP	2006-GE-T6-0019	8,059	-
2009 Criminal Intelligence IBASE System		IDSP	2007-GE-T7-0026	5,733	-
2008 Armored Car Grant		IDSP	2008-GE-T8-0032	335	-
2008 Bomb Squad Robot		IDSP	2008-GE-T8-0032	88,343	-
2008 LOGOS Explosive Ordinance Disposal		IDSP	2008-GE-T8-0032	125,305	-
2010 IDHS Pass Thru Radio & AED		DNR	2009-SS-T9-0032	69,985	-
Total for Program				297,759	-

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
July 1, 2009 to June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Agency Note 4	Grant Number	Disbursements	Passed Through To Subrecipients
U.S. DEPARTMENT OF HOMELAND SECURITY (continued)					
Law Enforcement Terrorism Prevention Program (LETPP)	97.074				
2006 LETPP		IDHS	2006-GE-T6-0019	419,595	346,466
2007 LETPP		IDHS	2007-GE-T7-0026	2,522,871	1,297,265
Total for Program				2,942,466	1,643,731
Buffer Zone Protection Program (BZPP)	97.078				
2005 BZPP		IDHS	2005-GR-T5-0070	25,361	-
2006 BZPP		IDHS	2006-BZ-T6-0056	407,294	335,152
2006 BZPP-CHEM		IDHS	2006-BZ-T6-0030	547,043	338,807
2007 BZPP		IDHS	2007-BZ-T7-0003	596,472	582,031
Total for Program				1,576,170	1,255,989
Driver's License Security Grant Program	97.089				
FY08 REAL ID Demonstration Grant		BMV	2008IDT80052	1,231,684	-
FY09 Driver's License Security Grant			2009IDMX0002	118,679	-
Total for Program				1,350,363	-
Homeland Security Biowatch Program	97.091				
Bio-Watch HS		IDEM	2006ST-091-000019 Seg 3	68,179	-
Bio-Watch HS		IDEM	2006ST-091-000019 Seg 4	136,013	-
Total for Program				204,192	-
Port Security Grant Program (ARRA) - MTVRNN	97.116	DNR	2009-PU-R1-0427	4,840	-
Total U.S. Department of Homeland Security				55,491,032	27,579,437
Grand Totals				$ 13,806,512,840	$ 1,769,474,642

The accompanying notes are an integral part of the Schedule of Federal Expenditures of Federal Awards.

STATE OF INDIANA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Scope of Schedule

All federal awards received by the State of Indiana, as a governmental unit, have been included in the Schedule of Expenditures of Federal Awards except for the programs administered by the component units listed in Note 3.

Note 2. Basis of Presentation

a. The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the State of Indiana and is presented in accordance with requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of Federal Awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

b. The source of information for the schedule was obtained from the various agencies' grant records while the financial statements were prepared from the records of the Auditor of State. Therefore, the schedule may not necessarily coincide with the financial statements.

Note 3. Component Units

The entities listed below are component units for financial statement purposes and receive federal financial assistance. The federal transactions of these entities are not reflected in this schedule. Each of these entities has its own independent audits in compliance with OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations with a fiscal year end date of June 30, except for the Indiana Housing and Community Development Authority which has a fiscal year end date of December 31.

Component Unit	Federal Funds Expended
Purdue University	$ 648,821,633
Indiana University	991,043,707
Indiana State University	76,619,421
Ball State University	142,128,762
Vincennes University	65,684,959
University of Southern Indiana	55,400,782
Ivy Tech State College	550,819,719
Indiana Finance Authority	132,989,034
Indiana Housing and Community Development Authority	361,977,160
Total	$ 3,025,485,177

Note 4. State Agencies

The initials in the Agency column indicate the agency that receives the federal funds directly. The following table identifies the state agencies. See also Note 7.

Agency	Agency Name
AG	Attorney General, Office of the
BOAH	Board of Animal Health
CCSV	Governor's Commission on Community Service and Volunteerism
CHE	Commission for Higher Education
DCS	Indiana Department of Child Services
DNR	Indiana Department of Natural Resources
EPCC	Evansville Child Psychiatric Center
IBS	Indiana Blind School
IDOC	Indiana Department of Correction
IDOL	Indiana Department of Labor
IDWD	Indiana Department of Workforce Development
FSSA	Family and Social Services Administration
IAC	Indiana Arts Commission
ICJI	Indiana Criminal Justice Institute
ICPE	Indiana Commission on Proprietary Education
ICRC	Indiana Civil Rights Commission
IDEM	Indiana Department of Environmental Management
IDHS	Indiana Department of Homeland Security
IDOA	Indiana Department of Administration
IDOE	Indiana Department of Education
IDOI	Indiana Department of Insurance
IDOR	Indiana Department of Revenue
IDSP	Indiana Department of State Police
IDVA	Indiana Department of Veterans' Affairs
IEC	Indiana Election Commission
IEDC	Indiana Economic Development Corporation
IGPC	Indiana Governor's Planning Council for People With Disabilities
INDOT	Indiana Department of Transportation
IPAC	Indiana Prosecuting Attorney's Council
IPASC	Indiana Protection and Advocacy Services Commission
IPSB	Indiana Professional Standards Board
ISDOH	Indiana State Department of Health
ISL	Indiana State Library
ISSCH	Indiana Soldiers and Sailors Children's Home
IURC	Indiana Utility Regulatory Commission
IVH	Indiana Veterans' Home
JTAC	Judicial Technology and Automation Committee
LT.GOV	Lieutenant Governor – Office of Commissioner of Agriculture
MD/ING	Military Department of State of Indiana
SC	Supreme Court
SOS	Secretary of State
SSACI	State Student Assistance Commission of Indiana

Note 5. State Unemployment Insurance Benefits

State Unemployment Insurance Benefits represent the funds returned from the U.S. Treasury for nonfederal unemployment benefits. The State collects unemployment taxes from employers and deposits them in the Unemployment Insurance Trust Fund to be used by the State.

Note 6. Noncash Assistance

The State expended the following amount of noncash assistance for the year. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	Noncash Assistance Expended
School Lunch	10.555	$ 28,055,281
Donation of Federal Surplus Personal Property	39.003	3,839,664
Immunization Grants	93.268	264,708
ARRA-Immunization Grants	93.268	5,230,660

Note 7. Agency/Federal Program Changes

Formation of New Department

Effective January 11, 2005, the Department of Child Services (DCS) was created. Several federal programs formerly under Family and Social Services Administration (FSSA) are now under the authority of DCS. However, some processes, such as some aspects of financial reporting, were still under the authority of FSSA.

STATE OF INDIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified	Yes
Significant deficiency identified that is not considered to be a material weakness?	No

Noncompliance material to financial statements noted? No

Federal Awards:

Internal control over major programs:

Material weaknesses identified	Yes
Significant deficiencies identified that are not considered to be material weaknesses?	Yes

Type of auditor's report issued on compliance for major programs: Qualified for State Children's Health Insurance Program (93.767), Medicaid (93.778), and Social Services Block Grant (93.667). Unqualified for all others.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes

Dollar threshold used to distinguish between Type A and Type B programs: $30,000,000

Auditee qualified as low-risk auditee? No

Identification of major programs:

CFDA No.	Program Title
FS	Food Stamp Cluster (10.551, 10.561)
12.401	National Guard Military Operations and Maintenance Projects
14.228	Community Development Block Grant
17.225	Unemployment Insurance
WIA	Workforce Investment Act Cluster (17.28, 17.259, 17.260)
HPPC	Highway Planning and Construction Cluster (20.205, 20.219)
Title 1	Title 1 Cluster (84.010, 84.389)
SEC	Special Education Cluster (84.027, 84.173, 84.391, 84.392)

CFDA No.	Program Title
84.126	Vocational Rehabilitation
84.394	ARRA-Fiscal Stabilization-Education
93.558	Temporary Assistance for Needy Families (TANF)
93.563	Child Support Enforcement
CCC	Child Care Cluster (93.713, 93.575, 93.596)
93.658	Foster Care – Title IV-E
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.767	State Children's Insurance Program
MC	Medicaid Cluster (93.775, 93.777, 93.778)
93.959	Substance Abuse and Prevention Treatment Block Grant
96.001	Disability Insurance
HS	Homeland Security Cluster (97.004, 97.067)
97.036	Disaster Grants-Public Assistance

Section II - Financial Statement Findings

The audit of the State of Indiana's financial statements disclosed material weaknesses that are required to be reported. Management's response to the findings starts on page 298.

FINDING 2005 - CAFR-1, CAPITAL ASSETS

Auditee Contact Person:	Steve Daniels
Title of Contact Person:	Deputy Auditor of Fiscal Operations
Phone Number:	317-233-9817
Internal Control:	Material Weakness

The Indiana Department of Administration is required by statute to provide for the periodic inspection, appraisal, and inventory of all of the State's real and personal property. The Auditor of State needs financial information relating to the State's real and personal property for financial reporting purposes. Procedures have been established which require all state agencies to ensure that all purchases of land, equipment, buildings and related improvements, and retirement and sale of assets of $500 or more are properly recorded within the Asset Management (AM) module of ENCOMPASS. Additionally, agencies are required to physically tag assets and conduct an annual physical inventory of assets, comparing the results of such inventory to the asset listing in the AM module. Through our testing we found that state agencies do not consistently comply with the above requirements. This results in a lack of internal control over the State's capital assets as well as a misstatement of capital assets in the State's financial statements. Our testing found new asset purchases that were not interfaced with the AM module, and thus not properly capitalized, due to incomplete or improper information inputted at the agency level. While these errors did not prevent the payment of the asset invoice, the errors did cause the assets to not interface to the AM module. In prior years, assets have frequently been reported as additions in subsequent fiscal periods after the acquisition of the assets. This lack of timely reporting results in prior period adjustments in the State's financial statements. This condition remained in the current audit and required a material prior period adjustment due in large part to the asset clean-up work that was done in preparation for implementation of the new accounting system. Additionally, we were unable to determine that assets being surplused were properly reclassified as such within ENCOMPASS. This is due to the lack of an asset tag number on the form that agencies are required to submit to State Surplus when an asset is being surplused. This form has not been approved by the State Board of Accounts (SBOA).

The Governmental Accounting Standards Board requires the capitalization of a government's capital assets in the period in which they are acquired.

Indiana Code 4-13-1-20(b) and 4-20.5-6-3 state that the Department of Administration shall provide for the periodic inspection, appraisal, and inventory of all of the state's property, and shall require reports from agencies concerning the property in the custody of each state agency.

Each agency, department, institution or office is responsible for compliance with applicable statutes, regulations, contract provisions, state policies, and federal requirements. Compliance is required, as applicable, with generally accepted accounting principles, and standards issued by the Governmental Accounting Standards Board, Financial Accounting Standards Board, and other standard setting bodies. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview)

All accounting forms, records and systems used by governmental units in the State of Indiana are required to be prescribed or approved by the SBOA. This includes all statements and reports necessary for the internal administration of the office to which they pertain. It also includes electronic, automated or computerized systems. Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview Chapter)

FINDING 2007 - CAFR-1, GRANT REPORTING

Auditee Contact Person:	Steve Daniels
Title of Contact Person:	Deputy Auditor of Fiscal Operations
Phone Number:	317-233-9817
Internal Control:	Material Weakness

As reported in prior audits, the State of Indiana does not have an adequate process in place for the compilation of a complete and accurate schedule of federal awards (grant schedule). In addition to reporting federal grant activity in the Single Audit Report, this schedule is used in the calculation of accruals for grants receivable and deferred revenue in the financial statements.

The State's process for compiling the grant schedule has required each agency that receives federal financial assistance to prepare a schedule that reflects fiscal year grant activity. This schedule includes beginning cash balance, federal receipts, program expenditures, ending cash balance, and funds passed through to subrecipients, for each grant award. The state implemented a new accounting system during the current year and business processes were designed that were to allow for a statewide grant schedule to be produced from the grant records maintained in the projects module. However, it was determined that agencies did not consistently follow the business processes designed for grant accounting in the projects module and, therefore, a reliable grant schedule could not be produced out of ENCOMPASS. As such, agencies were directed to again individually compile grant schedules and submit them for compilation into a statewide schedule. During the current audit, we again found various errors in the agency-prepared grant schedules. These errors if left uncorrected would have resulted in the material misstatement of the accruals for grants receivable and deferred revenue in the financial statements as well as incorrect grant schedule reporting. These errors are the result of this largely manual process that continues to exist for the preparation of the schedules by agencies. Additionally, internal controls are not in place to provide a centralized review of the agency prepared schedules nor is there a centralized compilation of the various schedules into a comprehensive schedule for the State.

Adequate grant schedule reporting should be prepared to ensure that grant related activities are properly presented in the State's financial statements in accordance with standards issued by the Governmental Accounting Standards Board.

OMB Circular A-133 requires a recipient of federal awards to prepare appropriate financial statements, including the schedule of expenditure of federal awards.

Each agency, department, institution or office is responsible for compliance with applicable statutes, regulations, contract provisions, state policies, and federal requirements. Compliance is required, as applicable, with generally accepted accounting principles, and standards issued by the Governmental Accounting Standards Board, Financial Accounting Standards Board, and other standard setting bodies. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview)

FINDING 2008 - CAFR-1, CONSTRUCTION IN PROGRESS

Auditee Contact Person:	Steve Daniels
Title of Contact Person:	Deputy Auditor of Fiscal Operations
Phone Number:	317-233-9817
Internal Control:	Material Weakness

The Indiana Department of Administration (IDOA) and the Indiana Department of Transportation (INDOT) maintain databases of the State's construction in progress (CIP) activity. Procedures in place to report to the Auditor's office the activity and balances at year end were not adequate to ensure that construction in progress balances reported for external financial reporting were accurate. Our testing of INDOT construction in progress balances disclosed right of way projects that were completed but were not properly capitalized. Additionally, our testing of IDOA projects disclosed ongoing maintenance projects that were improperly capitalized. These errors resulted in a prior period adjustment to restate beginning CIP balances for IDOA and a recalculation of CIP balances for both IDOA and INDOT at year end for external financial reporting.

The Governmental Accounting Standards Board requires the capitalization of a government's capital assets in the period in which they are acquired or constructed.

Each agency, department, institution or office is responsible for compliance with applicable statutes, regulations, contract provisions, state policies, and federal requirements. Compliance is required, as applicable, with generally accepted accounting principles, and standards issued by the Governmental Accounting Standards Board, Financial Accounting Standards Board, and other standard setting bodies. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview)

FINDING 2008 - CAFR-5, MEDICAID

Auditee Contact Person:	Steve Daniels
Title of Contact Person:	Deputy Auditor of Fiscal Operations
Phone Number:	317-233-9817
Internal Control:	Material Weakness

As reported in the 2008 audit, adequate procedures were not in place to properly report the Medicaid Assistance Fund transactions made by the Medicaid fiscal agent for proper external financial reporting. The State accounting records post only the net disbursement issued to fund the Medicaid checking account. In fiscal years 2009 and 2010, adjusting entries were submitted by FSSA for external financial reporting to properly recognize accounts receivable, accounts payable, and quality assessment fees. During our current audit, we found that the adjustments for accounts receivable and for drug rebates receivable were misstated. Accounts receivable was understated and omitted the balance held in the Medicaid Medicare Part D account, which resulted from the 2010 federal ARRA applied to states Medicare cost calculations. The drug rebates receivable was also misstated. The rebate contractor no longer maintains account receivables as those are reliant upon federal invoice rates, which have not been supplied as being recalculated per the US Health Care Reform Act of 2010. Collections made subsequent to fiscal year end were ultimately used by FSSA to record the receivables.

The financial statement assertions of accuracy and proper classification were materially affected by several errors detected within the underlying source transactions for the Medicaid fund. These overstated the revenues and expenses of the Medicaid fund, but understated the revenue of the ARRA fund, and understated the expenses of the Children's Health Insurance fund and the Indiana Check Up Trust fund. We also found an error that overstated the revenues and expenses of the ARRA fund, which in turn caused an overstatement to Medicaid grant revenue claimed. These errors were communicated and adjustments were made to the financial statement compilations. However, adjustments remain necessary to the accounting system.

Additionally, it was found that in the financial statement compilation process, the accrual reversal of the 2009 amounts inadvertently included the revenue and expense classification adjustment. Prior to audit detection and correction, this error caused the service fee income and welfare expenses to be understated by $110 million.

Adequate procedures should be in place to ensure accruals and other adjustments needed to fairly state Medicaid Assistance Fund activity and balances for external financial reporting in accordance with standards issued by the Governmental Accounting Standards Board. Risk assessment should be applied to the understanding of the environment and transaction source changes in order to ensure complete and accurate financial statements. In addition, the final balance sheet amounts expected should be used comparatively in order to detect possible errors in compilations.

Each agency, department, institution or office is responsible for compliance with applicable statutes, regulations, contract provisions, state policies, and federal requirements. Compliance is required, as applicable, with generally accepted accounting principles, and standards issued by the Governmental Accounting Standards Board, Financial Accounting Standards Board, and other standard setting bodies. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview)

FINDING 2009 - CAFR-1, UNEMPLOYMENT INSURANCE

Auditee Contact Person:	Steve Daniels
Title of Contact Person:	Deputy Auditor of Fiscal Operations
Phone Number:	317-233-9817
Internal Control:	Material Weakness

The Indiana Department of Workforce Development (IDWD) is responsible for the collection of unemployment taxes and the payment of unemployment benefits. When the tax is collected by IDWD from an Indiana employer, IDWD receipts the monies into the state's records and then transfers the funds to the U.S. Department of the Treasury. The U.S. Department of the Treasury maintains the funds in a Trust Fund. When an individual is eligible to receive unemployment compensation, IDWD must draw down the funds from the U.S. Department of the Treasury to pay those claims. These funds are drawn down on a daily basis. In February 2007, IDWD no longer issued checks to claimants, but began issuing the unemployment compensation via a debit card. At that same time, IDWD ceased reporting the draw downs and the payment of unemployment benefits in the Auditor of State's records. Additionally, in September 2009, IDWD began recording the receipt of unemployment tax from Indiana employers and the distribution of the funds to the U.S. Department of the Treasury as a net amount. The Unemployment Compensation Fund is the responsibility of the State of Indiana and is reported in the State's Comprehensive Annual Financial Report (CAFR) as a proprietary fund. However, since IDWD does not record the draw downs from the U.S. Department of the Treasury and expenditures for the unemployment benefits, the State must make large adjustments in order to fairly present the Unemployment Compensation Fund within the CAFR. IDWD did not receive approval from either the Auditor of State or Budget Agency to cease reporting these monies within the Auditor of State's records.

Adequate procedures should be in place to ensure accruals and other adjustments needed to fairly state Unemployment Insurance Fund activity and balances for external financial reporting in accordance with standards issued by the Governmental Accounting Standards Board.

System controls are in effect on the ENCOMPASS financial accounting system, which is the official book of record for the State; however, each agency is responsible for controls in any subsidiary systems used or other records maintained. At all times, the agency's manual and subsidiary ledgers should reconcile with ENCOMPASS. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview)

The state accounting system includes features of standardized source documents, uniform transaction identification and classification codes, uniform report formats, an account structure with summarization of activity for business units and funds, and centralized control for revenue deposits and warrant issuance. This structure is designed to identify, analyze, classify, record, and report the State of Indiana financial transactions and to maintain accountability of the related assets and liabilities. This account structure provides for the preparation of the Indiana Comprehensive Annual Financial Report (CAFR) in conformity with generally accepted accounting principles, as prescribed by Governmental Accounting Standards Board (GASB) pronouncements. The GASB is the authoritative accounting and financial reporting standard setting body for governmental entities throughout the United States. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview)

Section III - Federal Award Findings and Questioned Costs

The findings are numbered with the state year, then the initials of the state agency responsible (the initials are defined in Note 4 of the Notes to the Schedule of Expenditures of Federal Awards) and then a sequential number. Certain Family and Social Services findings (denoted as FSSA) have (DCS) before the sequential number. This is due to the relationship between FSSA and the Department of Child Services (DCS). (See Note 7) Unless otherwise noted, prior report references are to the State of Indiana Single Audit Report for the period of July 1, 2008 to June 30, 2009, Report B35976.

PRIOR FINDINGS

Prior audit findings regarding procedures, compliance, or internal controls that continued to be findings per the criteria of OMB Circular A-133 during this audit period are not repeated in this Schedule of Findings and Questioned Costs listed below. They are disclosed in the Summary Schedule of Prior Audit Findings. These findings include:

96-FSSA-33	Fund Balances - Child Support Enforcement Fund Centers
99-FSSA-7	ISETS Information Technology (IT) Controls
2000-FSSA-1	Lack of and Improper Supporting Documentation
2000-FSSA-2	Overpayment of Adoption Assistance Subsidies
2000-FSSA-3	Foster Care Provider Licensure
2000-FSSA-5	Child Support Enforcement Program Federal Reporting
2003-FSSA-1	Foster Care Payments
2003-FSSA-16	Ongoing Verification of Provider Medical Licenses
2004-FSSA-5	Supervision of Local Offices of Family and Children (OFCs)
2004-FSSA-6	Death Verifications
2004-FSSA-8	Provider Enrollment (HCBS Wavers, First Steps)
2005-FSSA-4	PSC 272 Quarterly Reports
2005-FSSA-5	Schedule of Federal Financial Assistance Reporting Errors
2005-FSSA-10	Overpaid and Undocumented Manual Payments Issued
2005-FSSA-16	Tracking of Certification & Transmittal (C&T)

2005-FSSA-19 Ongoing Out-of-State License Verification
2005-FSSA-20 Timely Follow-Up of License Termination
2005-FSSA-23 AIMS Contractor Access Assignments and Controls Not Monitored
2005-FSSA-30 Medicaid Bank Reconciliations
2006-FSSA-2 C&Ts of Acute Care and Long Term Care Facilities
2006-FSSA-5 State Owned Intermediate Care Facility
2006-FSSA-11 TANF Eligibility Income Determinations
2006-FSSA-12 TANF Eligibility Documentation
2006-FSSA-13 TANF Eligibility-Verification
2006-FSSA-14 TANF Allowable Cost
2007-FSSA-1 Medicaid Grant Reporting Errors
2007-FSSA-2 Inaccurate Grant Accounting Records
2007-FSSA-6 Faculty Physician Access to Care Adjustments
2008-FSSA-1 Medicaid Administration Grant-Period of Availability
2008-FSSA-3 SCHIP Duplicate Expense
2008-FSSA-4 Grant Errors In Medicaid Administration and SCHIP
2008-FSSA-5 Grant Accounting Internal Control Environment
2008-FSSA-7 Surveillance and Utilization Review Audit Files
2008-FSSA-9 Pharmacy Facility Permits
2008-FSSA-10 OMPP AIM Access, Training, and Controls
2009-FSSA-2 CHIP Package C Reporting
2009-FSSA-3 Monitoring of Procedure Code Restrictions
2009-FSSA-4 ARRA Grant Accounting
2009-FSSA-6 Quality Assessment Fee Refunds-Intermediate Care and Nursing Facilities
2009-FSSA-7 Medicaid Accounting Records
2009-FSSA-8 Medicaid Administration Grant Reporting and Award
2009-DCS-1 Subrecipient Monitoring
2009-IDOE-1 Cash Management
2009-IDOE-3 Cash Management Advances
2009-IDOE-4 Cash Management Template
2009-IDOE-5 Procurement, Suspension, and Debarment
2009-IDOE-6 Earmarking
2009-IDOE-8 Subrecipient Monitoring CCR Verification
2009-IDOE-9 Special Tests and Provisions, Requirement 3
2009-IDOE-10 Schedule of Federal Financial Assistance-Reporting Errors
2009-IDOE-11 Activities Allowed or Unallowed
2009-IDWD-2 Lack of Procedures for CCR Verification
2009-INDOT-1 Schedule of Federal Financial Assistance-Reporting Errors

Prior audit findings regarding procedures, compliance, or internal controls that did not continue to be findings per the criteria of OMB Circular A-133 during this audit period are not repeated in this Schedule of Findings and Questioned Costs listed below. They are disclosed in the Summary Schedule of Prior Audit Findings. These findings include:

2005-FSSA-1 Cash Management Documentation of Procedures
2005-FSSA-15 C&T Process-Monitoring of Contractor
2005-FSSA-17 Contractor Monthly Status Report Statistics
2005-FSSA-18 Inactive Provider Records
2005-FSSA-21 Provider Enrollment-Contractor Monitoring
2006-FSSA-3 Provider Enrollment Errors

2006-FSSA-8	Medicaid Administration Grant-Expenditures Over Award
2006-FSSA-9	Medicaid Administration Grant-CMS 64 Quarterly Reports
2007-IDHS-1	Reporting
2008-FSSA-2	Medicaid Program Grant Accounting Records
2008-FSSA-8	Duplicate Hospital Provider Records
2009-FSSA-1	CHIP Matching Rate Errors
2009-FSSA-5	Medicaid ARRA IGT Grants
2009-IDOE-2	Subrecipient Monitoring
2009-IDOE-7	Subrecipient Monitoring
2009-ING-1	Schedule of Federal Financial Assistance-Reporting Errors
2009-IDWD-1	Internal Control-Unemployment Insurance Reporting
2009-IDHS-1	Reporting

Our test of the Summary Schedule of Prior Audit Findings found the schedule to be materially correct except as noted in the current findings.

Findings 2010 - FSSA-1 through 2010 – FSSA-13 relate to programs administered by the Indiana Family and Social Services Administration (FSSA). Their response to the findings starts on page 306.

FINDING 2010 - FSSA-1, SAPT - ACTIVITIES ALLOWED OR UNALLOWED

Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Substance Abuse Prevention and Treatment Block Grant
CFDA Number:	93.959
Auditee Contact Person:	Donna Rutherford
Title of Contact Person:	Controller, FSSA-DMHA
Phone Number:	317-232-7862
Compliance Requirement:	Activities Allowed or Unallowed
Internal Control:	Significant Deficiency

During our audit of the Substance Abuse Prevention and Treatment (SAPT) Block Grant, we found that the Indiana Family and Social Services Administration (FSSA) Division of Mental Health and Addictions' (DMHA) system for calculating payment amounts to SAPT providers was incorrect. The Data Assessment Registry Mental Health and Addictions system had data collection information that resulted in an allocation amount that should have then allowed only a prorated portion of the allocation amount, based upon provider performance, to be paid to the provider. FSSA made payments to providers of 100% of the allocation amount for the fourth quarter regardless of the correct percentage that the providers actually should have been paid. FSSA was unable to provide documentation for audit to ascertain the correct prorated amount. This prevented the tracing of funds to a level of expenditures adequate to establish that funds were not used in violation of the restrictions and prohibitions of applicable statutes. This is a significant control deficiency.

45 CFR 92.20(a)(2) states: "A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to—Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes."

We recommended that FSSA-DMHA develop accounting procedures to ensure that SAPT funds trace to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

FINDING 2010 - FSSA-2, SAPT - SUBRECIPIENT MONITORING, NOTIFICATION

Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Substance Abuse Prevention and Treatment Block Grant
CFDA Number:	93.959
Auditee Contact Person:	Donna Rutherford
Title of Contact Person:	Controller, FSSA-DMHA
Phone Number:	317-232-7862
Compliance Requirement:	Subrecipient Monitoring
Internal Control:	Significant Deficiency

During our audit of the Substance Abuse Prevention and Treatment (SAPT) Block Grant, we found that the Indiana Family and Social Services Administration (FSSA) Division of Mental Health and Addictions (DMHA) did not identify the federal award and CFDA numbers in the grant agreements with the subrecipients. This is a significant control deficiency.

OMB Circular A-133 Subpart D .400 (d)(1) states in part: "Pass-through entity responsibilities. A pass-through entity shall perform the following for the Federal awards it makes: Identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of Federal agency . . ."

We recommended that FSSA-DMHA identify the federal award and CFDA numbers in the grant agreements at the time of award.

FINDING 2010 - FSSA-3, TANF - SUBRECIPIENT MONITORING

Federal Agency:	Department of Health and Human Services - ACF
Federal Program:	Temporary Assistance for Needy Families (TANF Cluster)
CFDA Number:	93.558
Auditee Contact Person:	Krishna Heyward
Title of Contact Person:	Controller, Division of Family Resources, Family and Social Services Agency (FSSA)
Phone Number:	317-233-1925
Compliance Requirement:	Subrecipient Monitoring
Internal Control:	Significant Deficiency

During our audit of FSSA, we found that management does not monitor its TANF subrecipients. We also found that FSSA does not perform site visits to these subrecipients and does not perform limited scope audits of these subrecipients. Therefore, FSSA is unable to understand the subrecipients' environment, systems, and controls. This is a significant control deficiency.

31 USC 7502(f)(2)(B) states, "Each pass-through entity shall monitor the subrecipient's use of federal awards through site visits, limited scope audits, or other means; . . ."

We recommended that FSSA monitor TANF subrecipients' use of federal awards through site visits, limited scope audits, or other means to understand the subrecipients' environment, systems, and controls.

FINDING 2010 – FSSA-4, ADP REVIEW NOT PERFORMED

Federal Agency:	Department of Health and Human Services
Federal Program:	State Children's Health Insurance Program (SCHIP), Medical Assistance Program
CFDA Number:	93.767, 93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Director of Finance, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions – ADP Risk Analysis and System Security Review
Internal Control:	Material Weakness

The FSSA Office of Medicaid Policy and Planning (OMPP) has not had an ADP system security review conducted for the Indiana Advanced Information Management System (AIMS) since 2007. At that time, a Comprehensive Claims and Security Compliance Review of Indiana AIM was conducted by an Independent CPA firm. The report was issued September 28, 2007, for field work performed though August 17, 2007, related to information system controls, and tests of claims paid during the period January 1, 2004 to December 31, 2006.

Indiana contracts with HP Enterprise Services LLC to operate the AIMS. The AIMS maintains recipient eligibility data, adjudicates and pays claims to providers, whose records are also maintained in the system. The AIMS operations are material to the Medicaid and SCHIP programs. The absence of documented ADP reviews is considered a material weakness of internal control.

"State agencies shall review the ADP system security of installations involved in the administration of HHS programs on a biennial basis. At a minimum, the reviews shall include an evaluation of physical and data security operating procedures, and personnel practices." 45 CFR 95.621(f)(3) "The State agency shall maintain reports of their biennial ADP system security reviews, together with pertinent supporting documentation, for HHS on-site review." 45 CFR 95.621(f) (6)

We recommended that FSSA have documented review reports for the ADP system, AIMS, in accordance with federal regulations. The review should provide the required coverage of the ADP controls, together with tests of the effectiveness, in order to ensure continuous, consistent integrity of the surrounding financial processes and reports. FSSA should also monitor that any recommendations are resolved in a timely manner.

FINDING 2010 – FSSA-5, ERROR IN REPROCESSED ELIGIBILITY COSTS

Federal Agency:	Department of Health and Human Services
Federal Program:	Children's Health Insurance Program (CHIP); Medical Assistance Program
CFDA Number:	93.767, 93.778
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Eligibility; Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Internal Control:	Significant Deficiency

During our audit of FSSA, we found that the Office of Medicaid Policy and Planning (OMPP) was required by the Centers for Medicare and Medicaid Services (CMS) to report detailed costs per Medicaid waiver and demonstrate the required cost effectiveness since inception, to retain federal approval. In so doing, OMPP discovered an enrollment classification error had occurred for children with incomes up to 150% of poverty, who are classified as CHIP I. Children with insurance coverage had been enrolled as CHIP I members, when plans had been designed for their coverage in the Medicaid care select waiver.

According to section 4.1.7 of the approved plan for CHIP, Access to or coverage under other health coverage: "Children cannot have other creditable health care coverage. A three-month waiting period from the date the child was last covered will be imposed."

In order to correct the error, the Medicaid fiscal agent reran reports back to 2007, in a clone system environment. Comparative analysis was also made to the expected results as projected by the actuary. The CMS 64 federal reports were adjusted by the total expense change calculated in this process of $33,073,594 for the federal fiscal years ended September 30, 2008 and 2009, which increased the Medicaid program and decreased the CHIP.

The information provided for audit omitted any searches for insured CHIP C members, whose incomes are up to 250% of poverty level, who may then be ineligible.

In June 2010 the accounting entry was recorded which corresponded to the retroactive reclassifications as had been reported. We found that the entry incorrectly duplicated the costs for the quarters ended June and September 2009, by $9.3 million, and overstated the ARRA costs directly recorded by $585 thousand. In addition, we found that the ARRA costs were further overstated when the 2009 ARRA grant costs were subsequently calculated in full from the total 2009 Medicaid expenses posted, which included this adjusting entry at the total cost of $42.4 million. The federal share of the errors is summarized in the table below:

Description	Grant Number	Federal Costs Over (Under) Charged:
Medicaid Assistance charged 2 quarters twice	5 09 05 IN 5028	$ 5,983,707
ARRA cost included as 2009 grant calculation	0905INARRA	4,217,338
Excess ARRA posted directly	1005INARRA	585,039
Total Overstated Medicaid Costs		$ 10,786,084
Children's Health Insurance Program credited for 2 quarters' cost twice	5 09 05IN 5021	$ (7,090,869)
Total Net Federal Costs Over Charged		$ 3,695,215

We consider the total identified excess federal expense recorded of $10,786,084 as questioned cost that may be required to be repaid to the federal government.

"Grant funds may be used only for: (1) The allowable costs of the grantees, subgrantees and cost-type contractors . . ." 45 CFR 92.22 (a)

The Children's Health Insurance Program was authorized under section 21 of the Social Security Act. Sec. 2101. **[**42 U.S.C. 1397aa**]** "(a) Purpose.—The purpose of this title is to provide funds to States to enable them to initiate and expand the provision of child health assistance to uninsured, low-income children in an effective and efficient manner that is coordinated with other sources of health benefits coverage for children." (emphasis added)

"The agency must – (a) Have methods to keep itself currently informed of the adherence of local agencies to the State plan provisions and the agency's procedures for determining eligibility; and (b) Take corrective action to ensure their adherence." 42 CFR 435.903

We recommended that FSSA implement control procedures to regularly identify insured CHIP members who may thus be ineligible for coverage. We also recommended that preventative and detective internal controls for preparing and approving transactions be formally designed and implemented. The questioned costs identified above may have to be returned to the federal government.

FINDING 2010 – FSSA-6, ACCOUNTING FOR SPECIAL HOSPITAL PAYMENTS

Federal Agency:	Department of Health and Human Services
Federal Program:	Medicaid Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Allowable Costs/Cost Principles
Internal Control:	Significant Deficiency

The Medicaid program regulations provide for additional calculated payments to qualifying hospitals, such as disproportionate share or for upper limit charges as per Medicare payment principles, as outlined generally in 42 CFR 447.272. The state plan provides for estimated payments to be issued for these types of payments, with later settlements based on final claims filed for the period. Calculations are made by the Medicaid rate setting contractor, and when approved by Office of Medicaid Policy and Planning (OMPP), the fiscal agent issues manual checks. The state generally receives the state share of these payments. Also, in place of settlements at a net amount owed, the state receives full repayment of the estimated check issued and then reissues back the state share originally received. Meetings are held to exchange the checks. On September 22, 2009, a volume of such exchange transactions occurred, with a state deposit of $83.9 million from the hospitals' checks received. We found that these were all deposited with an accounting entry to classify them as 100% state receipts. However, two payments received were refunds of prior estimated payments received. As such, credit was owed to the federal Medicaid and American Recovery and Reinvestment Act (ARRA) grant. In addition, the state's manual checks to refund the original state share received were included as grant expenses issued. The total effect was to overcharge the federal grant program as follows:

Description	Total Amount	Medicaid F09 Federal Share Overcharged	Medicaid ARRA 09 Federal Grant Overcharged
1. Hospital Refunds Received of Estimated payment previously charged to Grants. Deposited as 100% state.	$ 42,902,891	$ 27,569,398	$ 4,148,741
2. Payments Issued as Refunds of State Share originally received that were recorded as grant payments issued.	11,184,752	7,187,322	1,069,960
Total Federal Grant Overcharged		$ 34,756,719	$ 5,218,701

We could not readily ascertain if settlements processed at other times during the year resulted in refunds that may have been misclassified as well. However, all transactions were not tested.

It also did not appear that an adequate segregation of duties was present regarding the deposits, as the same receipting supervisor had custody of the payments as well as the responsibility for approving transactions.

We consider the total identified excess federal expense recorded of $ 39,975,420 as questioned cost that may be required to be repaid to the federal government.

"Grant funds may be used only for: (1) The allowable costs of the grantees, subgrantees and cost-type contractors . . ." 45 CFR 92.22 (a)

"To be allowable under Federal awards, costs must meet the following criteria . . . (i). Be the net of all applicable credits." (US OMB Circular A-87 (C) (1))

"A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its sub grantees and cost-type contractors, must be sufficient to: 1) Permit preparation of reports required by this part and the statutes authorizing the grant, and 2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes." (45 CFR 92.20(a))

We recommended that FSSA ensure that the identified errors are corrected and that FSSA further review the fiscal 2010 activity to identify other settlement refund accounting transactions to ensure they were recorded in an accurate manner. Documented accounting entry examples for the Medicaid exception accounting such as settlement refunds should be developed. FSSA should then implement control procedures of training and adequate supervisory review to ensure accurate transaction description and accounting entries.

FINDING 2010 – FSSA-7, FEDERAL EXPENSES FOR CHIP OVERSTATED

Federal Agency:	Department of Health and Human Services
Federal Program:	State Children's Health Insurance Program
CFDA Number:	93.767
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Allowable Costs/Cost Principles; Reporting
Internal Control:	Material Weakness

The federal share of expenses claimed for the Children's Health Insurance Program (CHIP) was overstated by a total of $14,682,166. This equals nineteen percent of the program expenses reported in the Schedule of Federal Financial Assistance for the fiscal year 2010. We found that the expenses reported in the Schedule as prepared by FSSA had not been balanced with the state accounting records. FSSA reviewed the matter when it was brought to their attention, and we also examined the detail transactions identified. The federal overstatement of expense was caused by the following errors:

Description	Excess Federal Share
Grant Project 503CHIPASISTF08, 5 08 05IN 5021	
July 2009 Overstated Expense by including a state transfer	$ 1,855,755
August 2009 Expenses overstated, no source identified	8,605,991
September 2009 Expense credits not recognized	304,572
June 2010 Expense credit posted in error	(1,393,524)
Grant Total	$ 9,372,794
Grant Project 503CHIPXXADMF08, 5 08 05IN 5021	
April to June 2010 Expense credits not recorded to FETS	$ 5,309,372
Total Federal Share of Expenses Overstated	$ 14,682,166

The State implemented a new accounting system in September 2009, which includes federal project ledgers. Prior to that time, the grant accounting records for FSSA were maintained in spreadsheets entitled Expend/ Allots. Throughout the state fiscal year, the FSSA maintained the Federal Expense Tracking System (FETS), which is utilized to draw federal funds and is the source of the Schedule of Federal Financial Assistance. Classifications were added to the FETS to correspond to the new state accounting system federal project ledgers. The CHIP reconciliations were not completed for the transactions recorded during the first quarter. Thereafter, the errors or variances identified on the project reconciliations were not addressed. Comprehensive oversight was lacking to monitor the total CHIP expenses, as well as when the Schedule of Federal Financial Assistance was prepared. We further noted that the new projects identified as administrative costs were not displayed as such in the report.

We consider the expenses overcharged to the federal government to be material to the program. The error was neither prevented nor detected by an internal control.

The overstated federal CHIP expenses of $14,682,166 are considered questioned costs which may be required to be repaid to the federal government.

"Grant funds may be used only for: (1) The allowable costs of the grantees, subgrantees and cost-type contractors . . ." (45 CFR 92.22 (a))

45 CFR 92.20 (a) states: "A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to—(1) Permit preparation of reports required by this part and the statutes authorizing the grant, and (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes."

We recommended that FSSA Finance reconcile and review supporting grant accounting records on a regular and timely basis during the fiscal year. Internal controls should be designed both for the reconciliations, and the preparation of the Schedule of Federal Financial Assistance, to include comprehensive supervisory review. FSSA should process the necessary accounting adjustments to correct the identified errors.

FINDING 2010 – FSSA-8, DRUG REBATE BALANCE HELD

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Director of Finance, FSSA-OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Internal Control:	Significant Deficiency

FSSA-OMPP has a contractor to collect drug rebates for the Medicaid program. The contractor maintains a bank account for the Indiana drug rebates. The drug rebates are periodically transferred to the fiscal agent bank account held on behalf of Indiana Medicaid and thereby reduces the grant expenses to cover the Medicaid payments clearing. The drug rebate contractor is to provide deposit log records to the fiscal agent who then is to verify that the transfers received are complete. Details concerning these results are maintained in each bank account reconciliation file. A material weakness in internal control as to the structure and oversight of the bank account process remains as stated in the prior finding 2005-FSSA-30 Medicaid Bank Reconciliations. We again found that the monthly concerns identified were not carried forward and had not been resolved.

The analysis performed by the fiscal agent was incomplete as it did not ensure that the drug rebate bank balance was fully transferred to Indiana. We analyzed the drug rebate contractor's June 2010 bank statement and the fiscal agent's reconciliation report, which listed deposit log transactions. Of the balance held at the statement date of June 25, 2010 of $ 13,055,078, we could not identify $ 1,765,043 with recent deposits or outstanding deposit log transactions listed. Reconciliation records disclosed that the fiscal agent had never received deposit logs for certain periods in 2008 and 2009 and could not verify the completeness of transfers made in those periods.

The excess bank balance held of $1,765,043 is in an account established for Indiana and is owed to the Medicaid program for drug rebates. This is considered questioned cost as the federal share of expenses claimed was not reduced. The federal share of the excess balance held is $1,163,693 to the 2010 Medicaid grant and $172,268 to 2010 Medicaid ARRA, for a total questioned cost of $1,335,961.

"A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its sub grantees and cost-type contractors, must be sufficient to: 1) Permit preparation of reports required by this part and the statutes authorizing the grant, and 2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes." (45 CFR 92.20(a))

"To be allowable under Federal awards, costs must meet the following criteria . . . (i). Be the net of all applicable credits." (US OMB Circular A-87 (C) (1))

With respect to cash management, ". . . grantees and subgrantees shall disburse program income, rebates, refunds, contract settlements, audit recoveries and interest earned on such funds before requesting additional cash payments." (45 CFR 92.21 (a)(2))

45 CFR §92.40 states that: "Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity."

We recommended that FSSA monitor the drug rebate bank account balance and perform an analysis to identify the current amounts held that cannot readily be associated to transactions in transit. Such balance should be remitted to FSSA. FSSA should further consider the need to reconstruct the prior years' bank account activity and obtain the missing records as the amount held may not be complete.

FINDING 2010 – FSSA-9, MEDICAID PROJECT ACCOUNTING ERRORS

Federal Agency:	Department of Health and Human Services
Federal Program:	Medicaid Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Allowable Costs/Cost Principles
Internal Control:	Significant Deficiency

FSSA maintains the Federal Expense Tracking System (FETS) for periodic entries of the federal share, as calculated from the total costs in the associated project ledgers. We identified certain logic errors or omissions in the calculations made in June 2010 to determine the final costs recorded to the Medicaid grants as follows:

- The ARRA '09 grant project revenues and expenses were overstated in error by $31,241,065 in June 2010. The FSSA ARRA project reconciliations had identified the error and had not claimed the excess expense, but the entry remained in the system. When the Medicaid '09 grant total costs were compiled, the excess expense was included and used to calculate the total federal share. This caused the Medicaid '09 federal grant expense to be overstated by $20,075,509.

- The calculation of the 2010 Medicaid grant expense incorrectly added "deposits" to arrive at the total project expense. However, the deposits are miscellaneous revenue, which had already been applied as expense reductions in the FETS. The deposits added to expenses were $11,527,200, the federal share of which was $7,599,883.

- The federal share of miscellaneous revenue that was not credited for the 2010 Medicaid grant was $ 1,435,415.

- The state share of the Healthy Indiana Plan portion of Medicaid costs had been transferred to a state fund throughout the fiscal year. When this was reversed in June, all of the expenses were posted to the Medicaid 2009 grant. The initial transactions involved both Medicaid 2009 and 2010 grant years for $13,032,944.16 and $34,406,435.35, respectively. The effect to federal share was to overstate the 2009 Medicaid $22,109,575 and ARRA $2,157,895 and understate the 2010 Medicaid ($ 23,944,471) and ARRA ($2,336,980).

We also found that FSSA incorrectly classified $11,173,535 paid for the state portion of the September 2009 Medicare buy-in (state portion of part B and part D coverage) which then overcharged the Medicaid '09 grant $ 7,180,114.

The total excess federal expense from the above detailed errors was $34,276,940 which is considered questioned cost that may be required to be repaid to the federal government. The questioned costs are summarized in the following table:

Description	Grant Year	Total Federal Over (Under) charged Medicaid	ARRA	TOTAL
Excess expense calculated	2009	$ 20,075,509	$	$ 20,075,509
Cost Transfer Reversal Error		22,109,575	2,157,895	24,267,470
State Medicare Costs Charged		7,180,114		7,180,114
Subtotal 2009 Grant		49,365,198	2,157,895	$ 51,523,093
Adding Deposits to expense	2010	7,599,883		7,599,883
Misc Revenue Omitted		1,435,415		1,435,415
Cost Transfer Reversal Error		(23,944,471)	(2,336,980)	(26,281,451)
Subtotal 2010 Grant		(14,909,173)	(2,336,980)	$ (17,246,153)
TOTAL Federal Expense Overcharged				$ 34,276,940

The errors were neither prevented nor detected by an internal control. The written procedures were not complete to include final calculations, correspondence to other project reconciliation results, and credits for miscellaneous revenues.

"Grant funds may be used only for: (1) The allowable costs of the grantees, subgrantees and cost-type contractors . . ." 45 CFR 92.22 (a)

"To be allowable under Federal awards, costs must meet the following criteria . . . (i). Be the net of all applicable credits." (US OMB Circular A-87 (C) (1))

45 CFR 92.20 (a) states: "A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to—(1) Permit preparation of reports required by this part and the statutes authorizing the grant, and (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes."

We recommended that FSSA design internal controls to ensure completeness and accuracy of transactions and to add specific review procedures to detect errors in a timely manner and ensure adjustments are fully recorded to all affected projects. Adjusting entries should be recorded to assure the questioned costs identified above are returned to the federal government.

FINDING 2010 – FSSA-10, ARRA EXPENSE OVERSTATEMENTS

Federal Agency:	Department of Health and Human Services
Federal Program:	Medicaid Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Allowable Costs/Cost Principles
Internal Control:	Significant Deficiency

Section 5001 of the American Recovery and Reinvestment Act (ARRA) provides States with an increased Federal Medical Assistance Percentage (FMAP) for 27 months between October 1, 2008 and December 31, 2010, with subsequent extensions. The ARRA specifies the eligible expenditures and conditions under which the State may claim the increased FMAP. As stated in FINDING 2009 - FSSA-4, ARRA GRANT ACCOUNTING, the material weaknesses of internal control which remained in place for the Medicaid grant accounting are also considered to apply to the ARRA Medicaid, as it was accounted for within those records. This includes 2008-FSSA-5 GRANT ACCOUNTING INTERNAL CONTROL ENVIRONMENT.

In response to the identified increased risk from material weaknesses in internal controls, we performed additional audit procedures, which identified the following ARRA expense overstatements:

Description	Fed. Expense Overstated ARRA 2009	Fed. Expense Overstated ARRA 2010
August 2009 expense credits were not recorded to credit the ARRA project	$ 401,145	$
September 22, 2009 daily wire to fund Medicaid of $479,908 was also recorded fully to the ARRA '09 grant. The ARRA portion was $47,751.	432,157	
October 30, 2009 Medicaid expense credit totaling $ 2,796,892 for cost transfers to other programs was not recorded as a credit share to ARRA.		272,977
ARRA expense for the November 6, 2009 bank account transfer was duplicated, when included in an adjusting entry and also recorded directly.		163,111
October 15, 2009 Medicaid expense credit for CHIP package C costs transferred for August and September, did not have the ARRA credit recorded	557,810	
CHIP package A costs transferred from Medicaid for the period June through December 2009 totaling $52,482,171 were not credited to ARRA.	2,980,572	2,198,603
TOTAL	$ 4,371,684	$ 2,634,691

The total ARRA expense overstatements identified of $ 7,006,375 is considered questioned costs which may be required to be refunded to the federal government. These errors also overstated the expenses reported for the ARRA grants in the Schedule of Federal Financial Assistance.

"As indicated in the fourth attestation under the grant award, the State must ensure that claims for the increased FMAP include only those expenditures for which it is applicable. Under section 5001(e); the increased FMAP is applicable generally to title XIX, but is not applicable to certain enumerated expenditures. The following list includes those expenditures and certain others to which the increased FMAP is inapplicable for other reasons:

1. Expenditures for disproportionate share hospital (DSH) payments;

2. Expenditures for payments made under title XXI;

3. Expenditures that are claimed based on the enhanced FMAP (described in section 2105(b) of the Social Security Act);

4. Expenditures that are not paid based on the FMAP, such as family planning services . . ." (Center for Medicaid and State Operations, SMD #09-005, ARRA #5)

"Each agency, department, institution or office has the following accounting responsibilities: . . . 5. Maintain an effective and accurate accounting system for supplementary records, 6. Maintain and make available for audit, documentation supporting the validity and accountability of monies received or disbursed . . ." (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

We recommended that FSSA finance implement procedures to analyze in a timely manner all entries in the grant accounting records to ensure that requests for ARRA funds are accurate and complete. Adjustments should be recorded to correct identified errors and to return the federal share of questioned costs.

FINDING 2010 - FSSA-11, MONITORING OF CLAIM PROCESSING

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Director of Finance, FSSA-OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Allowable Costs/Cost Principles
Internal Control:	Material Weakness

During our audit of the FSSA Medicaid Program, we found that monitoring controls designed to ensure the accuracy of the payments issued for the Medicaid claims processed, do not appear to have been placed in operation. The controls appear to have been required per the fiscal agent contract scope of work which states: "Select a statistically valid random sample of different claim types in various statuses on a monthly basis, and perform a quality control check on the claims to ensure accurate processing, including editing, auditing, and pricing." (Section 5.6.4.47) Evidence of such tests by the fiscal agent, or by others could not be provided for audit.

The fiscal agent provides a monthly status report to OMPP with detail as to the item count and timeliness of processed claims. However, while some testing of the manual data entry was indicated, there was no comprehensive quality control for accuracy of payments issued. OMPP also hired a consulting firm to test and verify key performance indicators for the fiscal agent report and operation. This also did not include the quality control over claim processing accuracy.

The lack of a system of quality control for the accuracy of claim processing is considered a material weakness. A material weakness in the design of internal controls for the Medicaid program was also reported in FINDING 2008 - FSSA-5, GRANT ACCOUNTING INTERNAL CONTROL ENVIRONMENT.

45 CFR §92.40 (a) states that: "Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity."

We recommended that FSSA-OMPP identify and design an internal control structure to provide reasonable assurance related to material transaction classes such as claim processing contract requirements for accuracy tests. Such tests should be evidenced and provided for audit.

FINDING 2010 – FSSA-12, CASH MANAGEMENT

Federal Agency:	Department of Health and Human Services
Federal Program:	State Children's Health Insurance Program (CHIP), Medicaid Assistance Program
CFDA Number:	93.767 & 93.778
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Cash Management
Internal Control:	Material Weakness

The Federal Expense Tracking System (FETS) maintains an ongoing balance of the federal grants as calculated from the records of the federal revenues and expenditures. FETS is also the source for the Schedule of Federal Financial Assistance. At June 30, 2010, the CHIP was holding a material cash balance of $7.1 million, which is nine percent of the total federal disbursements for the year. The Medicaid program was also holding a cash balance of $ 74 million in the 2010 grant, and $ 1 million in the administrative grant with an overall cash balance position of $1.7 million.

The underlying grant accounting records for the Medicaid program were materially inaccurate throughout most of the fiscal year, as federal grant revenues were recorded as grant expense credits during the period September 2009 through February 2010. The adjustments to correct these errors totaled approximately $ 723 million and were finalized in June 2010. In addition the accounting entries to record the 2009 ARRA grant were not recorded until June 30, 2010.

Grant project reconciliations performed by FSSA, between FETS and the state accounting records were retroactively implemented. These show overdrawn federal share as well as using calculated amounts which are not specifically traceable to accounting entries. The reconciliations were incomplete and did not evidence comparisons to the federal records of grant drawdowns. We performed such comparisons and identified further errors that had remained undetected, such as federal revenues recorded to incorrect funds, and incorrect adjustments. These errors were corrected for the state's financial statements.

The grant accounting records for the Medicaid programs were not maintained in an accurate manner, and thus calculations necessary to support daily balances were affected. Such balances are necessary to demonstrate compliance with federal cash management requirements. The inaccurate records were not detected and corrected in a timely manner and as the adjustments were material to the program the internal control weakness is considered material as well.

45 CFR 92.20 (a) states: "A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to—(1) Permit preparation of reports required by this part and the statutes authorizing the grant, and (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes."

"A state and federal program agency must minimize the time elapsing between the transfer of funds from the United States Treasury and the State's payout of funds for Federal assistance program purposes, whether the transfer occurs before or after the payout of funds." 31 CFR 205.11 (a)

We recommended that FSSA perform timely and complete reconciliations of its grant project ledgers and regularly compare the federal receipts to the actual federal draw system. Adjusting entries should specifically identify the errors or omissions being corrected. Procedures necessary to minimize cash balances held in the programs should be implemented. Requests for federal funds should be reduced by any cash balances held.

FINDING 2010 – FSSA-13, SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE - REPORTING ERRORS

Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Medical Assistance Program, Children's Health Insurance Program (CHIP), Temporary Assistance for Needy Families (TANF), Disability Insurance (DI)
CFDA Number:	93.778, 93.767, 93.558, 96.001
Auditee Contact Person:	David Nelson
Title of Contact person:	Director of Federal Funding, FSSA
Phone Number:	317-233-3045
Compliance Requirement:	Reporting
Internal Control:	Material Weakness

During our audit of FSSA, FSSA provided us a status of prior FINDING 2005 – FSSA-5, SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE - REPORTING ERRORS which stated that "FSSA currently has written procedures for the preparation of the Schedule of Federal Financial Assistance (SFFA) report. FSSA considers this issue closed." The finding had recommended that FSSA implement procedures for preparing the SFFA but also to "institute a thorough review process of the schedule to ensure accurate, current and complete disclosure of the financial results." Even though FSSA prepared written procedures, our testing of various FSSA federal programs found errors in the SFFA totaling over $134 Million for the Medicaid, CHIP, TANF, and DI Programs. These errors were material to the CHIP, TANF, and DI programs. Even though we brought these errors to FSSA's attention and advised them that they should revise their status on FINDING 2005-FSSA-5 to unresolved due to the material control weakness still inherent in their processes in preparing an accurate, current, and complete SFFA, FSSA did not change their status. This continues to be a material control weakness.

45 CFR 92.20 states: "(a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to— (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes."

OMB Circular A-133 Subpart C, section .315 states in part: "Audit findings follow-up. (a) General. The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee shall prepare a summary schedule of prior audit findings. . . . (b) Summary schedule of prior audit findings. The summary schedule of prior audit findings shall report the status of all audit findings included in the prior audit's schedule of findings and questioned costs relative to Federal awards. . . . (2) When audit findings were not corrected or were only partially corrected, the summary schedule shall describe the planned corrective action as well as any partial corrective action taken."

We recommended that FSSA correctly report their status on prior findings and implement a thorough review process of the SFFA to ensure accurate, current and complete disclosure of the financial results.

Findings 2010 - DCS-1 through 2010 –DCS-7 relate to programs administered by the Indiana Department of Child Services (DCS). Their response to the findings starts on page 311.

FINDING 2010 - DCS-1, SUBRECIPIENT MONITORING

Federal Agency:	U.S. Department of Health and Human Services - ACF
Federal Program:	Social Services Block Grant (SSBG)
CFDA Number:	93.667
Auditee Contact Person:	Lisa Rich
Title of Contact Person:	Deputy Director of Programs and Services, Department of Child Services (DCS)
Phone Number:	317-232-4497
Compliance Requirements:	Activities Allowed or Unallowed Subrecipient Monitoring
Internal Control:	Material Weakness

During our audit of the DCS SSBG Program, we noted that DCS management did not monitor its subrecipients' use of SSBG funds. Although DCS management receives quarterly statements from the subrecipients which provide summary financial data of the SSBG funds, DCS management does not perform site visits to the subrecipients and does not perform limited scope audits. Therefore, DCS management is unable to understand the subrecipients' environment, systems, and controls and cannot ascertain that the SSBG funds were used for activities allowed. This is a material weakness.

31 USC 7502(f)(2)(B) states, "Each pass-through entity shall monitor the subrecipient's use of federal awards through site visits, limited scope audits, or other means; . . ."

We recommended that DCS monitor its subrecipients' use of federal awards through site visits, limited scope audits, or other means to understand the subrecipients' environment, systems, and controls to ensure that SSBG funds were used for allowable activities.

FINDING 2010 - DCS-2, CASH MANAGEMENT DOCUMENTATION OF PROCEDURES

Federal Agency:	U.S. Department of Health and Human Services
Federal Program	Foster Care-Title IV-E, Adoption Assistance Title IV-E, Child Support
CFDA Number:	93.658, 93.659, 93.563
Auditee Contact Person	Donna Sobecki
Title of Contact Person:	Assistant Deputy Director for Cash Management, DCS
Phone Number:	317-234-5686
Compliance Requirement:	Cash Management
Internal Control:	Significant Deficiency

During our audit of the Indiana Department of Child Services (DCS), we found that no Check Clearance Pattern (CCP) Template was created to support the Cash Management Improvement Act (CMIA) Agreement for DCS major programs. This occurred because DCS management was unaware that they were required to establish and implement a CCP. This is a significant control deficiency.

As a result, we were unable to audit Foster Care, Adoption Assistance, and Child Support Cash Management draws by verifying their CCPs and thus, could not determine the timeliness of federal draws.

31 CFR 205.20 states in part: "States use clearance patterns to project when funds are paid out, given a known dollar amount and a known date of disbursement. A State must ensure that clearance patterns meet the following standards: (a) A clearance pattern must be auditable. (b) A clearance pattern must accurately represent the flow of Federal funds under the Federal assistance programs to which it is applied "

45 CFR 92.40 (a) states that: "Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity."

We recommended that DCS establish a CCP to represent the flow of federal funds under the Federal assistance programs to which it is applied, and also develop written procedures to ensure that federal draws follow their respective CCP. We further recommended that adequate supporting documentation of CCP is maintained for audit.

FINDING 2010 - DCS-3, SPECIAL TESTS AND PROVISIONS, R3

Federal Agency:	U.S. Department of Health and Human Services - ACF
Federal Program:	Child Support Enforcement Program (IV-D)
CFDA Number:	93.563
Auditee Contact Person:	Robin Degner
Title of Contact Person:	Controller, Department of Child Services (DCS)
Phone Number:	317-234-5079
Compliance Requirement:	Special Tests and Provisions, R3
Internal Control:	Significant Deficiency

During our audit of the DCS Child Support Program, we noted that DCS did not separately identify to each subrecipient, at the time of disbursement of funds, the Federal award number and CFDA number throughout most of the audit period. We also noted that DCS did not communicate to subrecipients the requirement to provide appropriate identification of expenditures for Federal awards made under the Recovery Act separately on the Schedule of Federal Financial Assistance (SEFA), and as separate rows under Item 9 of Part III on in their SEFA and SF-SAC. This is a significant deficiency.

2 CFR 176.210(c) states, "Recipients agree to separately identify to each subrecipient, and document at the time of subaward and at the time of disbursement of funds, the Federal award number, CFDA number, and amount of Recovery Act funds."

2 CFR 176.210(d) states, "Recipients agree to require their subrecipients to include on their SEFA information to specifically identify Recovery Act funding similar to the requirements for the recipient SEFA . . . This information is needed to allow the recipient to properly monitor subrecipient expenditure of ARRA funds as well as oversight by the Federal awarding agencies, Offices of Inspector General, and the Government Accountability Office."

We recommended that DCS separately identify to each subrecipient, and document at the time disbursement of funds, the Federal award number and CFDA number. We also recommended that DCS communicate to subrecipients the requirement to provide appropriate identification of expenditures for Federal awards made under the Recovery Act separately on the SEFA, and as separate rows under Item 9 of Part III on in their SEFA and SF-SAC.

FINDING 2010 - DCS-4, SUBRECIPIENT MONITORING

Federal Agency:	U.S. Department of Health and Human Services - ACF
Federal Program:	Child Support Enforcement Program (IV-D)
CFDA Number:	93.563
Auditee Contact Person:	Cynthia Longest
Title of Contact Person:	Deputy Director, Child Support Bureau, Department of Child Services (DCS)
Phone Number:	317-233-4482
Compliance Requirement:	Subrecipient Monitoring
Internal Control:	Significant Deficiency

During our audit of the DCS Child Support Program, we noted that DCS did not adequately review the applicable A-133 audits of subrecipients. Therefore, DCS was unable to verify that the applicable subrecipients took timely and appropriate corrective action concerning any findings from those audits. This is a significant deficiency.

31 USC 7502(f)(2)(C) states, "Each Federal agency which provides Federal awards to a recipient shall review the audit of a subrecipient as necessary to determine whether prompt and appropriate corrective action has been taken with respect to audit findings, as defined by the Director, pertaining to Federal awards provided to the subrecipient by the pass-through entity; . . ."

We recommended that DCS review applicable audits of subrecipients to determine whether prompt and appropriate corrective action has been taken with respect to audit findings.

FINDING 2010 - DCS-5, SSBG – QUESTIONED COSTS

Federal Agency:	U.S. Department of Health and Human Services - ACF
Federal Program:	Social Services Block Grant (SSBG)
CFDA Number:	93.667
Auditee Contact Person:	Douglas Weinberg
Title of Contact Person:	Chief Financial Officer, Department of Child Services (DCS)
Phone Number:	317-234-4994
Compliance Requirement:	Allowable Costs
Internal Control:	Material Weakness

The State of Indiana was awarded $18,139,459 in 2009 SSBG Supplemental Disaster Funds as a result of floods occurring in 2008. The State issued these funds to five healthcare facilities affected by the 2008 floods. Our testing of the payments to these healthcare facilities revealed that of the $18,139,459 that was awarded, $18,089,958 was either for unallowable costs or the supporting documentation presented to us during the audit was deficient as it lacked a combination of itemized vendor invoices and insurance documentation to illustrate that the funds were actually used for health services (including mental health services), and for repair, renovation, and construction of health care facilities (including mental health facilities), child care centers, and other social services facilities.

Of the $18,089,958, $15,374,186 was used for payroll expenses to keep staff employed and their benefits in place at one facility while it was closed for disaster clean up and repair. This is not an allowable cost. $2,226,888 was issued to three facilities for lost revenues due to business interruption. This is also not an allowable cost. We also noted that the State issued $488,884 to two facilities whose

requests for SSBG funds lacked a combination of itemized vendor invoices and insurance documentation to illustrate that the $488,884 was used for allowable costs. Therefore, federal expenditures totaling $18,089,958 are considered questioned costs and may be required to be repaid to the federal government.

45 CFR 92.22 (a) states: "Grant funds may be used only for the allowable costs of the grantees, subgrantees and cost-type contractors, including allowable costs in the form of payments to fixed-price contractors."

Chapter 7 of Public Law 110-329 states, ". . . in addition to other uses permitted by title XX of the Social Security Act, funds appropriated under this heading may be used for health services (including mental health services), and for repair, renovation, and construction of health care facilities (including mental health facilities), child care centers, and other social services facilities."

Transmittal number 02-2009 dated January 6, 2009, issued by the Office of Community Services, Administration for Children and Families, U.S. Department of Health and Human Services states, "SSBG Supplemental Funds may also be used to address social and health services (including mental health services) for individuals, and for repair, renovation, or construction of health care facilities, mental health facilities, child care centers and other social services facilities affected by hurricanes, floods, and other natural disasters occurring during 2008 for which the President declared a major disaster, and from Hurricanes Katrina and Rita."

We recommended that DCS properly spend grant funds for allowable costs.

FINDING 2010 - DCS-6, OVERDRAWN FEDERAL FUNDS

Federal Agency:	U.S. Department of Health and Human Services
Federal Programs:	Foster Care Program
CFDA Numbers:	93.658
Auditee Contact Person	Rick Peterson
Title of Contact Person:	Assistant Deputy Director, DCS- Federal Financial Management
Phone Number:	317-234-6910
Compliance Requirement:	Reporting
Internal Control:	Significant Deficiency

During our audit of Foster Care Title IV-E program of the Indiana Department of Child Services (DCS), we found that DCS drew more federal funds than what they paid for foster care services. The items tested revealed that a total sum of $17,045.83 was overdrawn. Upon further review, we found that DCS' system could not provide the detail of individual claim amounts supporting each federal draw. This occurred because DCS had not established a system that links the individual claim payments to total federal draws. This is a significant control deficiency and a questioned cost.

45 CFR 92.20(a) states that, "A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to - (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes."

We recommended that DCS establish a system that links individual claim payments to the respective federal draw.

FINDING 2010 - DCS-7, SSBG PERIOD OF AVAILABILITY

Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Social Services Block Grant (SSBG)
CFDA Number:	93.667
Auditee Contact Person:	Robin Degner
Title of Contact Person:	Controller, Department of Child Services (DCS)
Phone Number:	317-234-5079
Compliance Requirement:	Period of Availability
Internal Control:	Significant Deficiency

During our audit of the DCS SSBG Program, we found that over $1.9 million of SSBG expenditures were posted to the federal fiscal year 2010 block grant in the State's accounting records prior to October 1, 2009, the start date of the period of availability for the 2010 grant. This is a significant control deficiency.

42 USC 1397(a)(c) states, "Payments to a State from its allotment for any fiscal year must be expended by the State in such fiscal year or in the succeeding fiscal year."

We recommended that DCS expend SSBG funds in the proper fiscal year of its availability.

Finding 2010 - IDHS-1 relates to a program administered by the Indiana Department of Homeland Security (IDHS). Their response to the finding starts on page 321.

FINDING 2010 - IDHS-1, DUPLICATE PAYMENTS ISSUED

Federal Agency:	U.S. Department of Homeland Security
Federal Program:	Homeland Security Grant Program
CFDA Number:	97.067, 97.004
Auditee Contact Person:	Nancy Stevens
Title of Contact Person:	Controller, IDHS
Phone Number:	317-232-6199
Compliance Requirement:	Allowable Costa/Cost Principles
Internal Control:	Significant Deficiency

During our audit of the Indiana Department of Homeland Security (IDHS), we found nine duplicate payments issued for temporary services totaling $18,542.83. Of this $18,542.83 total, $11,545.41 had been refunded to the IDHS. $6,997.42 had yet to be refunded at the close of our field work. These duplicate payments were for invoices claimed by different temporary agencies for the same temporary workers. There was no review and approval process by a responsible IDHS official prior to payment of the invoices. This is a significant control deficiency. Expenditures for duplicate claims are not allowed and are considered to be questioned costs. The federal share of the questioned costs of the $18,542.83 may be required to be repaid to the federal government with State funds.

44 CFR §13.20 states that: "(a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its grantees and cost-type contractors, must be sufficient to - . . . (2) the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes."

44 CFR §13.22 states that: "Grant funds may be used only for: (1) The allowable costs of the grantees, subgrantees and cost-type contractors. . . ."

Under OMB Circular A-87, a cost must meet the following general criteria to be allowable under Federal awards: be necessary and reasonable for proper and efficient performance and administration of Federal awards and be authorized or not prohibited under State or local laws or regulations.

We recommended that IDHS ensure that system procedures be implemented to ensure that duplicate claims are not paid.

Finding 2010 – LT GOV-1 relates to a program administered by the Indiana Lieutenant Governor (LT GOV). Their response to the finding starts on page 322.

FINDING 2010 - LT GOV-1, SPECIAL TESTS AND PROVISIONS

Federal Agency:	U.S. Housing and Urban Development
Federal Program:	Community Development Block Grant (CDBG) Cluster
CFDA Number:	14.228 and 14.255
Auditee Contact Person:	Kyleen Welling
Title of Contact Person:	Chief Operating Officer and General Counsel Lt. Governor's Office of Community and Rural Affairs
Phone Number:	317-232-8831
Compliance Requirement:	Special Tests and Provisions, R3
Internal Control:	Significant Deficiency

During our audit of the Lieutenant Governor's Office of Community and Rural Affairs (OCRA) CDBG Cluster, we found that, although they did separately identify the Federal award number and CFDA number to their subrecipients at the time of subaward, they did not separately identify the Federal award number and CFDA number at the time of disbursement of funds to the CDBG subrecipients who received American Recovery and Reinvestment Act (ARRA) funds. This is a significant control deficiency in the internal control design and operation.

Until June 23, 2010, there was no state guidance issued on how to inform ARRA subrecipients of the federal award and CFDA numbers. OCRA could not provide documentation for audit which indicated that subrecipients had been notified at the time of each disbursement. OCRA accounting staff became aware of the new guidance when we forwarded the State Budget Agency's memo to them during our current audit.

2 CFR 176.210(c) states, "Recipients agree to separately identify to each subrecipient, and document at the time of subaward and at the time of disbursement of funds, the Federal award number, CFDA number, and amount of Recovery Act funds."

We recommended that OCRA identify the Federal award and CFDA numbers to each CDBG ARRA recipient at the time of each disbursement of funds. Such communication should be done through the State's Encompass Accounts Payable ACH Payment Method box in accordance with the State Budget Agency's June 23, 2010, memo.

Findings 2010 – ISBA-1 through 2010 – ISBA-2 relate to programs administered by the Indiana State Budget Agency (ISBA). Their response to the findings starts on page 324.

FINDING 2010 – ISBA-1, SPECIAL TESTS AND PROVISIONS

Federal Agency:	U.S. Department of Education
Federal Program:	State Fiscal Stabilization Fund Cluster
CFDA Number:	84.394, 84.397
Auditee Contact Person:	Jay L. Collins
Title of Contact Person:	Deputy Director, Indiana State Budget Agency
Phone Number:	317-232-5604
Compliance Requirement:	Special Tests and Provisions, R3
Internal Control:	Significant Deficiency

During our audit of the State Fiscal Stabilization Fund cluster, the Indiana State Budget Agency (ISBA) did not separately identify the Federal award number and CFDA number at the time of the award or at the time of disbursement of funds to their Government Services program subrecipients. This is a significant deficiency in the internal control design and operation.

The ISBA did not provide documentation for audit that indicated the federal award and CFDA numbers were included in the contracted grant agreements when the subgrants were awarded or at the time of disbursement of funds. Prior to June 23, 2010, there was no state guidance issued on how to inform American Recovery and Reinvestment Act (ARRA) subrecipients of the federal award and CFDA numbers at the time of each disbursement. The State Fiscal Stabilization cluster is 100% ARRA funds.

2 CFR 176.210(c) states, "Recipients agree to separately identify to each subrecipient and document at the time of subaward and at the time of disbursement of funds, the Federal award number, CFDA number and amount of Recovery Act funds."

We recommended that the ISBA identify the Federal award and CFDA numbers to each Government Services program subrecipient at the time of each award and at the time of disbursement of funds. Such communication should be done at the time of award with the grant agreement or award notification letter and at the time of disbursement through the State's Encompass Accounts Payable ACH Payment Method box in accordance with the State Budget Agency's June 23, 2010, memo.

FINDING 2010 – ISBA-2, REPORTING ERROR

Federal Agency:	U.S. Department of Education
Federal Program:	State Fiscal Stabilization Fund Cluster
CFDA Number:	84.394, 84.397
Auditee Contact Person:	Jay L. Collins
Title of Contact Person:	Deputy Director, Indiana State Budget Agency
Phone Number:	317-232-5604
Compliance Requirement:	Reporting
Internal Control:	Material Weakness

During our audit of the State Fiscal Stabilization Fund cluster, the Indiana State Budget Agency (ISBA) had a material error on the Schedule of Federal Financial Assistance (SFFA) in the amount of $119,525,956. The amount reported as Amount Passed Down to Subrecipients was not correct. This error is considered a material control weakness.

The error included disbursements for direct construction project costs paid by grant funds administered by the ISBA and payments of homestead credit distributions funded by this program. Funds passed through to subrecipients should include only those amounts for which subgrant agreements have been entered. The State Fiscal Stabilization cluster is 100% American Recovery and Reinvestment Act funds.

34 CFR 80.20 (a)(1) states "A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to: Permit preparation of reports required by this part and the statutes authorizing the grant…." and (b)(1) states "*Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant".

We recommended that the ISBA adopt written procedures related to preparation of the SFFA including a thorough review by a qualified supervisor prior to submission to help ensure accurate disclosure of all federal financial activity.

Finding 2010 - IDOE-1 relates to a program administered by the Indiana Department of Education (IDOE). Their response to the finding starts on page 325.

FINDING 2010 – IDOE-1, CASH MANAGEMENT TEMPLATE

Federal Agency:	U.S. Department of Education
Federal Program:	Special Education Cluster (IDEA)
CFDA Number:	84.027, 84.173, 84.391, 84.392
Auditee Contact Person:	Kent Hatcher
Title of Contact Person:	Chief Financial Officer, IDOE
Phone Number:	317-234-6792
Compliance Requirement:	Cash Management,
Internal Control:	Significant Deficiency

During our audit of the Indiana Department of Education (IDOE), we found that no Special Education Cluster (IDEA) clearance pattern template was created to support the Cash Management Improvement Act (CMIA) Agreement. As a result, we were unable to audit Special Education Cluster Cash Management draws by verifying they were in accordance with an accurate clearance pattern. This is a significant control deficiency.

31 CFR 205.20 states in part: "States use clearance patterns to project when funds are paid out, given a known dollar amount and a known date of disbursement. A State must ensure that …: (a) A clearance pattern must be auditable. (b) A clearance pattern must accurately represent the flow of Federal funds under the Federal assistance programs to which it is applied.

34 CFR 80.40(a) states: "Monitoring by grantees. Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and sub grant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity."

We recommended that IDOE develop formal written procedures on the creation of a clearance pattern template for Special Education Cluster. IDOE also needs to implement procedures to adequately monitor to ensure that all necessary data is included in the computation of a clearance pattern.

FINDING 96 - FSSA (DCS)-33, FUND BALANCES -
CHILD SUPPORT ENFORCEMENT FUND CENTERS

Federal Agency:	Department of Health and Human Services - ACF
Federal Program:	Child Support Enforcement Program (IV-D)
CFDA Number:	93.563
Auditee Contact Person:	Robin Degner
Title of Contact Person:	Controller, Department of Child Services
Phone Number:	317-234-5079

Finding:

The Child Support Bureau of Family and Social Services Administration is responsible for the implementation of the Child Support Enforcement Program (IV-D) (93.563), including the collecting and the distribution of child support payments. The Bureau receives collections that must be either held as reimbursements to Federal, County and State governments to offset AFDC costs or forwarded to the child support client. 45 CFR S 302.15 states that the IV-D agency will maintain the records necessary to identify the amount, source, and distribution of collections.

As of June 30, 1996, Family and Social Services was holding $34,861,131 in several accounts identified for distribution to select entities or custodial parents. A reconcilement tying these funds to the Terminal Communication Access Method (TCAM) system which identify the amount, source and distribution had not been completed by the agency. We requested an accounting to identify the proper recipients of these funds. The agency responded by identifying potential reconciling items as follows:

Description of Funds Held	Amount
Federal AFDC Reimbursements	$ 6,827,069
State AFDC Reimbursements	3,456,123
County AFDC Reimbursements	919,195
Other Reimbursements in Process	4,086,144
Returned Monies Held by Agency	2,932,082
Potential Refunds to Payors and Other Undistributed Funds	10,387,617
June, 1996 Receipts Distributed in July, 1996	5,984,327
Unexplained Difference	286,574
Total	$ 34,879,131

We recommended that the funds in these accounts be reconciled to detailed source records. We also recommended that an aging account be maintained for funds that are held because the proper recipient either cannot be identified or located. We instructed that any funds deemed to be abandoned property as detailed in Indiana Code 32-9-1.5-20 and 4-10-10 be transferred to the Attorney General's Unclaimed Property Division.

Status of Finding as of September 2010:

Procedures have been strengthened to ensure ISETS transactions and balances are reconciled to the State accounting system. The Child Support Bureau Reconciliation Unit was created in 2004. This unit started with only one person. She was responsible for working on the reconciliation of the money sitting in the Pre-ISETS system (TCAM) account 3510-150200 from this audit finding. She also created

spreadsheets to capture information on our daily deposits, disbursements, and tracking the journal voucher transfers to make sure our accounts were in balance. We expanded this unit starting in 2006 to a total of 6 staff in this unit. With the implementation of the Auditor's new accounting system (Encompass), these staff members were assigned to work under the DCS Cash Management and DCS Financial Management units.

All of the money that was originally in this account has been identified, reconciled, and the funds have been moved. The only funds remaining in this account are new payments received designated as restitution. All of the money in this account currently has a payer and a date associated with it. Periodically, this restitution money is transferred over to another fund account. No action has been taken by the Federal Authorizing Agency to close this item, however a letter to confirm closure is pending as of this date. Until documentation of this nature is received, this finding is considered "Unresolved" for audit purposes. DCS contends that no further action of correction is warranted at this time.

FINDING 99 - FSSA (DCS)-7, ISETS INFORMATION TECHNOLOGY (IT) CONTROLS

Federal Agency:	Department of Health and Human Services
Federal Program:	Child Support Enforcement
CFDA Number:	93.563
Auditee Contact Person:	Cynthia Longest
Title of Contact Person:	Deputy Director, Child Support Bureau, Department of Child Services
Phone Number:	317-234-4482
Compliance Requirement:	Special Tests and Provisions
Internal Control:	Material Weakness

Finding:

The Indiana Support Enforcement Tracking System (ISETS) is the computer system used to administer the collection and distribution of child support payments and manage other support enforcement activities. Our review of this system found the following:

Accounting Procedures and Controls

45 CFR 74.21 requires that the financial management system have effective control over and accountability for all funds. We found that the accounting of child support funds was inadequate. Deficiencies include the inability to balance and reconcile child support receipts and disbursements processed at the State level, inaccurate subaccount balances that track support delinquencies and Unreimbursed Past Public Assistance, and inaccurate tax intercept processing. These deficiencies were communicated to FSSA management in a letter dated March 27, 2000, based upon the results of an Information Technology Services audit performed by the Indiana State Board of Accounts.

We recommended that FSSA correct the accounting procedures and control deficiencies as documented in the management letter.

Cash Receipts Handling

45 CFR 302.20 states in part: "The IV-D agency will maintain methods of administration designed to assure that persons responsible for handling cash receipts of support do not participate in accounting or operating functions which would permit them to conceal in the accounting records the misuse of support receipts. Such methods of administration shall follow generally recognized accounting standards." We found deficiencies in the areas of batching, balancing, chain of custody, and timely deposit of

cash receipts processed at the State level. These deficiencies were communicated to FSSA management in a letter dated March 27, 2000, based upon the results of an Information Technology Services audit performed by the Indiana State Board of Accounts.

We recommended that FSSA correct the cash receipts handling deficiencies as documented in the management letter.

Security

45 CFR 95.621(f) states that: ". . . state agencies shall determine the appropriate ADP security requirements based on recognized industry standards or standards governing security of Federal ADP systems and information processing." 45 CFR 95.621(h) also requires the designation of an Agency ADP Security Manager and the performance of periodic risk analyses. FSSA has not designated an ADP Security Manager nor has a risk analysis been performed for ISETS. These and other information technology control deficiencies within ISETS security implementation were communicated to FSSA management in a letter dated March 27, 2000, based upon the results of an Information Technology Services audit performed by the Indiana State Board of Accounts.

We recommended that FSSA designate an ADP Security Manager, conduct periodic risk analyses of ISETS, and correct the security implementation deficiencies as documented in the management letter.

Child Support Data Supplied to the Welfare System

45 CFR 307.10.b.10 states that child support data should be transmitted to the State's TANF system. Although such a transfer is occurring, we found errors in the data transmitted. Deficiencies in the transfer were communicated to FSSA management in a letter dated March 27, 2000, based upon the results of an Information Technology Services audit performed by the Indiana State Board of Accounts.

We recommended that the transfer of child support data to the welfare system be corrected as documented in the management letter.

Verification of Social Security Numbers

45 CFR 307.10.b.1 and 2 states that the Social Security Numbers (SSNs), names, and dates of birth for Absent Parents and Custodial Parents should be verified with Federal, State, and local agencies. We found that the SSNs, names, and dates of birth of ISETS participants have not been verified. This deficiency was communicated to FSSA management in a letter dated March 27, 2000, based upon the results of an Information Technology Services audit performed by the Indiana State Board of Accounts.

We recommended that FSSA verify SSNs, names, and dates of birth as documented in the management letter.

Status of Finding as of September 2010:

Accounting Procedures and Controls

The Child Support Bureau (CSB) has put manual processes in place to balance and reconcile child support receipts and disbursements processed at the State level. This is completed on a daily and monthly basis. Additionally, this reconciliation process prevents any inaccurate tax intercept processing from occurring due to the fact that CSB is verifying the total federal and state tax amounts received against the total amount of tax money posted in ISETS.

CSB has also directed County offices to correct the inaccuracies of sub-account balance, as required by the Cooperative Agreements between CSB and the County offices. CSB continues our ongoing training efforts to make sure that the county offices are maintaining the balances accurately on their cases.

There will never be zero inaccurate balances due to circumstances that are outside of the state's control. However, the counties have performed significant case cleanup on cases, since the issuance of this audit finding. Once the balance has been corrected in ISETS, ISETS automatically calculates the balance correctly on these cases in the future. As issues are brought to the attention of the IV-D office, the staff is trained to make the appropriate corrections.

DCS considers this finding to be resolved.

Cash Receipts Handling

The majority of paper checks received for child support payments are processed by the vendor selected to operate Indiana's State Disbursement Unit (Indiana State Central Collection Unit- INSCCU). Segregation of duties is a standard security and control feature of INSCCU operations. They are staffed so that no individual has responsibility for more than one processing element – accounting transactions, program changes, data entry, etc. – thus reducing risk and decreasing opportunities for processing errors. INSCCU allows access to the different modules based on job-related need and to the physical facility as well by allowing area access to only those whose position requires this access. There are defined roles for each of the managers and their supervisory and operational staff, and these roles do not overlap. INSCCU deposits all checks received into a Treasurer's zero balance account created at Huntington Bank on a daily basis. These checks are sent to the bank by a bonded courier.

The CSB processes a minimum number of child support payments daily. Our Undistributed Collections Unit staff is responsible for posting payments into ISETS and balancing the deposit before it is sent over to the DCS Cash Management for deposit. ISETS does not allow the same person who entered the batch to approve the batch. A different person will reconcile the checks and approve the batch. The checks are then sent over to DCS Cash Management by a CSB mail courier in a locked bag. DCS Cash Management verifies the balance before completing a Report of Collections to send to the Treasurer's office. All checks are deposited within 24 hours.

Any adjustments to payments posted in ISETS are completed by staff in the Adjustment Unit. Staff who post payments are not allowed to create adjustments in ISETS. Additionally, staff that post or adjust payments are not allowed to change addresses in ISETS.

The Child Support Bureau (CSB) has put manual processes in place to ensure cash accounts are properly reconciled. A DCS Cash Management employee conducts daily reconciliation of the deposits between our payment processing vendor (INSCCU), the bank, and ISETS. The staff performs daily reconciliation of the disbursements made from ISETS and monthly reconciliation of ISETS with the Auditor of the State. Any errors are corrected upon discovery.

DCS considers this finding to be resolved.

Security

CSB has put manual processes in place to ensure user access to various systems is appropriate and properly monitored. CSB limits user access in the county systems based on what is needed to perform staff duties. Periodically, supervisors are asked to review user profiles to see if their staff's jobs

have changed and maybe a lower profile is now sufficient or the person can be removed. Additionally, a review of all State users with active Mainframe IDs is conducted on a quarterly basis to delete any users who no longer need access to the system.

CSB demonstrated that ISETS produces a quarterly report to the counties and CSB for inactive users. Counties and CSB then inform ISETS of users that need to have access removed.

DCS considers this finding to be unresolved.

Child Support Data Supplied to the Welfare System

Transfer of referenced child support data to the welfare system was corrected in August 2005. The disbursement date is now used to pass data back to ICES, and this data is now displayed on the DECB screen in the system for the case. Considered closed. (CSB demonstrated on 2/7/11 that the interface between ISETS and ICES is providing accurate information.)

DCS considers this finding to be resolved.

Verification of Social Security Numbers

A verification process for SSNs with the Social Security Administration was completed in December 2000. On an automated basis, all child support participants are submitted for SSN verification to SSA. When ISETS receives the verification from SSA, the SSN is automatically coded in ISETS as VSSA (verified SSA). Considered closed. (CSB demonstrated on 2/7/11 that ISETS reflects SSNS verified by SSA. This is updated and verified daily by the Federal Case Registry (FCR) interface with OCSE.)

In our September 2009 response, CSB requested to OCSE that the first three items in this finding be closed. CSB had already corrected the other two items (Child Support Data Supplied to the Welfare System and Verification of Social Security Numbers) and therefore considered them to be closed. We checked the status in March 2010 with OCSE and the Audit Determination Letter had not been received. CSB again requested that this audit finding be closed. As of mid February 2011, CSB's OCSE regional representative notified us that an Audit Determination Letter should be received by the end of February 2011.

DCS considers this finding to be resolved.

FINDING 2000 - FSSA (DCS)-1, LACK OF AND IMPROPER SUPPORTING DOCUMENTATION

Federal Agency:	Department of Health and Human Services
Federal Programs:	Adoption Assistance Program
CFDA Numbers:	93.659
Auditee Contact Person	Rick Peterson
Title of Contact Person:	Assistant Deputy Director, CEU
Phone Number:	317-234-6910
Compliance Requirement:	Eligibility
Internal Control:	Significant Deficiency

Finding:

45 CFR 1356.40 lists requirements that a state must meet in order to participate in the Adoption Assistance Program. FSSA has in its Child Welfare Manual detailed instructions that should be followed so that the agency will be in compliance with these requirements.

Paragraph 807 of the Manual requires form SF2973 (Application for Adoption Assistance) to be completed by the adoptive parent(s), and signed by the Director of the County Office of Family and Children (OFC), for each child prior to the final decree of adoption. However, in three (3) of the twenty-five (25) cases tested this form was executed after the final decree of adoption, and in two (2) cases the form was not found, for a total of 20% noncompliance.

Paragraph 808 of the Manual requires form SF2976 (Adoption Assistance: Child Certification) to be completed by the Director of the OFC for each child prior to the final decree of adoption. However, in four (4) of the twenty-five (25) cases tested this form was executed after the final decree of adoption, and in two (2) cases the form was not found, for a total of 24% noncompliance.

Paragraph 809 of the Manual requires form SF2974 (Adoption Assistance Agreement) to be completed by the adoptive parent(s) and signed by the Director of the OFC prior to the final decree of adoption. However, in four (4) of the twenty-five (25) cases tested this form was executed after the final decree of adoption for a 16% non-compliance. Also, paragraph 814 of the Manual requires this form to be renewed biennially and whenever there is a change in the amount of payment. However, in four (4) of the twenty-five (25) cases tested the current form was not found for a 16% noncompliance.

Paragraph 816.2 of the Manual requires that copies of forms SF2973, SF2974 and SF5374 be submitted to the Central Office Financial Management. From there they are routed to the Central Eligibility Unit for filing. The method used for filing documentation sent in by the OFC is by date received. In retrieving any case record it becomes impracticable to determine the date of receipt and, therefore, to be able to locate any particular record. In our testing for documentation controls we were not able to locate copies of documentation from the test cases that were to have been submitted to the Central Office by the OFC because of the filing method being used.

We recommended that FSSA complete and process forms in compliance with the Child Welfare Manual and maintain proper documentation to support the Adoption Assistance Program. We also recommended that documentation be filed in such a way that allows for an adequate audit trail.

Status of Finding as of September 2010:

DCS Central Eligibility Unit now maintains files containing the adoption agreement, copies of the adoption decree and other relevant information to begin adoption subsidies. New procedures for adoption have been developed which outline the steps in detail and a Computer Assisted Training (CAT) program was developed and launched. Remains open.

FINDING 2000-FSSA (DCS)-2, OVERPAYMENT OF ADOPTION ASSISTANCE SUBSIDIES

Federal Agency:	Department of Health and Human Services
Federal Programs:	Adoption Assistance Program
CFDA Numbers:	93.659
Auditee Contact Person	Rick Peterson
Title of Contact Person:	Assistant Deputy Director, CEU
Phone Number:	317-234-6910
Compliance Requirement:	Activities Allowed or Unallowed
Internal Control:	Significant Deficiency

Finding:

42 USC 673(a)(3) requires that adoption assistance subsidy payments not exceed the foster care maintenance payment. As stipulated in paragraph 810.3 of FSSA's Child Welfare Manual, FSSA's policy on the limitation on payments under the Adoption Assistance Program (AAP) is 75% of the county's rate for foster care per diem. Any amount paid by the counties over this limitation is to be borne by the county.

We found that two (2) of the twenty-five (25) payments tested were in excess of the 75% allowable amount. One, a case in Jennings County, was overpaid by $248.02 during the month tested, and another, a case in Vigo County, was overpaid by $142.97. Neither of these overpayments exceeded 100% of the foster care maintenance payment. We expanded our testing of payments in these two counties. In Jennings County we found the same amount of overpayment for the same child for the additional month tested. In Vigo County we found a different child was overpaid $775.07 for the additional month tested. This overpayment was a violation of both the State 75% policy and the 100% Federal requirement. The allowable foster care maintenance payment at 100% was $571.91 and so the overpayment exceeded the Federal threshold by $203.16.

Through inquiry we found that the Central Office did not review for payments in excess of limitation either on a systematic or sample basis. Further, we found that while reviews are completed by the agency's three state-wide consultants, these reviews are completed on a special case basis rather than systematically.

We recommended that the payments from the AAP not exceed limitations. We also recommended that a system of review to detect payments in excess of limitations be implemented.

Status of Finding as of September 2010:

DCS policies have been put in place that allow for a negotiated adoption subsidy up to 75% of the standard Foster Care perdiem (18.75). Central Eligibility Unit ensures that the subsidy agreement does not reflect anything more that the 75% of the standard foster care per diem. Only in the event that a legal appeal is filed and won would any adoption subsidy agreement would reflect a higher rate. Remains open.

FINDING 2000-FSSA (DCS)-3 FOSTER CARE PROVIDER LICENSURE

Federal Agency:	Department of Health and Human Services
Federal Programs:	Foster Care Program
CFDA Numbers:	93.658
Auditee Contact Person:	Rick Peterson
Title of Contact Person:	Assistant Deputy Director, CEU
Phone Number:	317-234-6910
Compliance Requirement:	Eligibility
Internal Control:	Material Weakness

Finding:

42 USC 671 and 672, and the approved Indiana State Plan both state that Foster Care Program payments may be made only to properly licensed or approved providers. We reviewed ten foster children cases to determine if licensure controls were in place. We found that five providers were not properly licensed. We also were not able to determine for an additional case as the case file could not be found.

Through inquiry we found several control issues. During our audit period the automated system known as the Indiana Child Welfare Information System used for data eligibility collection (which includes licensing status) was not linked to either county or central office accounting systems. Reliance had to be placed on manual forms of communication to stop ineligible payments. In addition, the central office did not review to ensure that payments were made only to properly licensed or approved providers, either on a systematic or sample basis. Further, we found that while reviews are completed by the agency's three state-wide consultants, these reviews are completed on a special case basis rather than systematically.

We recommended that controls be implemented to ensure payments are made only to properly licensed or approved providers.

Status of Finding as of September 2010:

DCS is designing a new software system to replace the current ICWIS system. Licensing status will be clearly available throughout this system which is anticipated to be operational in 2011. Remains open.

FINDING 2000 - FSSA (DCS)-5, CHILD SUPPORT ENFORCEMENT PROGRAM FEDERAL

Federal Agency:	U.S. Department of Health and Human Services - ACF
Federal Program:	Child Support Enforcement Program (IV-D)
CFDA Number:	93.563
Auditee Contact Person:	Donna Sobecki
Title of Contact Person:	Assistant Deputy Director, CEU and Cash Management, Department of Child Services
Phone Number:	317-234-5686
Compliance Requirement:	Reporting
Internal Control:	Material Weakness

Finding:

Collections of child support by the central office of FSSA are deposited with the Treasurer of State. These child support funds are separately accounted for within the State's accounting system which is maintained by the Auditor of State. The Treasurer of State reconciles the deposits to the State accounting system. The State accounting system is the official record for both the collections and disbursements of child support funds made by the central FSSA office.

The collection and disbursement of child support funds are also entered on the Indiana Support Enforcement Tracking System (ISETS) which maintains detailed information for each child support case.

We found that amounts recorded on the federal reports are pulled from both of these sources. However, there is no reconcilement of ISETS transactions and balances on the State's accounting system. (Details of possible reconciling items were communicated to FSSA management in a letter dated March 27, 2000.)

In addition, ISETS produces the WEAAC224 - Daily Book Balancing report which documents the balance of funds remaining within ISETS on a daily basis. At the counties the report is used to support the reconcilement of ISETS to their bank accounts. The left side of the report calculates the balance at the end of the day by taking the prior day's balance and applying the total receipts, disbursements, and other transactions processed for the day. The right side of the report breaks the balance down into undistributed receipts (held items) and undistributed checks (the items that will be in the next check run). The left side balance should always match the right side balance. Although the report balances for funds processed at the counties, it does not balance for funds processed at the State. At June 29, 2000, there was a difference between the two balances of $43,635,881.

Since we were not able to verify the ISETS transactions and balances to the official Auditor of State records, we were not able to determine the reliability of those ISETS amounts used in the federal reports.

45 CFR 74.21 defines the financial management standards for child support enforcement programs. The code requires that the financial management system provide effective control and accountability for all funds.

To ensure accurate and reliable federal reporting, we recommended that FSSA strengthen the accounting procedures and controls over the above areas as required by 45 CFR 74.21.

Status of Finding as of September 2010:

A number of programming changes necessary to strengthen the accounting procedures and controls were implemented in July of 2004. Primarily reports and database queries are used for manually reconciling accounts monthly. Additionally, data is received monthly for the Auditor of State to update the status of Warrants in ISETS, which also facilitates reconciliation of outstanding and stale-dated state warrants in the system as well. DCS will need to modernize or replace ISETS in the next several years to completely resolve these types of deficiencies.

DCS considers this finding to be unresolved.

FINDING 2003 - FSSA (DCS)-1 FOSTER CARE PAYMENTS

Federal Agency:	Department of Health and Human Services
Federal Programs:	Foster Care Program
CFDA Numbers:	93.658
Auditee Contact Person	Donna Sobecki
Title of Contact Person:	Assistant Deputy Director, CEU and Cash Management
Phone Number:	317-234-6910
Compliance Requirement:	Activities Allowed or Unallowed, Reporting
Internal Control:	Significant Deficiency

Finding:

Eligibility of children for the Foster Care, Foster Care Waiver, and Adoption Assistance programs are determined at FSSA's local offices of Family and Children. The claims for reimbursement from these programs are also prepared by these local offices. These claims are sent to FSSA's central office of Financial Management for processing. Financial Management makes payments from the appropriate program funds as indicated on the claims. There are separate federal funds for the Adoption Assistance Program and the Foster Care Program. Foster Care and Foster Care Waiver are both paid from the same federal program, but the amount that may be paid for Foster Care Waiver children is limited and must be identified for reporting and analysis purposes.

We tested 10 payments to verify allowability and found 2 exceptions. One case had been identified on a claim as eligible for Foster Care and should have been identified as a Foster Care Waiver case. This resulted in the under reporting of Waiver payments. Another case had been identified on a claim as eligible for Foster Care and should have been Adoption Assistance. This resulted in $511.50 being paid from Foster Care funding instead of Adoption Assistance funding. Through further research we found that both cases had been properly classified on claims the following month. However, no corrections for the prior improper claims had been made. Through inquiry we found that there is no formal mechanism in place for the local offices to inform the central office of incorrect claims for these programs.

45 CFR 74.20 states that ". . . (b) Recipients' financial management systems shall provide for the following: (2) Records that identify adequately the source and application of funds for HHS-Sponsored activities. . . . (3) Effective control over and accountability for all funds, property and other assets."

We recommended that FSSA implement a process for the local offices to apprise financial management of incorrect claims.

Status of Finding as of September 2010:

January 1st 2009, DCS implemented a State-wide client tracking system for processing Foster Care Claims. In concert with this release Foster Parents were held accountable for submitting a monthly invoice in order to receive monthly stipend payments. Parameters in the new tracking system exist that identifies duplicate invoices and prevents payment of those found. Remains open.

FINDING 2003 - FSSA-16, ONGOING VERIFICATION OF PROVIDER MEDICAL LICENSE

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Director of Finance, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions – Provider Eligibility
Internal Control:	Significant Deficiency

Finding:

FSSA's Medicaid Program contracts with an outside contractor, EDS, for determining provider eligibility. During our audit of FSSA's Medicaid Program, we found that the current status of provider medical licenses was not verified by EDS on a consistent basis. The Indiana Health Professions Bureau (IHPB) maintains a centralized database of health profession licenses. IHPB transmits to EDS on a monthly basis an electronic list of active licenses. EDS used this file to verify that new Medicaid providers applying for enrollment were licensed. However, EDS did not use this file to verify that the licenses of active providers were current. In one instance, we discovered a provider that remained actively enrolled whose license had been revoked more than two years previously. Upon inquiry, we found that EDS performed a limited verification of license revocations using manual procedures. However, these manual procedures were insufficient to assure that providers without a current license would be determined ineligible on a consistent basis. This is a control weakness.

42 CFR 440 Subpart A includes definitions of the various medical services eligible for reimbursement under Medicaid. 42 CFR 440.50 defines physicians' services as "services furnished by a physician . . . by or under the personal supervision of an individual licensed under State law to practice medicine or osteopathy."

We recommended that FSSA implement procedures to ensure that providers whose medical licenses are not current do not remain eligible for participation in Medicaid.

Status of Finding as of September 2010:

HP began working PRV-0410 Non-Matched Pharmacy report with the April 2010 report. CO 1790 was written to modify PRV 0411 Non-Matched Non-Pharmacy report to include additional fields that allow filtering that make this report workable.

After HP analyzed the data captured in the additional license fields in AIM, it was determined that the additional license field was being used to record miscellaneous information, not to capture license information needed for eligibility determination. Changes to the Provider Enrollment Business Process were implemented to use this field only when applicable to enrollment requirements, rendering PRV-412 Non-Matched Additional License and PRV-415 Matched Additional License workable when data is matched against IPLA data.

OMPP has developed a spreadsheet to document that appropriate actions are being taken when license reports are worked by HP.

This finding remains open, anticipate Resolution by 9-30-11.

FINDING 2004 - FSSA-5, SUPERVISION OF LOCAL OFFICES OF FAMILY AND CHILDREN (OFCs)

Federal Agency:	Department of Health and Human Services
Federal Program:	State Children's Insurance Program (SCHIP), Medical Assistance Program
CFDA Number:	93.767, 93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Director of Finance, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Activities Allowed or Unallowed, Eligibility
Internal Control:	Significant Deficiency

Finding:

As noted in Attachment 2.2-A of the Indiana State Plan, the Agency that determines eligibility for coverage is "Each County Welfare Department under the supervision of the Family and Social Services Administration" (FSSA). In 1986, the County Welfare Departments were transformed into the local Offices of Family and Children (OFCs). FSSA's Division of Family and Children (DFC) has oversight responsibility for the local OFCs.

We reviewed monitoring and reporting mechanisms between DFC's central office and the local OFCs during the audit period. We discovered that the monitoring controls for central office oversight of local OFCs mainly concerned the Food Stamp program, and applicability to the Medicaid program was limited:

Second-Party Review (SPR). Local supervisors perform an SPR or desk review on all cases authorized by caseworkers who are on probation or who have been employed less than six months. In prior years, SPRs were also performed for a sample of all experienced caseworkers. However, as of 2003, targeted SPRs were implemented to review earned-income determinations for the Food Stamp program only.

Management Evaluation Reviews (MERs). As part of the MER, a random sample of Food Stamp cases is selected for desk review. Since Medicaid cases are frequently handled by specialized staff, and program requirements significantly differ, MERs are of limited usefulness in monitoring Medicaid-related duties.

Quality Control (QC) Reviews. During the audit period, DFC's Bureau of Family Resources (BFR) completed a Medicaid Eligibility Quality Control (MEQC) pilot project, as mandated by CMS. The scope of the MEQC project was limited to a highly technical area of nursing home admissions involving potential estate-shielding tactics. Although error rates identified were high, broad-based conclusions cannot be necessarily projected to the program as a whole.

Audit Division Reports. FSSA's Audit Division performed on-site audits of local OFCs throughout 2002-2004. We reviewed the scope of these audits and found that, for all but two counties, the audits did not test any federally-funded Medicaid-related functions.

Through interviews with staff and management we verified that the primary purpose of these monitoring and reporting mechanisms was to achieve a lower statewide error rate for Food Stamp eligibility determinations. FSSA allocated quality control resources to lowering the Food Stamp error rate to avoid financial penalties imposed by the United States Department of Agriculture (USDA). In contrast, by opting for the pilot project option offered by CMS for Medicaid, the State was able to avoid potential exposure to the risk of broad-based penalties altogether. As resources were reallocated to lowering the Food Stamps error rate, residual coverage of Medicaid functions by the SPR process was eliminated.

Furthermore, we determined that FSSA management had fostered a culture that encouraged autonomy at the local level, to the point where the central office of the DFC served as a clearinghouse for information and technical assistance but not accountability for program management, which rested with the local directors.

The association of quality control with penalty avoidance rather than a management responsibility in its own right, combined with an emphasis on local autonomy, constitutes a deficiency in the control environment at DFC. Upon inquiry, OMPP indicated it was unaware of the extent of these deficiencies and their potential impact on the Medicaid program. This lack of communication between divisions constitutes a deficiency in the control environment at OMPP and FSSA.

To test the potential impact of these control deficiencies on the Medicaid program, we focused on whether local offices were being held accountable to follow up on independent verifications of local office data against outside sources. As required by 42 CFR 435.940 through 435.960 and Section 4.32 of the State Plan, eligibility data entered by local caseworkers in the Indiana Client Eligibility System (ICES) is periodically verified against independent information, including (but not limited to) information from the Social Services Administration (SSA), Internal Revenue Service (IRS) and Indiana's Department of Workforce Development (DWD). If a discrepancy is found, a data alert is generated by ICES to the caseworker. If the caseworker does not enter a code indicating what type of action was taken and the date action was taken, an alert is generated by ICES to the supervisor. Data will not be automatically overwritten in ICES as the result of a data exchange except for Social Security (SS) benefits or Supplemental Security Income (SSI) verified by SSA.

We were unable to identify any reporting mechanism by which DFC monitored the disposition of data alerts by local OFCs. We requested a custom query from the ICES data warehouse for alerts received during 2003 and 2004 that (1) remained uncompleted despite (2) having generated a supervisory alert. We verified that over 13,000 such alerts remained on the system, including over 2,000 new hire matches against Indiana's child support system and over 200 prison inmate matches against SSA.

More than 7,000 alerts belonged to St. Joseph County, including multiple repetitive alerts for the same case file across time periods. St. Joseph County was selected for a MER in 2000 and 2004. We reviewed the 2000 report and found that problems had been noted in this area, and a recommendation for additional training issued. The same problems were noted in 2004, but no recommendation was made.

However, even for counties for which data alert screens are being completed by caseworkers, no effective oversight exists that these screens are being completed on other than a perfunctory basis unless the case file is selected as part of an SPR or QC sample. Medicaid files are not included in the selection process except under limited circumstances.

The risk of inadequate follow-through for data alerts is exacerbated for pregnant women and children under the age of 19 covered under Hoosier Healthwise, a health coverage program jointly funded by Medicaid and the State Children's Health Insurance Program (SCHIP). Applicants to Hoosier Healthwise are subject to simplified verification rules. Under simplified verification, the applicant's statement is accepted as verification of name, citizenship, address, residency, marital status, and date of birth so long as a valid Social Security number is submitted. Income may be verified by a single pay stub or child support receipt so long as the applicant states that monthly income did not fluctuate from the current level in the prior three months.

42 CFR 435.903 states: "The agency must---(a) Have methods to keep itself currently informed of the adherence of local agencies to the State plan provisions and the agency's procedures for determining eligibility; and (b) Take corrective action to ensure their adherence." 42 CFR 435.952 sets forth requirements for the timely review of information received through data matches. 42 CFR 435.952(f) states: "The agency must use appropriate procedures to monitor the timeliness requirements of this section."

We recommended that OMPP coordinate with DFC to implement monitoring procedures to ensure appropriate follow-up on data alerts by the local OFCs.

Status of Finding as of September 2010:

With the December 2009 termination of IBM's contract, the state is changing the eligibility process, which includes the staff responsible for working alerts. In the new Hybrid model, alerts will be worked at a Regional Change Center. Hybrid implementation began January 2010 in the Vanderburgh Region. Based upon the success in the Vanderburgh Region, the Hybrid model was expanded to the Vigo Region in June 2010 and the Clark Region in September 2010. The completion of the Hybrid rollout is tentative scheduled for early CY 2012.

This finding is considered to be open.

FINDING 2004 - FSSA–6, DEATH VERIFICATIONS

Federal Agency:	Department of Health and Human Services
Federal Program:	State Children's Insurance Program (SCHIP), Medical Assistance Program
CFDA Number:	93.767 and 93.778
Auditee Contact Person:	Cathy Boggs
Title of Contact Person	Director of DFR, FSSA
Phone Number:	317-234-2373
Compliance Requirement:	Allowability, Eligibility
Internal Control:	Significant Deficiency

Finding:

On a daily basis, the Family and Social Services Administration (FSSA) submits the Social Security numbers of new applicants for programs served by the local Offices of Family and Children (OFCs) to the Social Security Administration (SSA) for verification that the number is valid, has been assigned to the corresponding name, and the number/name are not in the SSA death registry. In addition, FSSA verifies data for active household members against the SSA death registry on a quarterly basis for all recipients above 13 years of age.

If SSA records indicate that a recipient has died, an alert is generated to the caseworker. The Indiana Client Eligibility System (ICES) permits caseworkers to authorize file changes once daily. Most changes can be batched prior to authorization, but death information must be authorized in two sequential steps for the recipient to be properly removed from the household and the remaining household members' eligibility to be recalculated.

If a recipient is properly removed, the recipient's case should become inactive and, therefore, not be included in the next quarter's death verification request. We requested a query of the ICES data to determine if any death matches were returned for the same recipient from one quarter to the next. A query was generated to compare results for the 4th quarter of 2004 to results for the 4th quarter of 2005. We found 133 matches statewide. Of these matches, 38 indicated some kind of benefit had been provided in 2005. Of these matches, 10 indicated a date of death prior to June 2002.

For these 10 matches, we obtained payment data for the audit period. Out of the 10 matches, 6 recipients were identified who received a combined total of more than $200,000 in services during SFY04. We also tested a match for a date of death from 1957 and discovered that Medicaid payments had been provided through 2001.

These results are not conclusive until additional research is conducted. For example, if services were provided under a stolen identity, the sum of inappropriate payments could potentially span a longer time-frame than SFY04. Even if each instance of discrepant data can be traced to an error rather than the intentional misuse of an identity, the failure to detect and correct the discrepancies in a timely manner indicates control weaknesses over the payment function. In addition, failure to fully complete the two-step authorization required by ICES for death data affects the accuracy of eligibility determinations for remaining household members.

42 CFR 430.0 states: "Title XIX of the Social Security Act, enacted in 1965, authorizes Federal grants to States for medical assistance to low income persons who are age 65 or older, blind, disabled, or members of families with dependent children or qualified pregnant women or children." Medical assistance cannot be provided to a person who is deceased.

We recommended that research be conducted to determine the cause of discrepant death verification data for repetitive data alerts. In addition, we requested that the ultimate disposition of each instance of discrepant data, whether correction of erroneous data, recoupment or referral to an appropriate investigative or law enforcement authority, be documented and reported to us.

We also recommended that adequate oversight be exercised to ensure timely and appropriate resolution of discrepant death data by local OFCs.

Status of Finding as of September 2010:

DFR receives a data match/alert from SSA. Those matches are translated into ICES alerts for the eligibility staff to work. With the termination of IBM's contract, the state is changing the eligibility process, which includes the staff responsible for working alerts. In the new Hybrid model, alerts will be worked at a Regional Change Center. A software tool is being implemented to allow staff insight into the due dates of the alerts and, with this tool, to have the capability of working overdue and those coming due tasks on a more timely basis. Hybrid implementation is beginning in the Vanderburgh Region and will be implemented across the rest of the state following the time the Hybrid solution is proven in the Vanderburgh Region.

Once the date of death is applied in ICES, the date of death is forwarded to the AIM system that night.

This finding is unresolved.

FINDING 2004 - FSSA-8, PROVIDER ENROLLMENT (HCBS WAIVERS, FIRST STEPS)

Federal Agency:	Department of Health and Human Services
Federal Program:	State Children's Insurance Program (SCHIP), Medical Assistance Program
CFDA Number:	93.767 and 93.778
Auditee Contact:	Terri Willits
Title of Contact Person:	Director of Finance, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions – Provider Eligibility
Internal Control:	Significant Deficiency

Finding:

Prior to the formation of the cross-divisional Waiver Unit between the Office of Medicaid Planning and Policy (OMPP) and the Division of Disability, Aging and Rehabilitative Services (DDARS) in early 2004, home and community based service (HCBS) waiver providers were enrolled by DDARS staff under a provider agreement that did not meet Medicaid disclosure standards. Some providers separately executed a Medicaid-compliant agreement with the Medicaid claims payment contractor, EDS, to provide traditionally covered services. An enrollment project to ensure that all waiver providers have executed a Medicaid-compliant agreement is scheduled for completion in early 2005.

In addition, during the audit period, providers participating in the First Steps early intervention program were enrolled by the Division of Family and Children's (DFC's) central reimbursement office (CRO) contractor, Covansys. These providers did not complete a Medicaid-compliant agreement, even though their services were submitted by DFC for reimbursement by EDS if provided to a Medicaid-eligible recipient, as confirmed by data matches to the Indiana Client Eligibility System (ICES).

42 CFR 455.104 enumerates various provider disclosure requirements for the Medicaid program.

We recommended that adequate disclosures be obtained from all First Steps providers whose services are potentially billable to the Medicaid program. We also recommended completion of the HCBS waiver provider enrollment project.

Status of Finding as of September 2010:

HP audited 5% of enrolled waiver providers to ensure that they have signed provider agreements in their files. As of 3-31-10, it was reported that approximately 10% of identified files had been reviewed and they were unable to find a signed agreement for approximately 25% of those files. HP recommended that the enrollment project be repeated. Following that recommendation HP has initiated a waiver provider re-enrollment project which includes a project plan that has been reviewed and approved by OMPP and the waiver agencies.

This finding remains open, however, OMPP anticipates resolution by 1-30-11.

FINDING 2005 - FSSA-1, CASH MANAGEMENT DOCUMENTATION OF PROCEDURES

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Audited Contact Person:	David Nelson
Title of Contact Person:	Director of Finance, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Cash Management
Internal Control:	Significant Deficiency

Finding:

During our audit of FSSA, we found that FSSA's Financial Management Division did not have an adequate system of documentation to trace specific expenditures to its corresponding federal draw. This occurred due to a lack of formal written procedures over Cash Management. This is a control weakness.

45 CFR 92.20 (b)(2) states in part: "Accounting Records. Grantees . . . must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards . . . assets, liabilities, outlays or expenditures and income."

45 CFR 92.20 (a) states in part: "A state must expend and account for grant funds in accordance with State laws and procedure for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees . . . must be sufficient . . ."

We recommended that FSSA develop formal written procedures over Cash Management to ensure that federal draws follow their respective check clearance pattern templates and that adequate supporting documentation of draws are maintained.

Status of Finding as of September 2010:

On September 16, 2009 the State began using PeopleSoft financials as part of the ENCOMPASS accounting system for recording financial transactions. Written procedures are in place. Each transaction related to a federal grant is recorded to a project which has a specific federal percentage manually applied. FSSA's FETS has expenditures entered by project so that the transactions recorded in PeopleSoft can reconcile to the amount drawn from the federal grant for that project,

This finding is considered closed.

FINDING 2005 - FSSA (DCS)-4, PSC 272 QUARTERLY REPORTS

Federal Agency:	Department of Health and Human Services
Federal Programs:	Title IV-D, Child Care Cluster
CFDA Numbers:	93.563, 93.575, 93.596
Auditee Contact Person	David Nelson; Donna Sobecki
Title of Contact Person:	Director of Finance, FSSA; Assistant Deputy Director of Cash Management, DCS
Phone Number:	317-234-5686
Compliance Requirement:	Reporting
Internal Control	Significant Deficiency

Finding:

During our audit of FSSA, we found that the Federal Cash Transaction Report, PSC 272, quarterly reports had inaccurate amounts reported as compared to FSSA's Federal Expense Tracking System (FETS). FSSA did not have a reconciliation process in place to verify that expenses in FETS were recorded properly on the PSC 272 quarterly report. Through inquiry and observation, there is a lack of monitoring controls to verify that the dollar amounts recorded on the PSC 272 quarterly reports are accurate prior to being reported to the federal government.

45 CFR 92.20(b) states: "The financial management systems of other grantees and subgrantees must meet the following standards: - (1) Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant."

We recommended that FSSA implement a reconciliation process to verify that the amounts recorded on the Federal Cash Transaction Report PSC 272 quarterly reports are accurate prior to being reported to the federal government.

Status of Finding as of September 2010:

FSSA

The PSC 272 Quarterly Federal Cash Transaction Report is manually completed based on selected reports from the FSSA Federal Expenditure Tracking System (FETS). FSSA has written procedure for preparing the PSC 272, which includes the reconciliation.

This finding is considered closed.

DCS

The State of Indiana is implementing PeopleSoft Financials software as its statewide official accounting system. With this implementation Accountants will reconcile Allotments vs. Expenditures, providing this data to Cash Management to be verified and used in the Quarterly 272 Report. Finding will remain open pending the completion of the State's first year end close and full implementation of the Encompass project by the Auditor of State.

FINDING 2005 - FSSA (DCS)-5, SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE - REPORTING ERRORS

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program, Child Support, Child Care Cluster, Social Services Block Grant
CFDA Number:	93.778, 93.563, 93.575, 93.596, 93.667
Auditee Contact Person:	David Nelson
Title of Contact person:	Director of Federal Funding, FSSA; Assistant Deputy Director, DCS
Phone Number:	317-232-7088; 317-234-5686
Compliance Requirement:	Reporting
Internal Control:	Material Weakness

Finding:

During our audit of FSSA, we found that the Schedule of Federal Financial Assistance had numerous errors totaling over $100 million. FSSA resubmitted the Schedule to us multiple times throughout the period August 2005 to March 30, 2006. Errors were found in receipts, disbursements, pass-through amounts, CFDA numbers, cross-footing in ending balances, and entire grants being left off the schedule. Even though these errors were resolved, such materially significant errors in the future could result in a qualification of the Schedule. This also affects the reliability of how major programs are determined. The lack of formal written procedures and an inadequate review process of the Schedule contributed to the potential for errors. This is a control weakness.

45 CFR 92.20 states: "(a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to— (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes."

We recommended that FSSA develop formal written procedures in preparing the Schedule of Federal Financial Assistance and institute a thorough review process of the schedule to ensure accurate, current and complete disclosure of the financial results.

Status of Finding as of September 2010:

FSSA

FSSA currently has written procedures for the preparation of the Schedule of Federal Financial Assistance report. FSSA considers this issue closed.

DCS

A-133 Schedule of Federal Financial Assistance reports have been manually created in the past. The development within PeopleSoft Projects module implementation in the future will create transaction queries or reports that will be utilized to drive both deposits and expenditures. Formal procedures will be developed based on the Encompass implementation to ensure accurate reporting for DCS Federal Awards. This finding remains open.

FINDING 2005 - FSSA-10, OVERPAID AND UNDOCUMENTED MANUAL PAYMENTS ISSUED

Federal Agency:	Department of Health and Human Services
Federal Program:	State Children's Health Insurance Program (SCHIP), Medical Assistance Program
CFDA Number:	93.767, 93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Director of Finance, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Allowable Costs/Cost Principles
Internal Control:	Significant Deficiency

Finding:

The State's fiscal agent for the Medicaid program, EDS, has a process to pay expenditures based on payout requests and manual check requests. We reviewed and tested these payment records and found that EDS did not always obtain OMPP approval to issue payments, or sufficient documentation to support the expenditure. The following payments are considered as questioned cost to the federal program:

OMPP approved that an interim payment be issued to a hospital, however, the calculations were not approved. The manual calculations made were in error, as was a subsequent system payment that was issued for the balance of the dates of service. The total overpaid was $623,101.

A payment was issued for a 1995 settlement agreement. The total interest paid was $161,648.

A payment was issued without the supporting calculation for $468,804.

A dentist was refunded the amount he reimbursed for duplicate payments identified. The basis for the refund was not documented in EDS records. The refund issued was $25,959.

The above questioned costs total $1,279,512. The federal share of the questioned costs may be required to be repaid with State funds.

"To be allowable under Federal awards, costs must meet the following general criteria: a. be necessary and reasonable for proper and efficient performance and administration of Federal awards. b. Be allocable to Federal awards under the provisions of this Circular . . . d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items. . . . j. Be adequately documented." (US OMB Circular A-87, section C (1))

"Costs incurred for interest on borrowed capital or the use of a governmental unit's own funds, however represented, are unallowable except as specifically provided in subsection b. or authorized by Federal legislation." (US OMB Circular A-87, Attachment B, 23)

We recommended that FSSA review and approve calculations for expenditures based on payout requests and manual check requests. Controls to ensure only allowable, documented costs are recorded by the fiscal agent should be developed and monitored. FSSA should obtain adequate documentation, seek reimbursement for and repay the federal share of the total questioned costs to the federal government.

Status of Finding as of September 2010:

Federal balance has been returned with the exception of $20,658.

This finding is considered to be open solely for the return of $20,658.

FINDING 2005 - FSSA-15, C&T PROCESS - MONITORING OF CONTRACTOR

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Director of Finance, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions – Provider Health and Safety Standards
Internal Control:	Significant Deficiency

Finding:

OMPP has not performed on-site visits to their fiscal agent contractor since at least June 2004 to observe procedures and test documents to ensure that procedures are performed as detailed in the manual for the handling of Certification and Transmittal (C&T) documents.

The Indiana State Department of Health (ISDH) is responsible for the issuance of C&T documents. C&Ts inform the Medicaid fiscal agent whether or not facilities have met prescribed health and safety standards. OMPP reviews and approves revisions to the fiscal agent's Provider Enrollment Operations Manual. The manual addresses the handling of documents received from the OMPP and ISDH. Improper handling of C&Ts may result in payments to facilities which have not met the prescribed health and safety standards.

45 CFR §92.40 states that: "Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity."

42 CFR §442.12 states: "Provider agreement: General requirements. (a) Certification and recertification. Except as provided in paragraph (b) of this section, a Medicaid agency may not execute a provider agreement with a facility for nursing facility services nor make Medicaid payments to a facility for those services unless the Secretary or the State survey agency has certified the facility under this part to provide those services."

The Social Security Act §1919 (g)(2)(A)(iii)(I) states that: "Each nursing facility shall be subject to a standard survey not later than 15 months after the date of the previous standard survey conducted. . . ."

We recommended that FSSA perform on-site monitoring as it relates to C&Ts in accordance with federal requirements.

Status of Finding as of September 2010:

HP and ISDH include OMPP on the distribution of monthly C&T report. Also, a spreadsheet has been created to track C&Ts being sent from ISDH to ensure that HP is receiving the C&Ts and that imaged C&Ts are consistently being added to the providers' enrollment files. If a C&T was reported by ISDH as sent to HP but no corresponding record is found that HP received/recorded the document, HP will be asked to research and report on the resolution.

This finding is considered to be closed.

FINDING 2005 - FSSA-16, TRACKING OF CERTIFICATION & TRANSMITTAL (C&T)

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Director of Finance, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions – Provider Health and Safety Standards
Internal Control:	Significant Deficiency

Finding:

In order to be eligible to receive Medicaid payments, long-term care facilities must meet prescribed health and safety standards. The Indiana State Department of Health (ISDH) is responsible for the issuance of Certification & Transmittal (C&T) documents. Among other purposes, C&Ts inform the Medicaid fiscal agent whether or not facilities have met prescribed health and safety standards. EDS may receive several C&Ts for each facility in the course of a year. Not all of the C&Ts received will be for the purpose of recertification. Other than Intermediate Care Facilities for the Mentally Retarded (ICF/MR), EDS does not have a system in place to ensure that only those facilities certified by the Indiana State Department of Health as having met prescribed health and safety standards receive Medicaid payments.

There is a lack of controls in place to ensure that all providers being paid have a current and satisfactory C&T. Upon receipt, C&T documents are logged in the Document Tracking System at EDS and filed in hardcopy facility files. No information is entered into AIMS for long-term care facilities other than ICF/MR. The papers inside provider files are loose-leaf, not in any specific order, and are not indexed. There is no process in place to ensure that all required C&Ts are received and to follow-up on those that are missing. The lack of controls increases the risk of paying providers who do not have a current and satisfactory C&T.

42 CFR §442.12 states: "Provider agreement: General requirements. (a) Certification and recertification. Except as provided in paragraph (b) of this section, a Medicaid agency may not execute a provider agreement with a facility for nursing facility services nor make Medicaid payments to a facility for those services unless the Secretary or the State survey agency has certified the facility under this part to provide those services."

The Social Security Act §1919 (g)(2)(A)(iii)(I) states: "Each nursing facility shall be subject to a standard survey not later than 15 months after the date of the previous standard survey conducted . . ."

We recommended that FSSA ensure that a process is implemented to make certain that the most current C&T is in the provider files and to examine files for completeness. If a provider's file does not have a recent C&T, follow-up should be performed with ISDH. The communication process should be enhanced to ensure that C&Ts are received in a timely manner. A list of finished surveys from ISDH should be periodically obtained and compared to hardcopy provider files.

Status of Finding as of September 2010:

HP and ISDH include OMPP on the distribution of monthly C&T report. Also, a spreadsheet has been created to track C&Ts being sent from ISDH to ensure that HP is receiving the C&Ts and that imaged C&Ts are consistently being added to the providers' enrollment files. If a C&T was reported by ISDH as sent to HP but no corresponding record is found that HP received/recorded the document, HP will be asked to research and report on the resolution.

This finding remains open, anticipate resolution by 9-30-11.

FINDING 2005 - FSSA-17, CONTRACTOR MONTHLY STATUS REPORT STATISTICS

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Director of Finance, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions – Provider Eligibility
Internal Control:	Significant Deficiency

Finding:

The contract between OMPP and EDS requires EDS to maintain controls to achieve results at agreed-upon standards. EDS submits a monthly electronic PDF file report outlining statistics and business activities to illustrate whether or not certain contract requirements have been met. The report is sent to several OMPP employees as well as other contractors who may require the information. EDS reports on the following business areas on a monthly basis: claims and encounters, member and provider relations, finance and third party liability, and systems.

OMPP management does not receive a complete package of detail documentation for review to support statistics presented. Depending on the area that each recipient of the report is responsible for, additional information may be available in the form of reports automatically received or available online. There is no requirement that the OMPP employees receiving the report review and confirm statistics or other information presented. This is an ineffective control over the operations of EDS in confirming that contract requirements are met.

In addition, the monthly report specifies several contract requirements with conclusions as to if the requirement was met or not met during the month reported. Items reported are identified by contract number and a brief description of the requirement. We found that the brief description of the contract requirement does not always coincide with the contract requirement number from the Scope of Work for the most recent contract. The most recent contract became effective January 1, 2004. This was not detected by OMPP despite approximately 20 employees and other contractors receiving this report each month.

There are provider enrollment unit data entry accuracy rate requirements in the EDS contract. EDS did not retain adequate documentation to support the originally reported calculations of statistics for the provider enrollment unit contained within their monthly status report. The information to support statistics and information presented for provider enrollment in this report was not requested, nor reviewed, by OMPP to ensure that the performance of the contractor is adequately monitored.

45 CFR §92.40 (a) states that: "Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity."

45 CFR §92.36 states: "(2) Grantees and subgrantees will maintain a contract administration system which ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders."

We recommended that FSSA develop written internal control procedures for monitoring contract performance which include identification of information monitored and the communication of monitoring results to OMPP management. OMPP should review the report format for consistency with contract requirements and ensure that OMPP has documented how the contractor is meeting, or not meeting, each of the current contract provisions.

Status of Finding as of September 2010:

OMPP has inventoried all fiscal agent contract requirements and determined a schedule for monitoring selected service levels. The supporting documentation to validate contract compliance is being compiled and entered into the contract monitoring tool.

OMPP includes First Data, a contractor to the State, in contract monitoring activities. First Data's duties include validating the appropriateness and accuracy of the methodologies and data sources the fiscal agent uses in reporting contractual compliance via the fiscal agent's monthly status report. First Data also validates the information reported in the fiscal agent's monthly status report is accurate. The fiscal agent retains reports, documents, and the methodologies used to calculate the statistics presented in the monthly status report on a shared drive accessible by First Data. First Data reports their reviews and findings to OMPP via a monthly status report. If a piece of information in the fiscal agent's monthly status report is found to be inaccurate, First Data will report the finding to OMPP and recommend a resolution. OMPP reviews First Data's monthly status report and documents any recommendations made. OMPP decisions and any actions taken as a result of First Data's recommendations are logged in the OV&V Finding Tracking Log.

This finding is considered to be closed.

FINDING 2005 - FSSA-18, INACTIVE PROVIDER RECORDS

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Director of Finance, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions – Provider Eligibility
Internal Control:	Significant Deficiency

Finding:

EDS, the Indiana Medicaid fiscal agent contractor, does not terminate the eligibility of inactive provider records. Terminating records would enable efficient database comparisons to license records, assist in cleaning up the database, provide a better estimate of the number of active providers, and may assist in preventing fraud perpetrated against the federal program. As an example, we located an active Medicaid-enrolled provider who has been in the program for nearly 19 years without ever having been paid or submitting any claims.

Contractor requirement PRC-87 of the January 1, 2004, Scope of Work of the EDS contract states: "Periodically purge inactive provider records on a schedule and using criteria specified by the state."

45 CFR §92.36 states: "(2) Grantees and subgrantees will maintain a contract administration system which ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders."

We recommended that FSSA establish a schedule for periodic archival of inactive provider records.

Status of Finding as of September 2010:

The purge of inactive providers was implemented 10-1-2009. The process was conducted monthly, however, beginning July 1, 2010 HP began following a quarterly schedule of purging inactive providers. Also, review of manual over-rides will be conducted to ensure proper documentation is added to the enrollment file as to who authorized the override, the purpose and how long it is to last.

This finding is considered to be closed.

FINDING 2005 - FSSA-19, ONGOING OUT-OF-STATE LICENSE VERIFICATION

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Director of Finance, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions – Provider Eligibility
Internal Control:	Significant Deficiency

Finding:

There is no consistent procedure to verify on an on-going basis that the licenses of out-of-state providers enrolled in the Indiana Medicaid program remain active. The process to verify in-state provider license numbers involves a monthly systematic interface with the Indiana Health Professions Bureau (now merged with the Indiana Professional Licensing Agency). The policy manual for provider enrollment states that out-of-state providers are to be end dated at the date of their license expiration date. Out-of-state providers were not consistently found to be end dated when their license came up for recertification. In these cases, there is no procedure to verify licensure other than at the time of initial enrollment. License expiration dates vary by state and medical specialty. License expiration dates for states contiguous to Indiana may be as long as three years between recertifications. In the three years between recertification, disciplinary actions or other events may occur which could render a physician's license invalid. Improper Medicaid payments may be made to providers which bill after this date.

There are several obstacles to the systematic verification for out-of-state licenses. Provider license numbers are not identified in AIMS by licensing state. License numbers were inconsistently entered in AIMS when the provider was enrolled. Some provider license numbers include letters within the license number (such as a postal abbreviation for the state or a specialty abbreviation) or special characters such as hyphens. Some of the entered license numbers are incorrect or incomplete. Therefore, if the numbers were systematically interfaced with another state's licensing data, there would be several exceptions for nonmatches even if the provider's license was active. This would require substantial manual follow-up procedures.

Contractor requirement PRC-9 of the January 1, 2004, Scope of Work of the EDS contract states: "Maintain regular communication with the applicable State agencies to perform certification and licensure verification. Verify certification in other states for out-of-state providers."

42 CFR §440.50 states that the services of physicians and dentists must be "(2) By or under the personal supervision of an individual licensed under State law to practice medicine or osteopathy."

42 CFR §447.45 states: "(f) Prepayment and postpayment claims review. (1) For all claims, the agency must conduct prepayment claims review consisting of--(i) Verification that the recipient was included in the eligibility file and that the provider was authorized to furnish the service at the time the service was furnished . . ."

We recommended that FSSA review the medical license verification process for completeness across all provider types and provide for on-going licensure reviews of out-of-state providers.

Status of Finding as of September 2010

HP has submitted a Change Request identifying the options for verifying out-of-state license information on an on-going/monthly basis. CR 1286 is awaiting a decision and once approved it can be included in the schedule for resources.

This finding is open. Upon approval of CR 1286 this finding will be closed by 12/31/2010.

FINDING 2005 - FSSA-20, TIMELY FOLLOW-UP OF LICENSE TERMINATION

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program; State Children's Health Insurance Program (SCHIP)
CFDA Number:	93.778; 93.767
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Director of Finance, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions – Provider Eligibility; Allowable Costs/Cost Principles
Internal Control:	Significant Deficiency

Finding:

AIMS does not provide a computer field to record the license termination date of providers. For providers with a license that is no longer valid, the end date of the license is not the end date used in AIMS. The end date used in AIMS is the date that the termination letter is sent out and may be several months after the date that the license became invalid.

As the system does not provide license termination dates, identification of services performed after a provider's license became invalid is not readily determinable. Manual processes are relied upon when making the determination as to whether the provider has performed services after the date that his or her license became invalid.

In our review of the license termination process, two providers were identified who received payments for services performed after the date which the provider's license became invalid. Action had not been initiated to recover the overpayments.

The first provider's eligibility was not terminated from AIMS until more than three months had passed after receiving an emergency suspension. The provider was identified in a newspaper article which stated that the provider was under a 90 day emergency suspension for committing possible fraud against Medicaid and private insurers. The emergency suspension has since been extended an additional 90 days. We are questioning claims which were paid for services performed after the date of the provider's emergency suspension in the amount of $2,356.14.

The second provider's eligibility was not terminated from AIMS until more than 16 months had passed after the date of the company's license expiration. The delays in terminating the eligibility of this provider in AIMS resulted in $298,604.37 paid for claims with dates of service subsequent to the license expiration.

42 CFR §440.50 states that the services of physicians and dentists must be "(2) By or under the personal supervision of an individual licensed under State law to practice medicine or osteopathy."

45 CFR §92.22 state that: "Grant funds may be used only for: (1) The allowable costs of the grantees, subgrantees and cost-type Contractors. . . ."

Under OMB Circular A-87, a cost must meet the following general criteria to be allowable under Federal awards: be necessary and reasonable for proper and efficient performance and administration of Federal awards and be authorized or not prohibited under State or local laws or regulations.

The total paid to these providers for services claimed beyond the date of license expiration or termination of $300,960.51 is considered a questioned cost. The federal share may be required to be repaid to the federal government with State funds.

We recommended that FSSA require that AIMS maintain the date on which a provider's license becomes invalid. FSSA should perform monitoring procedures to ensure that license changes are recorded in a timely manner. FSSA should also develop information and communication procedures to ensure timely AIMS eligibility terminations occur.

Status of Finding as of September 2010:

OMPP has approved the HP's business process for end-dating enrollment on the date the license ends and this process is being followed for all license terminations.

Provider #1 has had her enrollment end date changed to match her license suspension date. Her claims history has been reviewed and payments recouped. Federal share that was subsequently drawn down was adjusted to account for the inappropriate payments made.

Provider #2 has had their enrollment end date changed to match their license expiration date. In order to determine what claims payments need to be recouped, HP has taken appropriate steps including a claims analysis and establishment of an Accounts Receivable.

OMPP has developed a spreadsheet which is used to document review of license terminations.

This finding is open. OMPP anticipates resolution by December 31, 2010.

FINDING 2005 - FSSA-21, PROVIDER ENROLLMENT - CONTRACTOR MONITORING

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Director of Finance, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions – Provider Eligibility
Internal Control:	Significant Deficiency

Finding:

Monitoring of the EDS provider enrollment function is inadequate. OMPP does not perform on-site reviews for a sample of provider files and does not perform on-site performance assessments of procedures. These monitoring activities would ensure for a sample of files that provider enrollment processes are performed by EDS as stated in their provider enrollment operations manual. On-site monitoring has not been performed since at least June 2004 due to the need to split staff responsibilities with claims processing.

45 CFR §92.40 (a) states that: "Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity."

We recommended that FSSA develop procedures in order to monitor the provider enrollment function.

Status of Finding as of September 2010:

OMPP has developed spreadsheets to document ongoing review of OIG sanctions reported, provider enrollments and updates completed each month.

This finding is considered to be closed.

FINDING 2005 - FSSA-23, AIMS CONTRACTOR ACCESS ASSIGNMENTS AND CONTROLS NOT MONITORED

Federal Agency:	Department of Health and Human Services
Federal Program:	State Children's Health Insurance Program (SCHIP), Medical Assistance Program
CFDA Number:	93.767, 93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Director of Finance, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions – ADP Risk Analysis and System Security Review
Internal Control:	Significant Deficiency

Finding:

During the fiscal year ended June 30, 2005, FSSA's OMPP did not monitor the access assignments and associated controls maintained by the contractor for the AIMS. The contractor operates the Medicaid and SCHIP programs for OMPP using AIMS. Monitoring of access assignments is necessary to ensure adequate controls are in operation for the proper segregation of duties and security of records.

"State agencies are responsible for the security of all ADP projects under development, and operational systems involved in the administration of HHS programs. State agencies shall determine the appropriate ADP security requirements based on recognized industry standards or standards governing security of Federal ADP systems and information processing." (45 CFR 95.621 (f) (1))

We recommended that FSSA develop a monitoring plan which would include regular review of the access assignments maintained by the AIMS contractor to ensure proper segregation of duties, and that controls are in operation to ensure that access is changed or terminated corresponding to changes in job positions or terminations, as applicable.

Status of Finding as of September 2010:

The access of HP staff to AIMS is role based, approved by management, and is monitored by the HP Security Coordinator. OMPP reviewed and approved the current policies and procedures related to HP staff access to AIMS which includes periodic monitoring by HP security staff to ensure that access is appropriate and is modified or terminated as required security as part of OMPP's monitoring of HP compliance with HIPAA privacy and security regulations.

On a monthly basis the OMPP continues to review the Monthly Suspend reports and an AIM Access audit is performed/reviewed quarterly. Additionally, HP provides OMPP with updates regarding security as part of OMPP's monitoring of HP compliance with HIPAA privacy and security regulations. The HP has also provided the OMPP with the profile definitions for AIM access. The profile definitions further delineates the type of access each staff has.

OMPP has worked with HP to address the issue of timely AIM access removal from HP Staff with the HP Security Team. The HP Leadership is required to review their staff access on a monthly basis, at which time, AIM access is removed if deemed necessary. The results of this review are shared with the OMPP monthly and the actual reports are available on the OMPP/HP shared HIPAA Sites.

The OMPP continues to work to develop a plan to monitor the HP segregation of duties for HP Staff.

This finding is considered open.

FINDING 2005 - FSSA-30, MEDICAID BANK RECONCILIATIONS

Federal Agency:	Department of Health and Human Services
Federal Program:	State Children's Health Insurance Program (SCHIP), Medical Assistance Program
CFDA Number:	93.767, 93.778
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Allowable Costs/Cost Principles
Internal Control:	Material Weakness

Finding:

Indiana has a contracted fiscal agent for the Medicaid and SCHIP programs, EDS Corporation. The fiscal agent operates the AIMS, adjudicates and pays claims to providers, and maintains a bank account. We reviewed the bank statements and reconciliations performed by EDS for the period March through June 2005. The reconciliations were only of the monthly transactions and were not complete reconciliations using the total general ledger balance, outstanding checks and showing reconciliation to the bank balance. As a result, while monthly transactions are shown as compared between source records and the bank, we cannot ascertain that the records in total are in balance with the bank, or what the variance would be.

We further found that there is no process in place for FSSA to compare the state accounting transaction records maintained for the Medicaid program to the bank statements.

Reviews of bank statements were performed by FSSA budget section, but were not formally documented. In March 2006, we were informed that the EDS bank statements and reconciliations had not been reviewed since July 2005.

There are no written procedures for the process of monitoring the EDS bank and financial reporting.

"A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost type contractors, must be sufficient to –

(1) Permit preparation of reports required by this part and the statutes authorizing the grant, and

(2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes." (45 CFR 92.20(a))

"In addition to supporting documentation required for the state accounting system, some agencies maintain additional subsidiary records. These records may be so extensive as to constitute the agency's accounting system, particularly for financial reporting requirements. The agency provision of an effective accounting system would entail internal control structure elements, as well as accurate and functional forms and reports. An agency's accounting system, forms, and records must be approved by the State Board of Accounts. It should be noted that the Auditor of State system and reports issued constitutes the official record of the budget, cash receipts and disbursements. As such, the agency's own accounting system should operate congruently with the state system with reconciliations of as much information as is practicable. At all times, the agency's manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank or Auditor's balance should agree . . ." (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

We recommended to FSSA that complete bank reconciliations be performed for the account maintained by the fiscal agent. Written procedures should be developed regarding the review of the bank statements and reconciliations which include timely performance, documenting such reviews, assuring that identified errors are corrected, and comparisons to state accounting records for the Medicaid program.

Status of Finding as of September 2010:

EDS has modified and strengthened their reconciliation process. They have provided us with documentation, updated at least annually, for all of their processes including the bank reconciliation process (Finance Operating Procedures Manual Volume 2, Chapter 2). This procedure outlines how the reconciliation is done and how outstanding issues are handled for each type of transaction. The reconciliation balances back to the bank balance, variances are identified and procedures followed to correct them.

EDS Medicaid bank statements delivered to FSSA are accompanied by a sign-off sheet signed by the EDS Medicaid Director of Finance stating that the bank reconciliation is accurate. A procedure was put in place within FSSA for both the OMPP/Medicaid supervisor and the Director of Accounting Operations to review the bank reconciliation from EDS and sign off. A gap in staffing has caused part of the procedure to be incomplete.

FSSA considers this part of the finding remains open.

FINDING 2006 - FSSA-2, C&Ts OF ACUTE CARE AND LONG-TERM CARE FACILITIES

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Director of Finance, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions – Provider Health and Safety Standards
Internal Control:	Significant Deficiency

Finding:

In order to be eligible to receive Medicaid payments, acute care and long-term care facilities must meet prescribed health and safety standards. Compliance with the standards is determined by the Indiana State Department of Health (ISDH) based on a survey and documented by the issuance of a Certification & Transmittal (C&T) document. C&Ts, among other uses, inform EDS, the Medicaid fiscal agent contractor, whether or not facilities have met prescribed health and safety standards. EDS is responsible for making payments to providers, enrolling new providers, and maintaining provider data on behalf of the Office of Medicaid Policy and Planning (OMPP).

We examined seven active facility provider files at EDS as follows: one hospital, two intermediate care facilities for the mentally retarded (ICF/MRs), one rural health clinic, one home health agency, and two nursing homes. The provider files for the hospital, rural health clinic, and home health agency lacked any C&Ts. The files for the two nursing homes lacked current recertification C&Ts. Of the seven facility files tested, only the two ICF/MRs had current C&Ts in their respective provider files. There also was no indication of accreditation or state licensure located in any of the provider files.

Upon determining that current information was not available in the EDS provider files as needed, we reviewed the facility files at the ISDH to ensure that these facilities have met the health and safety standards with a survey performed in the acceptable time frame for the facility type. We found that these facilities had met the requirements.

The EDS *Provider Enrollment Provider Type and Specialty Matrix* document publicly available on the Indiana Health Coverage Programs website and the manual used by provider enrollment analysts requires an ISDH survey for the initial Medicaid enrollment of all of the facility types which we tested. C&Ts provide proof that facilities were surveyed and found in substantial compliance. Without a C&T on file, EDS cannot evidence that the facility has met the Health and Safety Standards which are necessary for payment. The matrix also states that EDS requires recertification for the hospitals, nursing homes, ICF/MR, and residential care facilities.

A letter was obtained from ISDH that was written by a former EDS Provider Enrollment Supervisor which provides an explanation as to why we did not locate current C&Ts in most acute care files. The letter is dated June 15, 2000, and involves acute care (non long- term care) facility documents which EDS would like to continue or discontinue receiving from ISDH. Concerning items which EDS would like to discontinue receipt of, the letter states in part: ". . . Currently, EDS receives letters that do not require a provider file change or disenrollment of a provider in the Indiana*AIM* system. Effective upon receipt of this letter, EDS would like to discontinue receiving the following documents: . . . C&T's for recertification of providers other than Group Home and IC[F]/MRs, C&Ts noting a survey took place, . . . EDS hopes that by reducing the number of documents which are needed, this will help save time, resources, copying and filing for both parties. . . ." This letter continues to be used by the clerk at ISDH who sends documents to EDS.

Another area of concern is that, according to the ISDH Acute Care Director, ISDH does not always receive notification from EDS when EDS changes acute care provider numbers. This has resulted in the surveyors relying upon Medicaid provider numbers obtained from the facility while on-site for a survey. If a facility number given to the ISDH is incorrect or outdated, then the C&T will have an incorrect file reference.

"Certification and recertification. Except as provided in paragraph (b) of this section, a Medicaid agency may not execute a provider agreement with a facility for nursing facility services [includes ICF/MR] nor make Medicaid payments to a facility for those services unless the Secretary or the State survey agency has certified the facility under this part to provide those services." (42 CFR 442.12(a))

Inpatient hospitals providing Medicaid services are required to be licensed by 42 CFR 440.10. Rural health clinics providing Medicaid services are required to be licensed by 42 CFR 440.20(b). Home health agencies providing Medicaid services are required to be licensed by 42 CFR 441.302. Medicaid provider agreements do not become effective until the requirements are met for entities which, as a basis for participation in Medicaid, are subject to survey and certification by CMS or the State survey agency, or meet federal requirements on the basis of an approved accreditation. (42 CFR 431.108(a)(b))

An Interagency Agreement between FSSA's OMPP and ISDH exists. The agreement exists to assist with "defining interrelationships and responsibilities as well as providing for coordination between the parties in the certification of nursing facilities and ICF/MR . . . home health and hospice service providers for participation in the Indiana Medical Assistance Program (Medicaid)." Further, section III(E) provides, "2. OMPP shall issue, renew, cancel, or terminate provider agreements in accordance with certification findings issued by Health (or in the case of a Medicare participating facility, the Department of Health and Human Services, hereinafter referred to as DHHS). 3. OMPP [or EDS as the fiscal agent] shall notify Health on a timely basis of all provider agreement issuances, assignments, amendments, expirations and denials."

We recommended that FSSA ensure that a process is implemented to make certain that the requirements for initial and continuing provider enrollment in the Medicaid program are met and that this documentation is retained as required by the respective regulations. The information and communication controls should be reviewed and modified in order to reflect these requirements and also to improve the notifications to ISDH for acute care facility provider number and/or name changes.

Status of Finding as of September 2010:

HP and ISDH include OMPP on distribution of monthly C&T reports. A spreadsheet has been created to track C&Ts to ensure those reports being sent from ISDH to HP are being recorded as received by HP.

The spreadsheet also verifies that C&Ts are added to providers' enrollment files.

This finding is open. OMPP anticipates resolution by September 30, 2011.

FINDING 2006 - FSSA-3, PROVIDER ENROLLMENT ERRORS

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program: State Children's Health Insurance Program (SCHIP)
CFDA Number:	93.778; 93.767
Auditee Contact:	Terri Willits
Title of Contact Person:	Director of Finance, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions – Provider Eligibility; Allowable Cost/Cost Principles
Internal Control:	Significant Deficiency

Finding:

Several errors were noted during our testing of provider enrollments at EDS, the Medicaid fiscal agent contractor. Of 26 provider enrollment files tested, 8 contained one or more errors. The errors included an enrollment of a federally excluded provider, provider name and license number errors and an active provider number without a provider name. The errors were caused by inadequate procedures and oversight. The errors found are further described in the sections that follow:

Federal Exclusion Verifications

- We found one provider was enrolled as a rendering provider in a group despite his status as federally excluded from participation in the Medicaid program by the U.S. Office of the Inspector General. After the error was found by the Analyst, the provider's enrollment documents were sent back to the provider with no copy maintained by EDS. As federally excluded providers are strictly prohibited from enrollment, the attempt to enroll should be evidenced. The provider was physically enrolled from July 3, 2006 to July 10, 2006. However, the provider's eligibility was effective April 1, 2005. During the week that the provider was physically enrolled, his group could submit claims with dates of service dating back as far as April 1, 2005. We attempted to determine if any services had been billed by the group with this provider listed as rendering provider. We performed a query of claims detail for the group number for dates of service between April 1, 2005, and July 10, 2006. A total of $97,292.65 was paid for services recorded using only the group's provider number. The individual provider number who rendered the medical services was not included. The EDS Resolutions Manual states that system edit 1008 should have denied the claims. As we cannot determine that none of the services billed were performed by the excluded provider, we are questioning these costs. The federal share may be required to be repaid to the federal government with state funds.

- For another provider, the Analyst performed an inadequate query for federal exclusion prior to enrollment. The last name of the provider was misspelled on the query and all possible combinations of initials for the applicant's first name were not attempted when performing the query.

If names are queried improperly, a federal exclusion may be missed and may result in improper enrollment. The current method of identifying excluded provider applicants is inherently limited. EDS only queries the U.S. Office of the Inspector General's exclusions database for the name(s) furnished on the application. The application does not require that applicants provide his or her birth name, previous legal names, or aliases.

License Information

- In two files, provider license numbers were input into EDS's claim processing system, AIM incorrectly. For one of the files no signed provider agreement was located. As no provider agreement was found, EDS does not have support that all disclosure requirements were met for proper initial enrollment. We examined the claims history for both this provider's group and individual provider numbers for the period of his initial effective date of January 1, 2006 through June 30, 2006, and found no claims paid. However, the provider number remained active in AIM.

- In one group file, two providers with Indiana licenses are enrolled with the same license number. Both providers are individually licensed and otherwise eligible.

- The names of providers in two files were misspelled when input into AIM. For one provider, the last name and middle initial associated with the provider's license issued by the Indiana Professional Licensing Agency does not match the last name and middle initial in AIM. Documentation of a legal name change was not located on file at EDS to support that the licensee is the same as the provider. The first name of the other provider is misspelled in AIM when compared with the provider's license.

Improper Enrollment Creation Not Corrected

- A provider number effective on June 23, 2006, was created with no name entered. We were told that this was caused by the system timing out during the enrollment and that the enrollment was completed using a different provider number. The bad provider number was not end-dated upon determining the need for the creation of a different provider number. While no claims were submitted for the bad provider number, the number remained active with an end date specified of June 23, 2007. In March 2007, we found that while the end date reason was changed from recertification to duplicate enrollment, the end date was not changed.

The above errors were caused by inadequate procedures and a lack of oversight for the processing of enrollments. Quality Control is only performed on a random sample basis. EDS does not use checklists and staff cross checking to identify basic errors, such as incorrect license number or misspelled provider name.

The quantity and severity of errors found indicate EDS is at risk of performing inadequate automated license verifications, inefficient on-going license verifications, inadequate queries for federal exclusion, making improper claim payments, payments to ineligible providers, and/or creating duplicate enrollments which may result in inaccurate utilization analysis of providers.

42 CFR §1001.1901(b) states: "(1) Unless and until an individual or entity is reinstated into the Medicare, Medicaid and other Federal health care programs in accordance with subpart F of this part, no payment will be made by Medicare, Medicaid or any of the other Federal health care programs for any item or service furnished, on or after the effective date specified in the notice period, by an excluded individual or entity, or at the medical direction or on the prescription of a physician or other authorized individual who is excluded when the person furnishing such item or service knew or had reason to know of the exclusion. This section applies regardless of whether an individual or entity has obtained a program provider number or equivalent, either as an individual or as a member of a group, prior to being reinstated. (2) . . . (3) An excluded individual or entity that submits, or causes to be submitted, claims for items or services furnished during the exclusion period is subject to civil money penalty liability under section 1128A(a)(1)(D) of the Act, and criminal liability under section 1128B(a)(3) of the Act and other provisions. In addition, submitting claims, or causing claims to be submitted or payments to be made for items or services furnished, ordered or prescribed, including administrative and management services or salary, may serve as the basis for denying reinstatement to the programs."

42 CFR § 455.105(a) states: "A Medicaid agency must enter into an agreement with each provider under which the provider agrees to furnish to it or to the Secretary on request, information related to business transactions in accordance with paragraph (b) of this section."

42 CFR § 455.104(c) states: "A Medicaid agency shall not approve a provider agreement or a contract with a fiscal agent, and must terminate an existing agreement or contract, if the provider or fiscal agent fails to disclose ownership or control information as required by this section."

405 IAC 5-4-1(a) states that "In order to receive reimbursement under the Indiana Medicaid program, a provider must be enrolled to participate as a Medicaid provider. A provider is enrolled to participate in Medicaid when all of the following conditions have been met: (1) The provider is duly licensed, registered, or certified by the appropriate professional regulatory agency pursuant to state or federal law, or otherwise authorized by the office. (2) The provider has submitted an application to participate in the Indiana Medicaid program and completed such forms as may be required by the department. (3) The provider has signed and returned a Medicaid provider agreement. (4) The provider has received a provider number from the Medicaid contractor."

45 CFR § 92.22 states that "Grant funds may be used only for: (1) The allowable costs of the grantees, subgrantees and cost-type Contractors . . ."

We recommended that the provider be contacted to provide the rendering provider number for the claims in question. We recommended that immediate action be taken to correct the errors identified and to ensure system edit 1008 is functioning. We recommended that the provider application require that applicants provide the birth name, previous legal names or aliases with which to perform complete searches of the federally excluded list. An audit trail of all verifications performed, all legal name change requests and supporting documents, and a narrative explaining anything unusual related to the provider's enrollment be retained with the provider's file. Attempts by federally excluded providers to enroll should be evidenced and communicated to the Indiana Medicaid Fraud Control Unit. We further recommended that the FSSA and EDS improve the control procedures and monitoring of the provider enrollment function. This could include use of staff checklists and cross checking by staff to identify basic errors, such as incorrect license number or misspelled provider name.

Status of Finding as of September 2010:

HP has addressed the imaging error, keying error and license documentation error.

HP has completed an analysis of the identified instance involving enrollment of a sanctioned individual as a rendering provider and the functionality of edit 1008. A claims audit verified that because the provider had requested that their enrollment profile be changed from billing provider to group provider on or before the date they requested the rendering provider be added, any of the claims submitted after that date that did not include a rendering number were denied for edit 1008. HP determined that no claims were paid for services rendered by the sanctioned provider.

In addition, OMPP has developed a spreadsheet to document the monthly enrollment and update activity that has been reviewed each month. Furthermore, OMPP has also developed a spreadsheet to document verification that HP has taken the appropriate action for providers who are determined to be federally excluded.

This finding is considered to be closed.

FINDING 2006 - FSSA-5, STATE OWNED INTERMEDIATE CARE FACILITY

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Director of Finance, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Allowable Costs/Cost Principles
Internal Control:	Significant Deficiency

Finding:

In April 2006, AIMS issued two checks for claim adjustments totaling $26,002,704.33 payable to the FSSA State Institutional Finance Division. This was for a retroactive rate increase granted to the Muscatatuck State Developmental Center to adjust Medicaid claims for state fiscal year 2005. The payments were for a rate increase of 257%, with daily rates increased from $839.36 to $2,994.31. The new daily rate was effective for the period of July 1, 2004, until the center closed in April 2005. Our tests found that the new daily rate was excessive.

We calculated that the grand total of original Muscatatuck Medicaid claims and the retroactive adjustments paid for the state fiscal year ended June 30, 2005, totaled $36,124,618. The annual financial report submitted for Muscatatuck for the fiscal year ended June 30, 2005, listed total expenses of $23,213,493. The claims paid in excess of expenses for the year then totaled $12,911,125.

"The Medicaid reimbursement system is based on recognition of the provider's allowable costs. All state-owned intermediate care facilities for the mentally retarded (ICFs/MR) will be reimbursed with a retrospective payment system. The annual financial reports filed by the state-owned ICFs/MR will be used to determine the actual cost per day for services. A retroactive settlement will be determined for the time period covered by the annual financial report. The total allowable costs will be divided by the actual client days to determine the actual per diem rate. The variance between the actual per diem rate and the interim per diem rates based on the projected budget and paid during the report period will be multiplied by the paid client days to arrive at the annual settlement." (405 Indiana Administrative Code 1-17-9)

We determined that the excessive daily rate approved and paid was largely caused by an under-reported number of actual client days. The reported amount of 7,615 total occupant days was used in the rate calculation without applying any verification procedure. We calculated that the actual total occupant days paid by Medicaid for the period were 12,072. We further inquired of the rate setting contractor and identified a reportable condition as there is no process for verification of the reported number of client days for any of the state owned Intermediate Care Facilities.

The excessive reimbursement was also not detected in the course of business as there were no controls applied to identify or question large increases or payments issued, or to otherwise compare the retroactive payments issued to the total costs claimed.

As the calculated rate is in error, we consider the total retroactive adjustment payments issued in 2006 for Muscatatuck State Developmental Center to be questioned costs. The total payments were $26,002,704.33 and the federal share was $16,376,503.

We recommended that OMPP require the cost reports and rate calculations to be corrected and to seek reimbursement of excess payments issued. The rate increases for other state owned centers should also be reviewed for similar errors. Controls over rate setting and retroactive payments should be improved by verifying reported occupant days, performing risk assessment and monitoring.

Status of Finding as of September 2010:

The cost report was finalized in 2008 and the per diem rate adjusted to $2041.67. The claims were also mass adjusted in 2008. When the expense credit was recorded the prior federal rate was not applied. A balance of $33,334 federal share remains due.

OMPP continues to review internal controls.

This finding is considered to be open, solely for the return of $33,334.

FINDING 2006 - FSSA-8, MEDICAID ADMINISTRATION GRANT - EXPENDITURES OVER AWARD

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Allowable Costs/Cost Principles, Reporting
Internal Control:	Significant Deficiency

Finding:

The federal share of disbursements for the Medicaid Administration grant 5 05 05 IN 5048 exceeded the grant award by $29,213,333. The federal grant authorization report for grant 5 05 05 IN 5048 shows the award amount to be $105,945,961. The federal disbursements reported for this grant on the Schedules of Federal Financial Assistance for the fiscal years ended June 30, 2005 and 2006, totaled $135,159,294. The grant expired September 30, 2005, yet the overspent condition had not been identified by the time of our audit in February 2007. This indicates that awards are not monitored in order to

recognize that the federal expenditures incurred and reported have exceeded the award authority. This may also be caused by insufficient communication or verification of changes in grant awards. The schedule of federal financial assistance report prepared by FSSA Finance also listed an incorrect award amount for this grant of $112,320,862.

The grant shortage appears to be an ongoing condition for this administration grant. The federal grant authorization report listed a decrease in the award of $28,650,708 in April 2006. We found this was actually transferred to award 5 04 05 IN 5048 to cover the prior year's grant shortage. Had the $28 million not been transferred out, disbursements would only have exceeded the award amount by $562,624.61.

We consider the federal expenditures reported in excess of the grant award of $29,213,333 to be questioned costs which may be required to be repaid to the federal government.

"A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its sub grantees and cost-type contractors, must be sufficient to: 1) Permit preparation of reports required by this part and the statutes authorizing the grant, and 2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes." (45 CFR 92.20(a))

"Each agency, department, institution or office has the following accounting responsibilities: 1. Operate within the confines of the established budget, 2. Maintain a control environment, 3. Maintain control procedures . . ." "The accounting system provides the basis for budgetary control. The operating budget should be viewed as a comprehensive planning and control device. Each agency must function within the budget limits." (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1).

We recommended that a grant award increase for Medicaid administration costs be sought in order to correct the condition which has occurred over time. We further recommended that FSSA Finance monitor the federal grant award amounts for each grant and the related disbursements closely to ensure they are not exceeding the award amount. This would include establishing procedures to ensure the accuracy of the award amounts listed in the fiscal records and requiring federal budget to actual information.

Status of Finding as of September 2010:

FSSA does not agree with the finding, as CMS works through a close out process at the end of the Federal Fiscal Year in which they adjust the most recently ended grant award to expenditures reported on the CMS-64. CMS adjusts the prior grant award for prior period expenditures reported on the CMS-64. Prior to FFY 2010, CMS operated on a pool authorization. At this time, the federal Payment Management System has sufficient combined prior authorizations to cover federal expenditures per the grant schedules for those years.

This finding is considered closed.

FINDING 2006 - FSSA-9, MEDICAID ADMINISTRATION GRANT - CMS 64 QUARTERLY REPORTS

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Reporting
Internal Control:	Significant Deficiency

Finding:

The CMS 64 Quarterly Reports for the Medicaid Administration grants reported $2,019,805.07 more total federal expenditures than the grant accounting records and the total reported in the Schedule of Federal Financial Assistance for state fiscal year 2006. No reconciliations were prepared to identify variances. The supporting work papers used to prepare the CMS 64 reports contained errors in summary totals and did not always agree with the CMS 64 reports. There were no documented reviews of the reports or supporting work papers.

"The State must submit Form CMS-64 to the central office not later than 30 days after the end of each quarter. This report is the State's accounting of actual recorded expenditures. The disposition of Federal funds may not be reported on the basis of estimates." (42 CFR 430.30)

"Each agency, department, institution or office has the following accounting responsibilities: . . . 5. Maintain an effective and accurate accounting system for supplementary records, 6. Maintain and make available for audit, documentation supporting the validity and accountability of monies received or disbursed . . ." (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

We recommended that the overstated reported expenditures be corrected or otherwise identified in reconciliations to the grant accounting records. FSSA Finance should develop internal controls for federal reporting that include regular reconciliations and documented reviews.

Status of Finding as of September 2010:

On September 16, 2009 the State began using PeopleSoft financials as part of the ENCOMPASS accounting system for recording financial transactions. Following the ENCOMPASS Project Approach the project and activity chartfields are used to track federal grant expenditures. Each expenditures transaction is to be assigned to the appropriate project representing the grant and FFP rate allowable for the expenditure. These entries are approved by a different individual to validate the expenses and chartfields. Reports are periodically reviewed for accuracy of the accounting information and again reviewed prior to submission of the quarterly CMS-64.

Reconciliations of the federal projects are processed monthly and follow the written procedure for reconciliations.

Federal funds drawn from the Medicaid Administration grant are to be equal to the federal share of the expenditures posted in PeopleSoft to the projects for that grant.

This finding is considered closed

FINDING 2006 - FSSA-11, TANF ELIGIBILITY INCOME DETERMINATIONS

Federal Agency:	Department of Health and Human Services
Federal Program:	Temporary Assistance for Needy Families (TANF)
CFDA Number:	93.558
Auditee Contact Person:	James E. Dunn
Title of Contact Person:	TANF-IMPACT Manager
Phone Number:	317-232-4240
Compliance Requirement:	Eligibility, Allowable Cost
Internal Control:	Significant Deficiency

Finding:

During our audit of FSSA, we tested 240 TANF cases that received payment in August 2005. We found that in six of the cases the recipient had income in excess above the Federal Poverty Level or had income in excess of initial eligibility limits as stated in the State plan. This was due to the caseworker not verifying the proper income limits.

The Indiana's State Plan for the Temporary Assistance for Needy Families Block Grant states: "The resource standard for initial eligibility is $1000. Once determined eligible, the case is subject to a resource standard of $1500."

We recommended that FSSA implement procedures to ensure that caseworkers follow the policies and procedures established as part of the State Plan for the Temporary Assistance for Needy Families Block Grant.

Status of Finding as of September 2010:

DFR is overhauling its eligibility determination process. In January 2010, FSSA started a pilot for a Hybrid model in the ten county Vanderburgh Region. In June 2010, the Hybrid model was implemented in the eleven county Vigo Region. The goal of the Modernization model was to centralize case actions to a large service center. The Hybrid model eliminates much of the centralization and refocuses responsibility on the local county office staff for customer service and case processing while keeping the computer system support, such as electronic case files and internet applications, with the State assuming direct oversight of all contractors. Along with the Hybrid pilot, our contractors are retraining caseworker staff. DFR now reviews all training materials provided to contracted staff. Additionally, DFR has implemented biweekly policy quizzes of all casework staff (state and contracted) to review the effectiveness of all trainings provided. It is the State's goal to continue rolling out the Hybrid model to the modernized portions of the State and then implement the Hybrid in the remaining non-modernized counties.

DFR's Quality Control Section pulls a monthly sample of positive and negative case actions in the Modernized and Hybrid areas of the state to review. The cases subject to review are error prone cases with earnings, income other than employment, or currently serving a sanction. The TANF QC project will be statewide when the Hybrid model roll out is completed in 2011.

DFR has contracted with First Data to assist in the contract oversight. As part of First Data's contract, they pull a random sample of one hundred TANF cases each month to review for completeness and correctness.

Additionally, DFR determined that our current training programs are not meeting DFR and our vendor staffs' needs. On July 1, 2010, with the implementation of a Training Advisory Group (TAG) by DFR, the oversight and support of training will be cohesive and focused, ultimately providing the leadership to ensure that the skill needs of DFR and vendor staff are understood and responded to with appropriately aligned training programs and processes.

This finding remains unresolved.

FINDING 2006 - FSSA-12, TANF ELIGIBILITY - DOCUMENTATION

Federal Agency:	Department of Health and Human Services
Federal Program:	Temporary Assistance for Needy Families (TANF)
CFDA Number:	93.558
Auditee Contact Person:	James E. Dunn
Title of Contact Person:	TANF-IMPACT Manager
Phone Number:	232-4240
Compliance Requirement:	Eligibility
Internal Control:	Significant Deficiency

Finding:

During our audit of FSSA, we tested two hundred forty TANF cases that received payment in August 2005. We could not find evidence supporting the following: in twenty eight individual case files to support the relationship of the child to the head of household, fourteen cases in which there was no documentation indicating if the child was age 18 and a full-time student in secondary school, five cases lacked verification if the head of household had received TANF benefits outside of the State of Indiana for 60 months since December 1996 when the head of household was identified as receiving TANF benefits from another state.

42 USC 608(a) (1) states: "No assistance for families without a minor child."

The State of Indiana uses the definition of minor child as described in 46 USC 619 as:

"The term 'minor child' means an individual who--

(A) Has not attained 18 years of age; or

(B) has not attained 19 years of age and is a full-time student in a secondary school (or in the equivalent level of vocational or technical training)."

42 USC 608(a) (7) reads in part: "A State to which a grant is made under section 603 of this title shall not use any part of the grant to provide assistance to a family that includes an adult who has received assistance under any State program funded under this part attributable to funds provided by the Federal Government, for 60 months (whether or not consecutive) after the date the State program funded under this part commences."

We recommended that FSSA ensure the inclusion of documentation supporting the age of the individuals, proof of relationship in the case files, and overall TANF payment history.

Status of Finding as of September 2010:

Indiana is a member of the Federal Public Assistance Reporting Information System (PARIS). Member states provide recipient data to a Federal database and the database compares that data with data submitted by other member states. Starting in November 2009, FSSA began generating worker alerts based upon the PARIS match. Presently, 43 states and U.S. territories are members of PARIS including all of Indiana's neighboring states. The PARIS data provides quarterly TANF, Food Stamp and Medicaid eligibility for TANF families. Although the eligibility data is not specific to a month, it does inform us of past TANF eligibility to be investigated. FSSA submits to PARIS the Social Security Number for all TANF recipients with each month. Additionally, in February 2010 DFR initiated a monthly review an ICES report that shows all individuals who have received more than 60 months of TANF benefits to ensure a quick recoupment of any TANF benefits incorrectly received.

The issue regarding documentation of overall TANF history has been resolved with the creation of the ICES out-of-state cash assistance screen. The use of PARIS supplements the ICES screen.

In regards to case records and documentation, in January 2010, FSSA started a pilot for a Hybrid model in the ten county Vanderburgh Region. In June 2010, the Hybrid model was implemented in the eleven county Vigo Region. The goal of the Modernization model was to centralize case actions to a large service center. The Hybrid model eliminates much of the centralization and refocuses responsibility on the local county office staff for customer service and case processing while keeping the computer system support, such as electronic case files and internet applications, with the State assuming direct oversight of all contractors. Along with the Hybrid pilot, our contractors are retraining caseworker staff. DFR now reviews all training materials provided to contracted staff. Additionally, DFR has implemented biweekly policy quizzes of all casework staff (state and contracted) to review the effectiveness of all trainings provided. It is the State's goal to continue rolling out the Hybrid model to the modernized portions of the State and then implement the Hybrid in the remaining non-modernized counties.

DFR's Quality Control Section pulls a monthly sample of positive and negative case actions in the Modernized and Hybrid areas of the state to review. The cases subject to review are error prone cases with earnings, income other than employment, or currently serving a sanction. The TANF QC project will be statewide when the Hybrid model roll out is completed in 2011.

DFR has contracted with First Data to assist in the contract oversight. As part of First Data's contract, they pull a random sample of one hundred TANF cases each month to review for completeness and correctness.

This finding specific to other documentation remains unresolved.

FINDING 2006 - FSSA-13, TANF ELIGIBILITY - VERIFICATION

Federal Agency:	Department of Health and Human Services
Federal Program:	Temporary Assistance for Needy Families (TANF)
CFDA Number:	93.558
Auditee Contact Person:	James E. Dunn
Title of Contact Person:	TANF-IMPACT Manager
Phone Number:	232-4240
Compliance Requirement:	Eligibility
Internal Control:	Significant Deficiency

Finding:

During our audit of FSSA, we tested two hundred forty TANF cases that received payment in August 2005. We found that FSSA had no procedures in place to verify that an individual of a TANF recipient household has not been convicted of fraudulently misrepresenting their residence in order to receive assistance from more than one state. This lack of verification resulted in a 100% error rate for the sample. It was also noted the FSSA did not have any procedures in place to ensure that no member of the household is fleeing to avoid prosecution, custody or confinement after conviction, to attempt to commit a felony, or violating a condition of probation.

42 USC 608(a)(8) states: "A State to which a grant is made under section 603 of this title shall not use any part of the grant to provide cash assistance to an individual during the 10-year period that begins on the date the individual is convicted in Federal or State court of having made a fraudulent statement or representation with respect to the place of residence of the individual in order to receive assistance simultaneously from 2 or more States under programs that are funded under this subchapter, subchapter XIX of this chapter, or the Food Stamp Act of 1977 [7 U.S.C. 2011 et seq.], or benefits in 2 or more States under the supplemental security income program under subchapter XVI of this chapter. The preceding sentence shall not apply with respect to a conviction of an individual, for any month beginning after the President of the United States grants a pardon with respect to the conduct which was the subject of the conviction."

42 USC 608(a) (9) (A) states: "A State to which a grant is made under section 603 of this title shall not use any part of the grant to provide assistance to any individual who is-- (i) fleeing to avoid prosecution, or custody or confinement after conviction, under the laws of the place from which the individual flees, for a crime, or an attempt to commit a crime, which is a felony under the laws of the place from which the individual flees, or which, in the case of the State of New Jersey, is a high misdemeanor under the laws of such State; or (ii) violating a condition of probation or parole imposed under Federal or State law."

We recommended that FSSA implement procedures to verify that an individual of a TANF recipient household has not been convicted of fraudulently misrepresenting their residence in order to receive assistance from more than one state. We further recommended that FSSA implement procedures to ensure that no member of the household is fleeing to avoid prosecution, custody or confinement after conviction, to attempt to commit a felony, or violating a condition of probation.

Status of Finding as of September 2010:

Until a national TANF database is developed to capture this specific information, there is no way for the state to determine if a recipient has been convicted of fraud in order to receive benefits simultaneously in two states and if so when the conviction occurred for calculating the ten year ineligibility period. Through FSSA Audit, DFR has access to conviction information from the Indiana Department of Corrections; however, even though this information is not specific enough to determine if the conviction was due to receiving benefits in multiple states or for some other reason, individuals convicted welfare fraud felony or misdemeanor are ineligible for TANF benefits.

Once the Hybrid Model has been established statewide in 2011, we will reinitiate this project.

This issue remains unresolved.

FINDING 2006 - FSSA-14, TANF ALLOWABLE COST

Federal Agency:	Department of Health and Human Services
Federal Program:	Temporary Assistance for Needy Families (TANF)
CFDA Number:	93.558
Auditee Contact Person:	James E. Dunn
Title of Contact Person:	TANF-IMPACT Manager
Phone Number:	232-4240
Compliance Requirement:	Eligibility, Allowable Cost
Internal Control:	Significant Deficiency

Finding:

During our audit of FSSA, we tested two hundred forty TANF cases that received payment in August 2005. We found that in twenty two of the cases the payments had not been correctly calculated. This was due to income being reported during the Income Eligibility and Verification System (IEVS) data exchange not being verified and used in the calculation of income, or recipients are not being placed on sanctions for not participating in IMPACT. This resulted in overpayments due to not reducing or eliminating payments due to increase in income. In one case the data exchange indicated a full year of income, but not reduction in benefits were made by the caseworker. These weaknesses resulted in an overpayment of $2,749 or 5.15% of actual amount disbursed to the recipients for the sample tested. This amount projected to the population for the month of August would be $463,647.

Per the ICES Program Policy Manual 2215.15.00: "Prompt action must be taken on all changes to determine if they affect eligibility. The case record must include the date the reported change was received, whether the change was reported by mail, telephone, or personal visit, the nature of change and any other appropriate information. The caseworker must take appropriate action on all reports of changed information promptly but no later than 10 days from the date of the receipt of the change."

We recommended that the caseworkers follow the policies and procedures established in the Family Social Services Administrative ICES Program Manual.

Status of Finding as of September 2010:

DFR is overhauling its eligibility determination process. In January 2010, FSSA started a pilot for a Hybrid model in the ten county Vanderburgh Region. In June 2010, the Hybrid model was implemented in the eleven county Vigo Region. The goal of the Modernization model was to centralize case actions to a large service center. The Hybrid model eliminates much of the centralization and refocuses responsibility on the local county office staff for customer service and case processing while keeping the computer system support, such as electronic case files and internet applications, with the State assuming direct oversight of all contractors. Along with the Hybrid pilot, our contractors are retraining caseworker staff. DFR now reviews all training materials provided to contracted staff. Additionally, DFR has implemented biweekly policy quizzes of all casework staff (state and contracted) to review the effectiveness of all trainings provided. It is the State's goal to continue rolling out the Hybrid model to the modernized portions of the State and then implement the Hybrid in the remaining non-modernized counties.

DFR's Quality Control Section pulls a monthly sample of positive and negative case actions in the Modernized and Hybrid areas of the state to review. The cases subject to review are error prone cases with earnings, income other than employment, or currently serving a sanction. The TANF QC project will be statewide when the Hybrid model roll out is completed in 2011.

DFR has contracted with First Data to assist in the contract oversight. As part of First Data's contract, they pull a random sample of one hundred TANF cases each month to review for completeness and correctness.

Additionally, DFR determined that our current training programs are not meeting DFR and our vendor staffs' needs. On July 1, 2010, with the implementation of a Training Advisory Group (TAG) by DFR, the oversight and support of training will be cohesive and focused, ultimately providing the leadership to ensure that the skill needs of DFR and vendor staff are understood and responded to with appropriately aligned training programs and processes.

This finding remains unresolved.

FINDING 2007 - FSSA-1, MEDICAID GRANT REPORTING ERRORS

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Reporting
Internal Control:	Material Weakness

Finding:

We found the following material reporting errors in our testing of the federal expenditure reports, CMS 64 for the fiscal year ended June 30, 2007:

1. Quarterly reports of Medicaid program expenditures were overstated during the state fiscal year ended June 30, 2007, by total costs of $298,063,942.02, with the federal share overstated by $187,372,294.80. This overstatement was due to unnecessary quality assessment adjustments applied in reporting expenditures effective for the quarters ended September 30, 2006 and March 31, 2007, which were included in the quarterly reports for September 2006 and March 2007. The error was caused by a misunderstanding of how the quality assessment fees for nursing and intermediate care facilities were included on reports prepared by the fiscal agent, EDS, compounded by FSSA finance clerical errors. Our prior finding 2006-FSSA-7, MEDICAID GRANT OVERSTATED EXPENDITURES REPORTED disclosed this same error. The unnecessary adjustments causing the reporting error continued.

   The total overstated expenditures listed above also included clerical errors which duplicated the reported total costs by $98,338,940.82, with a federal share of $61,933,864.93. Some adjustments were included in both line 4B and line 3 of the CMS64 report. Other adjustments were included as both current period and prior period adjustments increasing claims. The clerical errors were all contained in the CMS64 report for the quarter ending September 30, 2006. This error could have been detected by FSSA verifying the compilation in the review process. We were informed that the CMS report compilation has supervisory review. These reviews, however, were not documented.

2. Disproportionate share hospital payments totaling $248,986,653, with a federal share of $155,938,105, were not separately reported within the federal expenditure report as is required. During fiscal 2007, the Medicaid contractor began to issue these as manual checks or system check adjustments at the request of FSSA. The reporting system had not been updated to properly classify these payments.

3. The CMS 64 quarterly reports for the Medicaid Administration grants reported $4,849,991 less in federal expenditures than the grant accounting records and the total reported in the Schedule of Federal Financial Assistance for the state fiscal year 2007. Reconciliations were not prepared. We could not determine the basis for the reports and whether adjustments were needed in the grant records to reduce the federal costs.

As the reports were overstated by a total amount that is material to the Medicaid program, the associated internal control weaknesses were considered material weaknesses. In addition to weaknesses reported previously, the control environment is considered lacking as the material concerns included in the prior report were not communicated and monitored for corrections. The weaknesses included in our prior report were a lack of risk assessment and information and communication concerning the reporting structure for a new transaction type. There also was a lack of analytical review procedures by FSSA finance to compare the total costs and federal share reported to that of the state grant accounting records. The report compilation process also lacked documented supervisory reviews.

45 CFR 92.20 (a) states: "A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to— (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes."

We recommended that FSSA ensure that the federal CMS reports be revised to correct the identified errors. The reports for the administration grant should be reviewed and reconciled to the grant accounting records with appropriate adjustments made. The internal controls over federal reporting should be improved to provide formal risk assessment and information and communication to FSSA finance for new transaction types or other reporting modifications. FSSA finance should perform documented supervisory reviews of the report compilation process with analytical comparison of program costs reported to the state grant accounting records. The costs reported for the Administration grant should be reconciled to the grant accounting records.

Status of Finding as of September 2010:

Corrections have been made to reporting errors for items #1 & #2 above, and documentation provided to the SBoA as stated in the September 2009 status.

FSSA has documented accounting processes to be followed for adjustments to the Medicaid Assistance projects so expenditures can be reconciled to the State accounting system. After the close-out of FFY 10 expected in March 2011, we plan to review pool funding for grants prior to FFY 2010 and conduct a project to reconcile federal expenditures to reported expenditures if grant authorizations remain negative.

This finding is considered open.

FINDING 2007 – FSSA -2, INACCURATE GRANT ACCOUNTING RECORDS

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Allowable Costs/Cost Principles, Reporting
Internal Control:	Significant Deficiency

Finding:

The grant accounting records maintained by FSSA Finance are entitled Federal Expends and Allotments. These spreadsheets contain columns which are used to classify state accounting transactions into the federal and state cost components, as well as the federal program grant award funding period. The federal expenses are periodically summarized and recorded into the Federal Expense Tracking System (FETS), which is utilized to draw federal funds and is the source of the Schedule of Federal Financial Assistance.

We found that the federal costs per the grant accounting records (expends/allots) for the Medicaid program did not agree to those reported in the Schedule of Federal Financial Assistance for the fiscal year ended June 30, 2007. The total federal costs of the grant accounting records exceeded those of the Schedule of Federal financial assistance by $26.7 million. These were comprised of material variances between grant program years of funding as follows. Fiscal 2007 federal expenditures recorded in the detail records for the 2006 grant year exceeded that of the FETS and the Schedule of Federal Financial Assistance by $103.7 million. The federal expenditures recorded for the 2007 grant year were $77 million less than the FETS and Schedule of Federal Financial Assistance. We identified errors in the grant accounting records maintained for the Medicaid Indigent Care Trust fund/center which occurred upon recording transfer transactions between state fund/centers. These are detailed as follows:

- The detail records overstated federal Medicaid costs (Program Year (PY) 2007) by $13.3 million when a prior fiscal year payment was again recorded as a grant expense upon transfer of the activity to the Indigent Trust Fund.

- Another transfer between state accounts was also recorded in the detail records in error between different program years of funds which understated federal Medicaid costs (PY 2007) by $85.9 million and overstated federal PY 2006 by $86.4 million. The overstatement to PY 2006 for this transaction included an additional $507,473 in matching costs.

The detail accounting records (fed expends/allots) had a remaining unaccounted for variance of $12.9 million federal costs which exceeded the FETS and the Schedule of Federal financial assistance.

Other inaccuracies and timing differences were also observed within the accounting records which could cause less federal share to have been claimed by the State.

FETS entries provided for audit were largely incomplete as certain grant records were omitted. However, we could ascertain from summary reports that the above errors were solely recorded within the underlying records.

Regular reconciliations between the supporting accounting records and the grant schedule were not done.

The conditions noted above result in a significant control deficiency.

"A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its sub grantees and cost-type contractors, must be sufficient to: 1) Permit preparation of reports required by this part and the statutes authorizing the grant, and 2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes." (45 CFR 92.20(a))

We recommended that FSSA Finance reconcile and review supporting grant accounting records on a regular and timely basis during the fiscal year. We further recommended that FSSA Finance reconcile the balances in the detail accounting records as of June 30, 2007, to the Federal Expenditure Tracking System (FETS) to determine the cause of the $12.9 million variance.

Status of Finding as of September 2010:

FSSA has documented accounting processes to be followed for adjustments to the Medicaid Assistance projects so expenditures can be reconciled to the State accounting system.

This finding remains unresolved.

FINDING 2007 - FSSA-6, FACULTY PHYSICIAN ACCESS TO CARE ADJUSTMENTS

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Director of Finance, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Allowable Costs/Cost Principles
Internal Control:	Significant Deficiency

Finding:

FSSA-OMPP is authorized by the approved state plan to make adjustments to payments for services provided by faculty physicians to Medicaid recipients. These payments are made in order to maintain adequate access to such care, and in recognition of additional costs incurred in providing faculty physician services to Medicaid patients. There are two physician groups that were identified as qualified to receive these payments as faculty of the School of Medicine.

The approved state plan, attachment 4.19B part V, 1.a. specifies the calculation method as follows:

> ". . . adjustments to payments for faculty physician services will be made quarterly by the office in an amount not to exceed the lesser of billed charges or an amount equal to the difference between:

i. The amounts paid for services rendered to Medicaid recipients pursuant to the RBRVs fee schedule and

ii. The amounts that are the usual charges as defined in c. below, for the same services."

Usual charges are defined for calendar years beginning after December 31, 2003, as "an amount equal to the amount of the immediately preceding calendar year's usual charges, increased by an amount that is equal to the applicable Medicare Sustainable Growth Factor as calculated pursuant to the formula at 42 USCS 1395w-4(f)(2)."

The plan further provides that results of an annual review will be applied to the quarterly payments for the following calendar year. Examples were given which indicate that payment reductions would occur if performance levels are not met.

Payments issued for the faculty physician access to care adjustments for calendar 2006 and 2007 were based upon estimates. The estimated payments for 2006 were the 2005 payments multiplied by the percentage change between 2004 and 2005. The estimated payments for 2007 were the 2006 estimate multiplied by the same percentage change between 2004 and 2005. The two faculty physician groups experienced rates of change between 2004 and 2005 of 17% increase and 15.5% decrease, respectively.

There also were no state contracts with the provider entities even though the payment adjustments were only based upon estimates, and as such could result in amounts owed back to the program.

During fiscal 2007, a total of $41,666,667 was paid for 2006 and 2007 estimated faculty physician access to care adjustments. The federal share of these costs was $26,087,500. By February 2008 the actual payments owed for these periods had not yet been calculated, nor had the effect of the performance measures been applied. Due to the use of the estimates only, we were unable to determine the accuracy of the payments issued. As a result, we consider the federal share of the amounts paid to be questioned costs which may be required to be repaid to the federal government.

The conditions noted above result in a significant control deficiency.

"The plan must describe the policy and the methods to be used in setting payment rates for each type of service included in the State's Medicaid program." 42 CFR 447.201 (b)

Indiana Code 4-13-2-14.2 requires that state agency contracts be in writing. Indiana Code 4-13-2-1-20 generally prohibits advance payments without the approval of the State Budget Agency.

We recommended that FSSA ensure that the faculty physician service adjustments are calculated in accordance with the approved state plan provisions. The amounts calculated for 2006 and 2007 should then be compared to the payments that were issued, with collection sought for any excess payments issued. Written state contracts should be issued to the faculty physician groups to specify the terms of the access to care adjustment payments and to document the performance attributes referred to in the plan.

Status of Finding as of September 2010:

OMPP believes utilizing estimates for quarterly payments is reasonable based on the language in the state plan, Page 1c of section 4.9B. OMPP is seeking guidance from CMS on the use of estimates for quarterly payments.

The status of the finding remains open until CMS renders an opinion.

FINDING 2007 - IDHS-1, REPORTING

Federal Agency:	U.S. Department of Homeland Security
Federal Program:	Homeland Security Cluster
CFDA Number:	97.067, 97.004
Auditee Contact Person:	Nancy Stevens
Title of Contact Person:	Controller, IDHS
Phone Number:	317-232-6199
Compliance Requirement:	Reporting
Internal Control:	Material Weakness

Finding:

During our audit of the Indiana Department of Homeland Security (IDHS), we could not reconcile the quarterly federal Financial Status Reports (SF 269A) and the Schedule of Federal Financial Assistance (Schedule) to the agency's grant ledger. The net total over reported on the SF 269A was $1,791,704.85. In addition, we found $2,064,896 of disbursements on the Schedule that could not be verified to the correct grant year. There was no review process in place to ensure that postings to the grant ledger were correct. There were no reconciliations of the federal financial reports to supporting accounting records. In addition, there was no review and approval process by a responsible official before filing. This is a material weakness.

28 CFR 66.20 provides that a State's financial management systems must maintain accurate, current, and complete disclosure of the financial results of financially assisted activities. Additionally, effective control and accountability must be maintained for all grant assets.

We recommended that IDHS implement adequate controls to ensure accurate and complete disclosure of financial information on both the SF 269A and the Schedule.

Status of Finding as of September 2010:

Finding 1 pertained to the federal Financial Status Reports (SF 269A) and the Schedule of Federal Financial Assistance (Schedule) to the agency's grant ledger reconciliation. This finding noted differences between SBOA's calculation and IDHS's grant ledger of the amounts reported on the SF269A. Also noted were the lack of a review process to ensure that postings to the grant ledger were correct and the lack of a reconciliation of the federal financial reports to supporting accounting records. In addition, the finding noted that no review or approval process by a responsible official was occurring before filing the SF269A and Schedule.

To address the differences noted by SBOA on the SF269A and to verify disbursements on the Schedule to the correct grant year, IDHS retained the services of Crowe Horwath to perform an audit of IDHS processes and internal controls. Processes and internal controls were implemented in June 2009

which will prevent or identify differences between the federal grant ledger, the SF 269A and ENCOMPASS. Beginning in November 2009, the grant ledger has been balanced with the Auditor of State. Starting in January, 2010, the Accountant III began preparing the SF 269A with the Controller providing review and approval of the reconciliations and reports on behalf of IDHS. IDHS's grant ledger is currently being reviewed to improve the reconciliation template for balancing and audit purposes and procedures are currently being documented for the preparation, review and approval of the SF269A and the Schedule. This finding will be resolved for the SFY 2010 A-133 audit.

FINDING 2008 - FSSA-1, MEDICAID ADMINISTRATION GRANT - PERIOD OF AVAILABILITY

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Allowable Costs/Cost Principles, Period of Availability, Reporting
Internal Control:	Significant Deficiency

Finding:

The grant accounting records show that the federal share of expenses for the Medicaid Administration Grant 05 07 05 IN 5048 exceeded the grant award by $14,017,440 at the grant cutoff date of September 30, 2007. Additional grant money was not requested. Instead, these Medicaid Administration expenses, which were disbursed during the 2007 grant award period, were transferred to the 2008 Medicaid Administration Grant 05 08 05 IN 5048 in October 2007.

We found that grant expenses incurred during the 2007 grant year, including the $14,017,440 transfer of expenses to the 2008 grant, exceeded the final adjusted grant award by $36,649,415. Our prior finding 2006-FSSA-8, Medicaid Administration Grant – Expenditures Over Award, and its status reported at September 2007 indicate a pattern of post-grant funding reductions which occurred for the grant periods ended September 30, 2005 and 2006. At September 30, 2007, the 2007 grant award per the Federal Payment Management System was $122,591,000. After the 2007 grant 05 07 05 IN 5048 expired on September 30, 2007, CMS decreased the grant award by $22,631,975. FSSA Finance could provide no explanation for this decrease in the grant award. Related federal notifications or correspondence were not provided for audit. This is an indication of insufficient verification of grant award amounts.

We have found the control environment lacking for the Medicaid program during fiscal 2008. As such, the related training, oversight, information and communication and control procedures were not designed in order to prevent or detect errors. It does not appear that new staff or managers were aware of period of availability requirements for grant accounting. We are also not aware of budget to actual or forecast reports which would be used to monitor the grant balance for Medicaid administration.

We consider $14,017,440 of the disbursements from the 2008 Medicaid Administration Grant 05 08 05 IN 5048 to be associated with expenses before the period of availability of this grant. We consider these questioned costs which may be required to be repaid to the federal government.

We consider the federal expenditures reported in excess of the grant award of $22,631,975 to be questioned costs which may be required to be repaid to the federal government.

"Any cost allocable to a particular Federal award or cost objective under the principles provided for in the Circular may not be charged to other Federal awards to overcome deficiencies, to avoid restrictions imposed by law or terms of the Federal awards or for other reasons." (US OMB Circular A-87, Attachment A (C) (3) (c))

"Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period." (45 CFR 92.23 (a))

"A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its sub grantees and cost-type contractors, must be sufficient to: 1) Permit preparation of reports required by this part and the statutes authorizing the grant, and 2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes." (45 CFR 92.20(a))

"Each agency, department, institution or office has the following accounting responsibilities: 1. Operate within the confines of the established budget, 2. Maintain a control environment, 3. Maintain control procedures . . ." "The accounting system provides the basis for budgetary control. The operating budget should be viewed as a comprehensive planning and control device. Each agency must function within the budget limits." (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

We recommended that grant period of availability be monitored, and when necessary, a grant award increase for Medicaid Administration costs be sought. We further recommended that FSSA Finance monitor the federal grant award amounts for each grant and the related disbursements closely to ensure they are not exceeding the award amount. Federal awards and changes recorded to them should be verified to the associated requests and notifications, which should be retained and available for audit.

Status of Finding as of September 2010:

CMS works through a close out process at the end of the Federal Fiscal Year in which they adjust the most recently ended grant award to expenditures reported on the CMS-64. CMS adjusts the prior grant award for prior period expenditures reported on the CMS-64. Prior to FFY 2010, CMS operated on a pool authorization. After the close-out of FFY 10 expected in March 2011, we plan to review pool funding for grants prior to FFY 2010 and conduct a project to reconcile federal expenditures to reported expenditures if differences remain. CMS verified this process in correspondence dated March 11, 2010 to the Director of Federal Funding, which was shared with the SBoA on March 24, 2010.

This finding is considered open.

FINDING 2008 - FSSA-2, MEDICAID PROGRAM GRANT ACCOUNTING RECORDS

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Allowable Costs/Cost Principles; Cash Management; Reporting
Internal Control:	Material Weakness

Finding:

FSSA Finance maintains the grant accounting records in spreadsheets entitled Expend/Allots. Entries record the federal and state share of each source document and track expenses by the federal program year. The federal expenses are to be periodically summarized and recorded on the Federal Expense Tracking System (FETS), which is utilized to draw federal funds and is the source of the Schedule of Federal Financial Assistance.

We identified the following errors in the grant accounting records maintained for the Medicaid Assistance program:

1. We found that throughout fiscal 2008 largely only one type of transaction was being recorded as expense into the FETS and having associated federal funds provided. The daily transfers required to fund the Medicaid bank account were posted to FETS, but the other accounting entries were omitted. The omitted entries for the 2008 Medicaid Grant include additional expenses totaling $190,384,855 as well as expense credits for program reimbursements which totaled $205,195,109. These are considered material to the program and could result in interest owed to the federal government for days in which federal receipts exceeded expenses. The expend/allots records indicated a positive cash balance of federal funds held for a majority of the time from September 2007 through June 2008. At June 30, 2008, federal expenses were overstated by $14,810,254 due to this error.

2. Other undocumented variances exist between expenses recorded on FETS as compared to the detail recorded on expend/allots from both the 2007 and 2008 Medicaid grants, resulting in further overstatement of federal expenses of $914,430.

3. The federal share of certain repayments of Medicaid funds entitled CMIA-90 was recorded into the grant records as federal revenue instead of as a reduction of expenses. From August 2007 through June 2008, $13,686,895 (federal) was recovered through CMIA-90 refunds and not returned until September 30, 2008.

4. During fiscal year ended June 30, 2008, the refunds associated with Nursing Facility Quality Assessment Fees (QAF) were not deducted from assessment fee collections when recording adjustments in the grant accounting records. This condition was reported in our prior finding 2007 - FSSA-3, Quality Assessment Fee Refunds. The federal share of expenses was overstated by an additional $2,137,907 for the fiscal 2008 refunds omitted.

5. The federal share of expenses transferred from Medicaid to SCHIP for May and June 2007, was recorded inappropriately as an increase of federal revenue in the fiscal 2008 grant accounting records, instead of an expense credit. The transfer for May 2007 was not owed, as it had already been recorded during fiscal 2007. (See also 2008 - FSSA-3, SCHIP DUPLICATE EXPENSE). As of June 30, 2008, the federal expenses in the accounting records for Medicaid were overstated by $4,012,932. Subsequent correcting entries over compensated the return of federal share by applying the total cost amount. As of September 30, 2008, the federal share of Medicaid expenses for this was understated by $9,449,483.

6. First Steps is a State of Indiana program which uses the Medicaid fiscal contractor, EDS, for claims payments and shares the Medicaid bank account. The electronic funds transfers issued for First Step expenses are not included in the calculation of Medicaid federal expense used to draw federal funds. They are posted as 100% state expense. State accounting entries to transfer the First Steps expenses from Medicaid Assistance to the First Step program are made weekly. During State Fiscal Year 2008, all the First Steps state transfer entries associated with the 2008 Medicaid grant, incorrectly divided the reversing expense entry between federal and state expense. However, no portion of the transfer received was owed to the federal government, as the expense was originally recorded correctly as state expense. Due to this error, at June 30, 2008, federal expenses were understated and state expenses were overstated by $24,639,072.

7. Disproportionate Share Hospital repayments of $119,548,587 (federal share) were received on May 23, 2008. This was not recorded as such in the accounting records. Instead, on May 28, 2008, an apparent reduction in the federal share requested for the bank deposit occurred. The calculations of the draw reduction were not fully evidenced or reconciled. We calculated that the reduction of the federal expense applied was $121,013,089. As such, the effect was to understate federal expenses by $1,464,502.

8. An intergovernmental transfer check received December 19, 2007, representing 100% state share was posted in the detail accounting record (expend/allots) as federal funds received. This was discovered as a reconciling item between FETS and expend/allots. The records at June 30, 2008, remained in error overstating federal balances and understating the state revenue and balance by $2,350,530.

9. In researching special hospital payments completed during fiscal 2008, we identified that no accounting entry had been recorded to recognize $6,381,051 of federal cost for a payment issued July 28, 2006. This overstated the state costs and understated the federal costs for the state fiscal year 2007.

The inaccurate accounting records caused the schedule of federal financial assistance for the Medicaid program to be in error. The errors described above caused the schedule of federal financial assistance to overstate Medicaid program federal expenses by $9,458,844.

As was discussed in our prior finding 2007 - FSSA-2, Inaccurate Grant Accounting Records, neither regular, nor complete, reconciliations between the supporting accounting records and the grant schedule were done. Supervisory review of accounting procedures was incomplete. The omitted federal grant accounting entries described in number one, include transactions that are individually significant to the program, with cumulative totals that are material.

"A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its sub grantees and cost-type contractors, must be sufficient to: 1) Permit preparation of reports required by this part and the statutes authorizing the grant, and 2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes." (45 CFR 92.20(a))

"Grant funds may be used only for: (1) The allowable costs of the grantees, subgrantees and cost-type contractors . . ." (45 CFR 92.22 (a))

With respect to cash management, ". . . grantees and subgrantees shall disburse program income, rebates, refunds, contract settlements, audit recoveries and interest earned on such funds before requesting additional cash payments." (45 CFR 92.21 (a)(2))

We recommended that FSSA Finance reconcile and review supporting grant accounting records on a regular and timely basis during the fiscal year. Adjustments should be recorded to correct identified errors. Procedures should be implemented to ensure that the requests for federal funds are accurate and complete.

Status of Finding as of September 2010:

FSSA discovered discrepancies to the Allot vs. Expends accounting records and conducted a line by line examination and revision of the SFY 2008 Allot vs Expends. Needed adjustments with the exception of CHIP which will be addressed in 2008-FSSA-3 have been were made. The net federal overstatement have been adjusted and returned.

On September 16, 2009, the State began using PeopleSoft financials as part of the ENCOMPASS accounting system for recording financial transactions. Following the ENCOMPASS Project Approach the project and activity chartfields are used to track federal grant expenditures. Each expenditures transaction is to be assigned to the appropriate project representing the grant and FFP rate allowable for the expenditure. These entries are approved by a different individual to validate the expenses and chartfields. Reports are periodically reviewed for accuracy of the accounting information and again reviewed prior to submission of the quarterly CMS-64. FSSA has documented accounting processes to be followed for adjustments to the Medicaid Assistance projects so expenditures can be reconciled to the State accounting system.

This finding is considered closed.

FINDING 2008 - FSSA-3, SCHIP DUPLICATE EXPENSE

Federal Agency:	Department of Health and Human Services
Federal Program:	State Children's Health Insurance Program
CFDA Number:	93.767
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Allowable Costs/Cost Principles; Reporting
Internal Control:	Material Weakness

Finding:

The State Children's Health Insurance Program (SCHIP) claims are processed and paid together with Medicaid claims by EDS, the Medicaid fiscal contractor. At the end of the month, EDS issues a summary report of the SCHIP expense. FSSA Finance uses the summary report to reduce the Medicaid fund expenses and increase the SCHIP fund expenses, in order to properly classify the program expenses as well as to apply the higher SCHIP federal match rate. Adjusting entries to move SCHIP expenses from Medicaid Assistance to SCHIP Assistance were not made during the first five months of the state fiscal year 2008. When adjusting entries were made in December 2007, the May 2007 adjustment, which had already been made in June 2007, was duplicated. As a result, federal expenses in the SCHIP Assistance fund are overstated by $5,210,759. An additional $13,109 is also in question as the

federal expense recorded for the months of June through September 2007 had the higher matching rate applied which became effective October 1, 2007. The overstated federal expenses of SCHIP total $5,223,868. The overstated expenses were also included in the total reported in the Schedule of Federal Financial Assistance as of June 30, 2008.

We consider the duplicate expense amount overcharged to the federal government to be material to the program. The error was neither prevented nor detected by an internal control. Controls were not present to ensure timely entries, with application of cutoff procedures to ensure prior period costs are not recorded twice in error.

The overstated federal SCHIP expenses of $5,223,868 are considered questioned costs which may be required to be repaid to the federal government.

"Grant funds may be used only for: (1) The allowable costs of the grantees, subgrantees and cost-type contractors . . ." (45 CFR 92.22 (a))

45 CFR 92.20 (a) states: "A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to—(1) Permit preparation of reports required by this part and the statutes authorizing the grant, and (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes."

We recommended that FSSA Finance reconcile and review supporting grant accounting records on a regular and timely basis during the fiscal year. Internal controls should be designed in order to apply cutoff procedures to ensure prior period costs are not recorded twice in error. FSSA should process the necessary accounting adjustments to correct the identified errors.

Status of Finding as of September 2010:

FSSA has developed processes to adjust for retroactive eligibility changes. A reconciliation is underway to adjust prior differences. This finding remains open.

FINDING 2008 - FSSA-4, GRANT ERRORS IN MEDICAID ADMINISTRATION AND SCHIP

Federal Agency:	Department of Health and Human Services
Federal Program:	Medicaid Assistance Program; State Children's Health Insurance Program
CFDA Number:	93.778, 93.767
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Allowable Costs/Cost Principles; Reporting
Internal Control:	Significant Deficiency

Finding:

For the state fiscal year ended June 30, 2008, total computable expenses for Medicaid administrative grants were reported on the CMS 64 at $27,997,955 greater than the expend/allot accounting records. Conversely, the federal share was reported on the CMS 64 at $10,625,868 less than the

expend/allots accounting records. We identified an error made in compiling the report which overstated total costs by $10,321,964. This was caused by use of a detail transaction list that contained an error and had not been reconciled to the summary totals in expend allots. Another calculation error was made in May 2008 that understated the federal share reported for contract costs by $11,993,248. The unidentified variance for total costs reported may be due to local program expenses recognized which are not included within the state's grant accounting records.

We further identified errors in claiming the full federal administrative costs. The state reimburses the federal share of certain administrative expenses for Community Mental Health Clinics, recognizing that the local expenditures have provided the matching funds. The invoices then already have the federal matching rate applied. Due to a clerical error, the federal matching rate was applied a second time, resulting in an understatement of federal expense. The adjusting entry made to correct the error did not include all the invoices incorrectly posted. At June 30, 2008, federal expenses remain understated by $3,265,517 (for Grant 5 08 05 IN 5048).

The expend/allots are similarly maintained for the State Children's Health Insurance Program (SCHIP) with detail and summary spreadsheet tabs. We found that the federal cash balance of the 2006 grant was overstated by $2,400,000. This was caused by an understatement of the December 5, 2007, weekly total and federal expense amounts posted. This was a transcription error as the detail tab for the period was found to have included the full costs.

The conditions noted above result from a significant control deficiency. The detail accounting records and reports were not required to be balanced, and there was an incomplete supervisory review process. The accounting process also has not been designed to record and account for the noncash transactions necessary to recognize the local program expenditures within financial reports.

"A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its sub grantees and cost-type contractors, must be sufficient to: 1) Permit preparation of reports required by this part and the statutes authorizing the grant, and 2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes." (45 CFR 92.20(a))

We recommended that FSSA Finance ensure that procedures are in place to regularly balance detail and summary accounting records for the Medicaid administration and SCHIP grants. Adjustments should be made to correct the errors detected in the Medicaid administration expenses recognized and reported, and in the SCHIP records. We also recommended that the costs reported for the Administration grant be reconciled to the grant accounting records. Consideration should be given to creating accounts necessary to classify, compile and accurately report the recognized local program expenditures.

Status of Finding as of September 2010:

On September 16, 2009 the State began using PeopleSoft financials as part of the ENCOMPASS accounting system for recording financial transactions. Following the ENCOMPASS Project Approach the project and activity chartfields are used to track federal grant expenditures. Each expenditures transaction is to be assigned to the appropriate project representing the grant and FFP rate allowable for the expenditure. These entries are approved by a different individual to validate the expenses and chartfields. Reports are periodically reviewed for accuracy of the accounting information and again reviewed prior to submission of the quarterly CMS-64.

FSSA has documented accounting processes to be followed for adjustments to the Medicaid Assistance projects so expenditures can be reconciled to the State accounting system. . After the close-out of FFY 10 expected in March 2011, we plan to review pool funding for grants prior to FFY 2010 and conduct a project to reconcile federal expenditures to reported expenditures if grant authorizations remain negative.

This finding is considered open.

FINDING 2008 - FSSA-5, GRANT ACCOUNTING INTERNAL CONTROL ENVIRONMENT

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program; SCHIP
CFDA Number:	93.778, 93.767
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Allowable Costs/Cost Principles; Reporting
Internal Control:	Material Weakness

Finding:

During our audit of FSSA, we found multiple control deficiencies which when combined were considered to be a material weakness in the control environment for the grant accounting maintained for the Medicaid and State Children's Health Insurance Programs. A lack of control consciousness is indicated by the deficiencies identified in various other components of internal control. There was inadequate documentation of the components of internal control. Internal controls were not developed, reviewed or monitored for the grant accounting records. There was a lack of written accounting procedures for the grant records. Controls had not been designed to prevent or detect material errors within the grant accounting records or reports. Current fiscal year program findings indicate material errors which were not detected in the course of business. Previously reported internal control deficiencies were also not corrected.

All accounting staff assigned to Medicaid and SCHIP had changed in fiscal 2008. There were new staff in accounting entry and supervisor positions. There were a limited number of staff assigned considering the volume, and number of accounting systems and reports involved. There were a total of two to three accountants assigned to grant accounting and reporting. These new staff had to learn the grant accounting requirements as well as the systems involved. The staff are also responsible for monitoring the fiscal agent and the bank account. Due to a lack of procedures, schedules and limited number of experienced staff, multiple material errors were made in the grant accounting records as well as in federal reporting. There also were ongoing out of balance conditions, and the fiscal agent records were insufficiently monitored. The limited staff size also did not allow for a proper segregation of duties. We observed that the same person was performing duties such as handling receipts, preparing source documents, posting and reconciling records, largely without evidenced supervision. Grant accounting entries were not evidenced as reviewed. Some accounting entries were not adequately supported by actual entry forms, or calculations. Adjustments were at times combined with daily activity and not adequately documented. Reconciliations between the summary and detail grant accounting records were not performed during the fiscal year. Accounting entries necessary to return federal funds were delayed up to eight months. Even cursory review of the records detected operational errors as cash balances were indicated for the federal balance of the Medicaid and SCHIP programs.

FSSA did not monitor the fiscal agent balancing between its financial system and its reporting system. The balancing information had not been requested or provided to FSSA for the state fiscal year ended June 30, 2008.

Other program analysts and managers assigned by OMPP were also newly employed or assigned during fiscal 2008. These analysis processes are based upon claims information from the fiscal agent and were not designed to incorporate use of the grant accounting records. As such, the analysis did not serve as a compensating control mechanism.

"A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its sub grantees and cost-type contractors, must be sufficient to: 1) Permit preparation of reports required by this part and the statutes authorizing the grant, and 2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes." (45 CFR 92.20(a))

"Each agency, department, quasi, institution or office has the following accounting responsibilities:

1. Operate within the confines of the established budget.

2. Maintain a control environment.

3. Maintain control procedures.

4. To properly utilize the state accounting system.

5. Maintain an effective and accurate accounting system for subsidiary and supplementary records.

6. Maintain and make available for audit, documentation supporting the validity and accountability of monies received or disbursed.

7. Perform duties in accordance with statute, regulations, state policy, contract provisions, and federal requirements as applicable." (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

"The federal government has communicated through the OMB Circular A-133 Compliance Supplement the theory that there are five components that comprise an internal control. These are: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring. The existence of these components are markers that are used during an audit of a federal program to determine the completeness and effectiveness of internal controls. The Supplement describes each component in detail as well as provides possible characteristics that might identify the existence of each of these components. These components should be readily identifiable when establishing and implementing internal controls, especially for controls that impact a federal program." (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

We recommended that FSSA develop, review and monitor internal controls for the Medicaid and State Children's Health Insurance Fund grant accounting. Accounting procedures should be designed to prevent or detect errors or irregularities in the course of business. Duties should be assigned in a manner to ensure a proper segregation of duties. Staff size, qualifications and training programs should be reviewed in order to ensure that the controls can be effectively implemented.

Status of Finding as of September 2010:

FSSA has documented accounting processes to be followed for adjustments to the Medicaid Assistance projects so expenditures can be reconciled to the State accounting system. Internal controls are continuing to be put in place to ensure adequate oversight.

This finding remains open.

FINDING 2008 - FSSA-7, SURVEILLANCE AND UTILIZATION REVIEW AUDIT FILES

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Director of Finance, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions 1 – Utilization Control and Program Integrity
Internal Control:	Significant Deficiency

Finding:

The FSSA Office of Medicaid Policy and Planning (OMPP) contracted with Health Care Excel (HCE) to conduct the required Surveillance and Utilization Review (SUR) audits. The contractor was to perform claims utilization analysis to identify aberrant behavior as an indication of potential fraud and abuse. On-site audits of provider medical records were also then performed. Following the contract expiration, December 31, 2008, all files, databases and records were transmitted to OMPP. While these were generally made available to us, the staff was no longer available when we tested this function in 2009. As such, we were unable to make appropriate inquiries of contractor staff to verify the continuance of prior controls.

We tested a sample of audits to ensure the reports issued were accurate and complete and that the audits had consistently applied control procedures and appropriate methodology. There were 263 audits started during our audit period, of which 15 were selected for testing. Several documents or information necessary to support the work performed and the effectiveness of the contractor's services were missing from files tested, as described below.

- Recoupment files were missing for 5 of 13 (38%) cases tested that were identified for recoupment. Recoupment files generally contain a case activity log, a Provider Repayment Election Form (PREF) completed and signed by the provider to indicate provider's intentions with regard to repayment of the identified overpayments and interest, copies of the check and the daily check log, and a date stamp indicating the date that payment is received.

- There was no evidence of internal supervisory review for 4 of 15 cases (27%). For one closed case, there was no supervisory review documented for any part of the case. For two cases, there was no documentation of supervisory review to approve closure of the case. For one case, there was no evidence of supervisory review for the final determination letter.

- Indiana Medicaid Fraud Control Unit (MFCU) releases were not documented for 2 of 15 cases (13%). The MFCU is a unit of the Office of the Indiana Attorney General. MFCU releases are obtained to allow HCE to proceed with a specified course of action (on-site audit, preliminary findings, recoupment, etc.) at each case milestone so that MFCU investigative activities are not jeopardized. According to the Memorandum of Understanding between FSSA's OMPP and the Office of the Indiana Attorney General, if HCE does not receive a response from MFCU within 10 business days after a list of proposed actions are sent, HCE may continue with the specified course of action. However, this practice is rare. There was no documentation in the files that this approach was taken.

- There was no evidence of the interest calculation to support the final determination letter for 3 of 13 cases (23%) which were identified for recoupment. For one of those cases, an OMPP employee also allowed the provider to change the interest due from $6,891.86 to $6,631.56 without any calculation or basis stated.

- One case did not contain evidence that the case objectives were met despite the case having been closed. The objectives of this type of case include the examination of medical records for early intervention of errors for new providers. There was no evidence that any medical records were either requested or reviewed. The extent of the information contained in the case file was a fax which stated that there was a phone interview to gain basic information regarding the operations and that the reviewer drove by the location after office hours.

At June 30, 2008, the contractor's records show a total of $24.4 million as outstanding balances for 145 providers. These include 99 provider cases listed as awaiting state hearings and appeals dating back to 1999. OMPP is currently conducting follow-up with cases which were active as of when the contract ended. Furthermore, the federally mandated SUR function was contracted to EDS, the Medicaid fiscal agent, which only required SUR review of only 1 audit per month beginning in January 2009.

42 CFR § 456.3 states that: "The Medicaid agency must implement a statewide surveillance and utilization control program that— (a) Safeguards against unnecessary or inappropriate use of Medicaid services and against excess payments; . . ."

42 CFR § 456.4 states that: "(a) The agency must— (1) Monitor the statewide utilization control program; (2) Take all necessary corrective action to ensure the effectiveness of the program; (3) Establish methods and procedures to implement this section; (4) Keep copies of these methods and procedures on file; and (5) Give copies of these methods and procedures to all staff involved in carrying out the utilization control program."

Per IC 12-15-13-3(g): "If interest on an overpayment to a provider is due from the provider, the secretary [defined in IC 12-7-2-172 as the Secretary of FSSA] may, in the course of negotiations with the provider regarding an appeal filed under subsection (b), reduce the amount of interest due from the provider."

Per IC 12-15-23-5: "If the administrator and a provider fail to enter into an agreement not more than sixty days after the administrator's discovery of an overpayment, the administrator shall immediately certify the facts of the case to the Medicaid fraud control unit established under IC 4-6-10."

We recommended that FSSA develop and document a full control structure for the required surveillance and utilization review function. The open case files should be reviewed to identify the accuracy of the information and action necessary to collect amounts due the program or properly document uncollectable amounts. Interest calculations should be in accordance with IC 12-15-13-3 and documented. Outstanding audit cases that are not awaiting appeal should be certified to the Medicaid Fraud Control Unit in accordance with IC 12-15-23-5.

Status of Finding as of September 2010:

Beginning in 2010, OMPP began refining its procedures and policies concerning OMPP audits. This review included appropriate documentation processes and appropriate case storage and maintenance procedures (including a check list documenting audit closures), as well as the establishment of proper communication practices. The department has been working to resolve all outstanding audits and has initiated 40 new provider self audits following identification of aberrant billing patterns. During this time, the department has also followed up on provider/member concern line inquiries and placed new providers on prepayment review.

OMPP continues to work toward resolution of this audit finding. The audit remains in open status at this time.

FINDING 2008 - FSSA-8, DUPLICATE HOSPITAL PROVIDER RECORDS

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Director of Finance, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions 4 – Provider Eligibility, Allowable Costs/Cost Principles
Internal Control:	Significant Deficiency

Finding:

EDS, the Indiana Medicaid fiscal agent contractor, enrolls providers and assigns provider numbers which are referenced on claims. In testing this process, we identified that a new provider number was issued in May 2008 to a large hospital for its north Indianapolis facility. However, the previously assigned provider number for this hospital (location B of the east facility) remained open. As a result, the new provider number and location B were both open for billings during an overlapping time period beginning with an effective date of December 18, 2007. Both provider numbers were actively being used to file claims.

On December 18, 2007, the north hospital began operating under its own separate facility license issued by the Indiana State Department of Health. It also obtained a new tax identification number, National Provider Identifier (NPI), and Medicare number. At first, the new information was simply entered into the previously assigned location B provider profile. A May 7, 2008, email from a hospital representative described the history, issues, and potential impacts of various courses of action. As a result of the licensure change, the representative stated the correct resolution for their provider profile is to show an eligibility termination date of December 17, 2007, for location B, and to show an effective date of December 18, 2007, for the new provider number for the north hospital. EDS did not follow this course of action.

Further, when examined on April 15, 2009, the name and address for the hospital location B had been changed and now duplicates that of location D of the east facility, which is for the inpatient psychiatric unit located at the north hospital's campus. We were informed that the provider enrollment staff changed the name and service location address for location B but we did not receive information regarding the purpose or authority for this change.

An application for new enrollment was received by EDS during May 2008 to create a provider number for the north hospital alone. The disclosures section was inconsistent with the remainder of the application; resulting in uncertainty as to if the disclosures were current. The disclosures section was handwritten and used an old application form (June 2005) while the remainder of the application was typed and used the most recent application form (October 2007). The form requirements varied between the two versions as the more recent form required the signature of the disclosed person. The enrollment staff did not question the inconsistency. The enrollment staff also did not conduct the required query for federal exclusion of those disclosed until after we inquired. The relationship of the network hospitals was not clear from the disclosures.

The AIM system records for the B location showed that 3,734 claims were paid for dates of service from December 18, 2007 through April 15, 2009, for a total amount of $2,377,046.58. We cannot readily ascertain if these duplicate other claims were submitted under either the new hospital number or for location D. Also, we are not certain at which location these claims were rendered.

A facility which has more than one open provider number available to use for the same purpose does not allow appropriate application of surveillance and utilization review procedures. Furthermore, an inconsistent assignment of the location codes would deter claim analysis procedures. Additionally, because the provider's name and service location were changed for location B, there is an inadequate audit trail. The eligibility for location B should have been terminated without changing the provider name or address to that of a different facility.

42 CFR § 447.45 (f) states that a prepayment review must consist of ". . . (iii) Verification that the claim does not duplicate or conflict with one reviewed previously or currently being reviewed."

42 CFR § 456.23 states: "The agency must have a post-payment review process that— (a) Allows State personnel to develop and review— . . . (2) Provider service profiles; and (3) Exceptions criteria; and (b) Identifies exceptions so that the agency can correct misutilization practices of recipients and providers."

42 CFR § 456.4 states: "(a) The agency must— (1) Monitor the statewide utilization control program; (2) Take all necessary corrective action to ensure the effectiveness of the program; . . ."

42 CFR § 455.104 states: "(a) The Medicaid agency must require each disclosing entity to disclose the following information in accordance with paragraph (b) of this section: (1) The name and address of each person with an ownership or control interest in the disclosing entity or in any sub-contractor in which the disclosing entity has direct or indirect ownership of 5 percent or more; (2) Whether any of the persons named, in compliance with paragraph (a)(1) of this section, is related to another as spouse, parent, child, or sibling. (3) The name of any other disclosing entity in which a person with an ownership or control interest in the disclosing entity also has an ownership or control interest. This requirement applies to the extent that the disclosing entity can obtain this information by requesting it in writing from the person. The disclosing entity must—(i) Keep copies of all these requests and the responses to them; (ii) Make them available to the Secretary or the Medicaid agency upon request; and (iii) Advise the Medicaid agency when there is no response to a request. (b) (1) Any disclosing entity that is subject to periodic survey and certification of its compliance with Medicaid standards must supply the

information specified in paragraph (a) of this section to the State survey agency at the time it is surveyed. The survey agency must promptly furnish the information to the Secretary and the Medicaid agency…(3) Updated information must be furnished to the Secretary or the State survey or Medicaid agency at intervals between recertification or contract renewals, within 35 days of a written request."

We recommended that the hospital location B be terminated effective December 17, 2007. We recommended that a comparison, and recoupment, if necessary, occur for claims paid under the provider numbers for locations B, D, and that of the new north hospital number. We recommended that situations considered new or rare be monitored closely by OMPP to ensure that federal and state regulations are met, the action is applied consistently with the use of thorough documentation, and the desired outcome is achieved. We also recommended that the most recent provider enrollment forms be required and obtained for the north hospital. The relationship of the network hospital structure should be identified and the required searches of the US Office of Inspector General federal exclusion database should be performed.

Status of Finding as of September 2010:

Enrollment forms have been reviewed and found to be appropriate. HP has completed the claim analysis and determined that there were 2 duplicate claims that were allowed to pay. Based on that finding, HP has recouped the overpayment. Additionally, HP Provider Enrollment has changed the enrollment end-dates to eliminate the overlapping enrollment segments and avoid additional risk.

Also, the return of the federal share has been verified.

This finding is considered to be closed.

FINDING 2008 - FSSA-9, PHARMACY FACILITY PERMITS

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Director of Finance, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions 4 – Provider Eligibility, Allowable Costs and Cost Principles
Internal Control:	Significant Deficiency

Finding:

Pharmacies participating in Indiana Medicaid are enrolled into AIM as a facility billing unit, using the pharmacy facility permit number issued by the Indiana Professional Licensing Agency (IPLA), for Indiana locations. AIM data for pharmacies is compared monthly with IPLA permit data in order to timely detect errors in recording AIM information and to identify unlicensed facilities. However, we found that the reports generated from the process were not being used to research and correct the pharmacy records or provider status in AIM. Nonmatched reports list pharmacy permits or pharmacist licenses which cannot be matched to the IPLA license file. Providers continue to appear on the monthly reports until action is taken in AIM or the status according to IPLA changes. The reports for the fiscal year ended June 30, 2008, largely listed the same findings each month. Each monthly report listed approximately 700 pharmacies whose AIM records did not agree to the IPLA. We found several errors and recurring entries listed which indicate that the non-matched pharmacy report has not been worked by EDS staff to research and correct errors.

We researched seventeen pharmacies on the June 2008 nonmatched pharmacy report with Indiana permits and identified problems with each as follows:

- There were ten pharmacies without an active IPLA permit but were active in AIM to bill. The IPLA permit numbers have been in "closed facility" status since as long ago as December 31, 2001. In March 2009, six of these had the AIM provider profile terminated after we notified EDS that the nonmatched report did not appear to have been worked. The Indiana Medicaid program is vulnerable to making inappropriate payments to providers which are active in AIM but do not have an active pharmacy permit.

- There were four providers for which the permit number recorded in the provider's profile in AIM belongs to another pharmacy. Of these, one provider's actual IPLA permit is no longer active. As the correct permit number is not recorded in AIM, the reports will fail to identify if the actual facility is closed. The Indiana Medicaid program is also vulnerable to making inappropriate payments to providers which are active in AIM but do not have an active pharmacy permit.

- There were three providers with an active permit but the incorrect permit number was entered into AIM. As the correct permit number is not recorded in AIM, the reports will fail to identify if the actual facility is closed.

42 CFR §447.45(f) (1) (i) states: "(f) Prepayment and postpayment claims review. (1) For all claims, the agency must conduct prepayment claims review consisting of--(i) Verification that the recipient was included in the eligibility file and that the provider was authorized to furnish the service at the time the service was furnished; . . ."

Indiana Code 25-26-13-20(a) and (b) states: "(a) A person desiring to open, establish, operate, or maintain a pharmacy shall apply to the board for a pharmacy permit on a form provided by the board . . . (b) If the applicant desires to open, establish, operate, or maintain more than one (1) pharmacy, he must file a separate application for each. Each pharmacy must be qualified by a different pharmacist." Indiana Code 25-26-13-21(a) states: "A pharmacy permit is not transferable as to location or ownership."

We recommended that FSSA and the fiscal agent use the reports generated to timely detect and correct inaccurate or unlicensed pharmacy facility permit numbers. A process to regularly archive inactive provider files in AIM should be implemented so that data comparisons between the AIM data and licensing data from IPLA are more effective. For closed pharmacies, the claims should be researched to identify and recoup payments made for any dates of service after a license or permit for the facility is no longer active. Such research and determinations should then be documented and retained for audit.

Status of Finding as of September 2010:

HP began working PRV-0410 Non-Matched Pharmacy report with the April 2010 report. CO 1790 was written to modify PRV 0411 Non-Matched Non-Pharmacy report to include additional fields that allow filtering that make this report workable.

After HP analyzed the data captured in the additional license fields in AIM, it was determined that the additional license field was being used to record miscellaneous information, not to capture license information needed for eligibility determination. Changes to the Provider Enrollment Business Process were implemented to use this field only when applicable to enrollment requirements, rendering PRV-412 Non-Matched Additional License and PRV-415 Matched Additional License workable when data is matched against IPLA data.

OMPP has developed a spreadsheet to document that appropriate actions are being taken when license reports are worked by HP.

This finding is open. OMPP anticipates resolution by September 30, 2011.

FINDING 2008 - FSSA-10, OMPP AIM ACCESS, TRAINING AND CONTROLS

Federal Agency:	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Director of Finance, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Special Tests and Provisions – ADP Risk Analysis and System Security Review
Internal Control:	Significant Deficiency

Finding:

We found that the authorization forms for access to the claims processing system, AIM, were not retained by OMPP prior to May 2008. The former state employee who processed these was contacted and indicated that the AIM Request Access forms were shredded, without maintaining an electronic copy. The forms are to document the system access as authorized by the employee's supervisor, and list the employee's social security number and mother's maiden name. According to the OMPP HIPAA Security Policy and Procedure Manual, the forms are to be signed by the supervisor, submitted to the security coordinator and retained. They also are to have the signed confidentiality policy agreement attached. Without the forms, the access granted through OMPP is not evidenced as properly authorized. This primarily includes OMPP staff as well as some contractor's staff access as managed by OMPP.

The forms we observed as retained subsequent to May were not all signed by supervisors as they had been emailed from off-site contractors. The email was not retained with the forms. Also, there is no complete listing of all supervisors, for the state and contractors, who are approved to grant system authorizations. An improper request would not be detected under this process.

OMPP also maintains a system for privacy and security training courses which can be accessed on the internet. OMPP policy requires the training. The system used retains a record of those entered for accessing the courses, and the completion status. There is no control in place to verify the required training has been successfully completed prior to granting AIM access. There also is no follow up or comparison to ensure the training is completed. We compared eight staff listed with AIM access to the training system and found one who had never been entered to access the training courses. Another two staff had only completed one training segment each. On a regular basis, only two of the four on-line courses are now required.

OMPP did not have an officially named security administrator for the Medicaid program. After March 5, 2008, following a resignation, there was no longer a dedicated position assigned as privacy and security coordinator either. The duties were assumed by the Controller and a fiscal analyst, with the training administered by the receptionist.

"State agencies are responsible for the security of all ADP projects under development, and operational systems involved in the administration of HHS programs. State agencies shall determine the appropriate ADP security requirements based on recognized industry standards or standards governing security of Federal ADP systems and information processing." (45 CFR 95.621 (f) (1))

"State ADP security requirements shall include the following components: (i) Determination and implementation of appropriate security requirements as specified in section (f) (1) of this section. (ii) Establishment of a security plan and, as appropriate, policies and procedures to address the following area of ADP security: . . . C) Software and data security; D) Telecommunications security; E) Personnel security; . . . .and H) Designation of an Agency ADP Security Manager." (45 CFR 95.621 (f) (2))

"A covered entity must train all members of its workforce on the policies and procedures with respect to protected health information required by this subpart, as necessary and appropriate for the members of the workforce to carry out their function within the covered entity." (45 CFR 164.530(b) (1))

The OMPP HIPAA Security Policy and Procedure Manual specifies the following:

- "Access to electronic PHI will be granted to authorized OMPP staff members. Prior to receiving access, approval must be obtained by the appropriate management, and all authorizations will be maintained by the OMPP Security Coordinator (and/or Privacy Coordinator)." (Section 5)

- "The OMPP Security Coordinator will be responsible for ensuring that all staff, including existing staff and new staff that will join OMPP in the future, participates in a security awareness and training program, and receive a passing score on the post-training evaluation. Training components will address, in detail, all components contained in this manual.

  New staff members will be required to receive training within the first two weeks of employment." (Section 6)

- "All OMPP staff will be trained and certified on the security policies and procedures as contained in this manual. The OMPP Security Coordinator will maintain records of such training. . . . Documentation will be maintained by the OMPP Security Coordinator for six years from the date of its creation or the date when it last was in effect, whichever is later. (Section 14)

We recommended that FSSA obtain and retain the security access forms and confidentiality agreements for all who have been granted access to AIM or its related software reporting or test systems. This would include a process to identify and confirm those supervisors who may properly authorize such requests. A procedure should be implemented to ensure that all staff with access have completed the required training in privacy and security policies. Furthermore, an agency ADP Security Manager should be officially designated for the Medicaid program in accordance with 45 CFR 95.621. Such manager should be sufficiently qualified not only to develop and monitor the state's own policies and procedures, but also to oversight the risk assessment process for the security of the entire AIM system as managed by contractors.

Status of Finding as of September 2010:

The OMPP continues to perform monthly reconciliations of all privacy/security training completed with AIM access. The reconciliation results are reviewed and signed off on by management. Additionally, the results are shared with appropriate staff for action, if necessary.

The OMPP is in the process of reviewing all of the Indiana*AIM* Access forms for completion. The form has been modified to include a "justification for use" section. All requestors are required to provide justification for use. All forms have been scanned and are stored electronically.

OMPP Finance will collaborate with state departments and contractors to obtain a list of management personnel. As part of the completion review mentioned above, the list of authorization management personnel will be cross referenced to the Indiana*AIM* request form. The preventative controls outlined above will detect and prevent improper access to Indiana*AIM* and ensure system users are properly trained in HIPAA compliance.

Once the list of management personnel is obtained, and cross referenced to Indiana AIM request form, this finding can be closed.

FINDING 2009 - FSSA-1, CHIP MATCHING RATE ERRORS

Federal Agency:	Department of Health and Human Services
Federal Program:	Children's Health Insurance Program
CFDA Number:	93.767
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Allowable Costs/Cost Principles; Matching
Internal Control:	Significant Deficiency

Finding:

The Children's Health Insurance Program (CHIP) claims are processed and paid together with Medicaid claims by Hewlett Packard (HP), formerly known as EDS, the Medicaid fiscal agent contractor. Subsequently, HP issues a summary report of the CHIP expenses. FSSA Finance uses the summary reports to reduce the Medicaid fund expenses and to record the CHIP fund expenses. When the CHIP expenses are recorded the expenses are divided between the federal and state share. We found that the incorrect FMAP (Federal Medical Assistance Percentage) rate was applied to the September 2008 CHIP expenditures. The effective rate through September 30, 2008, was 73.88%. FSSA used a higher rate, which was effective for October 1, 2008, expenditures, of 74.98%. The incorrect rate was applied to total costs of $9,137,793 which overstated the federal expense by $100,515.73.

We also found that the expense adjustments were not always performed in a timely manner.

The error was neither prevented nor detected by an internal control. Controls were not present to ensure timely entries, or appropriate rates. The overstated federal expenditures of $100,515.73 are considered questioned costs and may be required to be repaid to the federal government.

"We consider a State agency's expenditure for services under title I, IVA, IV-B, IV-D, IV-E, X, XIV, XVI (AABD), XIX, or XXI to have been made in the quarter in which any State agency made a payment to the service provider." 45 CFR 95.13(b)

The CMS notice of the FMAP rates issued November 19, 2007, stated that "The 'Enhanced Federal Medical Assistance Percentages' are for use in the State Children's Health Insurance Program under Title XXI, and in the Medicaid program for certain children for expenditures for medical assistance described in sections 1905(u)(2) and 1905(u)(3) of the Act." It also stated that "The percentages listed will be effective for each of the 4 quarter-year periods in the period beginning October 1, 2008 and ending September 30, 2009."

45 CFR 92.20 (a) states: "A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to—(1) Permit preparation of reports required by this part and the statutes authorizing the grant, and (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes."

We recommended that FSSA Finance review supporting grant accounting records on a regular and timely basis. Internal controls should be designed in order to ensure timely and accurate recording of expenditures. FSSA should process the necessary accounting adjustments to return the excess federal matching costs claimed.

Status of Finding as of September 2010:

FSSA does not agree with this finding. As stated in the State Board of Accounts finding "We consider a State agency's expenditure for services under title I, IVA, IV-B, IV-D, IV-E, X, XIV, XVI (AABD), XIX, or XXI to have been made in the quarter in which any State agency made a payment to the service provider." 45 CFR 95.13(b). Capitation payments to providers for CHIP services were paid in October 2008. Therefore, the September expenditures referred to in this finding are actually October 2008 expenditures for which the correct enhanced FMAP was applied.

This finding is considered closed.

FINDING 2009 - FSSA-2, CHIP PACKAGE C REPORTING

Federal Agency:	Department of Health and Human Services
Federal Program:	Children's Health Insurance Program (CHIP)
CFDA Number:	93.767
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Reporting
Internal Control:	Significant Deficiency

Finding:

The following conditions were identified as related to CHIP package C:

Balancing Package C Expenditures

CHIP Package C expenditures are reported to FSSA from their Fiscal Contractor, Hewlett Packard (HP), formerly known as EDS, on a weekly basis. FSSA uses these financial reports to record CHIP C expenditures in the State's financial system. Package C expenditures are reported on the quarterly CMS 21 reports to the federal government based upon HP issued reports from the reporting subsystem MAR. Neither HP, nor FSSA performs a balancing or reconciliation of the FIN and MAR reports specifically for the Package C. We compared the financial reports (FIN) to the MAR reports for the fiscal year ended June 30, 2009, and found the MAR report to be greater by $1,707,483. Timing differences between weekly report dates in the financial system and the monthly dates in the reporting system were not readily identifiable. We further questioned the accuracy of the expenses classified for CHIP due to an inconsistent recognition source for Package A, which uses monthly MAR reports. This causes uncertainty as to the accuracy and completeness of expenses claimed.

Premiums Reported

During state fiscal year 2009, we found that premiums were incorrectly reported during two quarters for CHIP II (Package C). Premiums are paid for children, whose parents make greater than 150% of poverty level. These premiums are recorded as a negative expenditure in accounting records and on the CMS 21 Federal Report to reflect a reduction of expenses for the program. Premiums are recorded in the CHIP Expend/Allots worksheets. These are totaled quarterly and given to the reporting staff for input on the CMS 21. The total premiums reported for quarter ending December 31, 2008, were underreported by $33,854, with the federal share underreported by $25,384. Total premiums for quarter ending June 30, 2009, were underreported by $54,953, with the federal share underreported by $41,204. The total federal share was underreported for the fiscal year by $66,588. Our testing found that incorrect amounts were provided to the reporting staff. Reporting staff did not verify formulas in the accounting records to ensure accurate amounts were reported.

The inaccurate reporting results in a significant control deficiency. The accounting activity for totaling premiums were not verified or reviewed by accounting staff, nor checked for accuracy by reporting staff.

45 CFR 92.20 (a) states: "A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to— (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes."

We recommended that FSSA Finance staff review the totals provided to the reporting staff for accuracy and have proper approval processes for ensuring all records provided for reporting are accurate. We also recommended the reporting staff review any grant accounting worksheet formulas for accuracy prior to preparing federal reports. Appropriate reporting adjustments should be made to reflect the reporting errors that were found. FSSA Finance should also balance or reconcile the FIN to MAR reports on a quarterly basis.

Status of Finding as of September 2010:

FSSA has developed processes to adjust for retroactive eligibility changes. A reconciliation is underway to adjust prior differences. This finding remains open.

FINDING 2009 - FSSA-3, MONITORING OF PROCEDURE CODE RESTRICTIONS

Federal Agency:	Department of Health and Human Services
Federal Program:	Children's Health Insurance Program (CHIP), Medical Assistance Program
CFDA Number:	93.767, 93.778
Auditee Contact Person:	Terri Willits
Title of Contact Person:	Director of Finance, OMPP
Phone Number:	317-234-5553
Compliance Requirement:	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Internal Control:	Significant Deficiency

Finding:

Indiana Medicaid's claims system, IndianaAIM, has the capability to restrict procedure codes systematically using edits based on the procedure code restriction screen. For each procedure code, claims can be limited to a specified gender, age range, quantity of units range, diagnosis code, program, place of service, provider specialty, revenue code, tooth, prior authorization required, lifetime frequency, etc. There are also certain restrictions detailed in 405 Indiana Administrative Code article 5.

We found certain procedure codes, for which it would seem logical to limit to factors such as those mentioned above or which were listed in the Indiana Administrative Code, that were not appropriately restricted or were inconsistently restricted when compared to similar procedure codes.

OMPP does not have monitoring controls in place to periodically review procedure code restrictions and associated system edits as maintained in IndianaAIM by the fiscal agent.

"For all claims, the agency must conduct prepayment claims review consisting of - . . . (ii) Checks that the number of visits and services delivered are logically consistent with the recipient's characteristics and circumstances, such as type of illness, age, sex, service location; . . ." 42 CFR §447.45(f)

45 CFR §92.40 (a) states that: "Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity."

We recommended that FSSA-OMPP establish controls to monitor system edits, audits, and procedure code restrictions. This would include a thorough review of procedure code restrictions currently in IndianaAIM to verify that they are appropriately restricted.

Status of Finding as of September 2010:

OMPP requested and reviewed SBOA's documentation supporting this finding and recommendation. OMPP consulted our Medical Director, who is a nationally recognized coding expert, and were advised that the identified concerns generally have limited applicability in health care claims processing environment, and the part that is applicable such as defined age restrictions, defined gender restrictions, and codes subject to Medically Unlikely Edits MUEs are addressed by the OMPP planned implementation of McKesson's ClaimsXTen code auditing solution. McKesson's ClaimsXTen is a set of rules and edits that far more accurately reflect the prevailing industry standards regarding the reporting of health care services. McKesson's ClaimsXTen is scheduled to be implemented October 27, 2010.

Our medical director informed us that very few health care programs, commercial, Medicare, or Medicaid, utilize any form of procedure to diagnosis logic in the claims adjudication process. Procedure to diagnosis logic is difficult to defend and remains subjective on many levels. Medicare's lab National Coverage Determinations are one representative example of procedure:diagnosis claims processing logic, but few if any health plans have deployed this logic outside of those obligated to use it. Each area of concern noted in the SBOA finding is addressed below.

Gender – McKesson's ClaimsXTen solution has a gender edit rule; this rule will be implemented in the proper phase of the implementation of code auditing rules, at a time when due diligence can be performed on the rule. The gender edits are far more comprehensive than the services listed in the SBOA supporting documentation supporting the recommendation and are a more global and effective approach to the proper coding of gender-oriented services.

Age – The listed procedures have age restriction concerns listed for the entire list. A more effective approach is to identify the codes that have specified ages in the nomenclature of the CPT code. Furthermore, the McKesson has a comprehensive list of age edits that will be implemented in the same pathway as the gender rule above. For example, tonsillectomy over age 12 years (42826) will be an age edit in the ClaimsXTen solution; as will other procedures where an age range is strictly defined. In areas where age ranges are not defined, OMPP cautions "narrowing an age range", such as creating an age range for C-section or other services. There is no CPT foundation for creating these age edits, and very limited or very subjective pathways for setting the range. For example, children as young as 12 years of age and as old as 52 years of age have delivered babies. Additionally, there is no risk in narrowing these ranges; the number of claims for deliveries less than 12 years of age is likely to be zero in any given year.

Units – All concerns regarding the reporting of appropriate numbers of units for services are valid – though the CMS rule for Medically Unlikely Edits (MUEs) will be put in place by March 30th, 2010, effectively implementing over 9000 edits for units of service. Many of the codes listed in this grid are on the MUE list, and this will effectively resolve this concern.

Diagnosis not restricted – There are modules in the industry for procedure to diagnosis logic, but most health plans do not use them because they are very difficult to support. Creating a list of applicable diagnosis for any given procedure requires a review of all of the 15,000+ ICD-9 diagnosis codes, soon to be over 80,000 ICD-10 diagnosis codes. Worse yet, once the procedure to diagnosis list is created (McKesson has such a list) the number of appeals is overwhelming, and the justification non-existent. For example, a procedure, such as pulmonary function testing, may have a list of 100 accepted diagnosis codes. Providers ask thousands of questions about the reasons that the remaining 14,900 diagnosis codes were excluded, and on what grounds (clinical or other) the exclusions were made.

While procedure to diagnosis logic is not widely accepted or utilized in the health care payor market secondary to the inability to hard deny claims without continual clinical review, this type of logic is useful and prevalent in fraud and abuse software. This is the best pathway for picking up inappropriate diagnosis to procedure patterns, and focuses on those providers who have aberrant behavior across batches of claims. Since the OMPP is embarking on a pathway procure new technologies in fraud and abuse, we may have a permanent solution in place for detecting, investigating, and capturing overpayments in this area on a global scale.

Provider Specialty not restricted - The AMA CPT manual, in the preface, clearly states that no procedure code is limited to any specialty type. In essence, hospital credentialing is the process for determining what can and should be done by any physician or practitioner, and health plans have consistently had no interest in limiting procedures to specialty type.

Today, HCPCS are reviewed by the OMPP Coverage and Benefits Unit to determine the appropriate restriction for gender, age, PA restriction, and edit and audit linkage. This is documented in the Annual HCPCS/CPT Code Spreadsheet that is maintained by OMPP. At the time the new code is linked to an edit or audit, that specific edit or audit is reviewed to confirm the codes linked to it are appropriate. If a code is found to be inappropriately linked to an edit or audit, a reference file change request is created to correct the linkage in the claims processing system. Any time a code is linked to an edit or audit, the existing codes linked to that specific edit or audit are reviewed to confirm the existing linkage to the edit or audit is appropriate. The implementation of McKesson's ClaimsXTen solution will provide a more comprehensive application of restrictions.

The incorrect age restrictions for procedure codes D1110 and D1120 identified in the auditor's documentation are under review and will be appropriately updated based on the restrictions noted in 405 IAC 5-14-6.

This finding remains open due to the review of procedure codes D1110 and D1120.

FINDING 2009 - FSSA-4, ARRA GRANT ACCOUNTING

Federal Agency:	Department of Health and Human Services
Federal Program:	Medicaid Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Allowable Costs/Cost Principles
Internal Control:	Material Weakness

Finding:

Section 5001 of the American Recovery and Reinvestment Act (ARRA) provides States with an increased Federal Medical Assistance Percentage (FMAP) for 27 months between October 1, 2008 and December 31, 2010. The ARRA specifies the eligible expenditures and conditions under which the State may claim the increased FMAP. ARRA funding was available to states on February 25, 2009, for eligible expenses from the retroactive period beginning October 1, 2008. For both the retroactive period from October 1, 2008 through February 28, 2009, and period from March 1, 2009 through June 30, 2009, FSSA Finance did not accurately eliminate ARRA ineligible expenses in calculating the ARRA draw of federal funds. Disproportionate Share Hospital expenditures are specified as ineligible for the increased FMAP, as are expenditures that are already established at an enhanced FMAP, such as family planning services.

We found the following errors in the application of the increased ARRA federal matching rate:

1. The increased ARRA rate was applied to $45,160,260 of Disproportionate Share Hospital (DSH) Payments overstating ARRA expenses by $4,511,144.17.

2. The increased ARRA rate was applied to $4,006,281 of Breast Cancer/Cervical Cancer Test claims and Family Planning Claims overstating ARRA expenses by $373,339.

3. The increased ARRA rate was applied to $2,551,792 of expenses for a state program, Assistance to Residents of County Homes (ARCH), overstating ARRA expense by $238,026.

The ineligible costs identified total $ 5,122,509 and are considered questioned costs that may be required to be refunded to the federal government with state funds.

The material weaknesses of internal control which remained in place for the Medicaid grant accounting are also considered to apply to the ARRA Medicaid, as it was accounted for within those records. These include: 2008 FSSA 2 MEDICAID PROGRAM GRANT ACCOUNTING RECORDS and 2008-FSSA-5 GRANT ACCOUNTING INTERNAL CONTROL ENVIRONMENT.

The FSSA finance calculation of ARRA expenses for the retroactive period included estimates. As of June 30, 2009, these estimates were not adjusted to actual. We could not trace some of the calculations to the actual grant accounting records.

The process FSSA finance used to apply the ARRA rate did not include an analysis of all grant accounting entry types. Nursing and Intermediate Care Facility Assessment adjustments increasing Medicaid expenses by $60,804,394 were excluded from the ARRA calculation, understating ARRA expense by $5,736,423. For the quarter ending March 31, 2009, ARRA eligible expenses exceeded the ARRA grant award. Medicaid finance did not request additional funding. As of February 28, 2010, the ARRA FMAP was not applied to $17,865,104 of Medicaid expenses reported in March, causing an ARRA expense understatement of $1,602,500. The ARRA draw process excluded other eligible expenses and included other errors for an additional net ARRA understatement of $1,142,641. The total understatements were $8,481,564.

We performed a recalculation of the ARRA for fiscal 2009. This indicated that the net total effect was a $3,359,055 understatement of ARRA eligible expenses at June 30, 2009. This was the total of the net eligible costs unclaimed of $8,481,564 less the ineligible costs of $5,122,509, as outlined in the above paragraphs.

"As indicated in the fourth attestation under the grant award, the State must ensure that claims for the increased FMAP include only those expenditures for which it is applicable. Under section 5001(e); the increased FMAP is applicable generally to title XIX, but is not applicable to certain enumerated expenditures. The following list includes those expenditures and certain others to which the increased FMAP is inapplicable for other reasons:

1. Expenditures for disproportionate share hospital (DSH) payments;

2. Expenditures for payments made under title XXI;

3. Expenditures that are claimed based on the enhanced FMAP (described in section 2105(b) of the Social Security Act);

4. Expenditures that are not paid based on the FMAP, such as family planning services . . ." (Center for Medicaid and State Operations, SMD #09-005, ARRA #5)

"Each agency, department, institution or office has the following accounting responsibilities: . . . 5. Maintain an effective and accurate accounting system for supplementary records, 6. Maintain and make available for audit, documentation supporting the validity and accountability of monies received or disbursed . . ." (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

We recommended that FSSA finance implement procedures to analyze in a timely manner all entries in the grant accounting records to ensure that requests for ARRA funds are accurate and complete. Adjustments should be recorded to correct identified errors and to return the federal share of questioned costs.

Status of Finding as of September 2010:

Adjustments were made. Documentation is being compiled. Accounting processes have been drafted to ensure proper accounting for ARRA funds.

This finding remains open pending the compilation of documentation.

FINDING 2009 - FSSA-5, MEDICAID ARRA IGT GRANTS

Federal Agency:	Department of Health and Human Services
Federal Program:	Medicaid Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Allowable Costs/Cost Principles, Reporting
Internal Control:	Material Weakness

Finding:

The State of Indiana established a new and separate fund within the state accounting system to track all American Recovery and Reinvestment Act (ARRA) revenues and expenditures. The ARRA share of qualified Medicaid expenditures are accounted for in two accounts within the 8000 ARRA fund, Medicaid FMAP (regular) 8000-105420 and Medicaid FMAP (IGT) 8000-105430.

Community Mental Health Centers are 100% reimbursed for eligible claims submitted for their Medicaid covered patients. The state share of Medicaid eligible claims submitted by Community Mental Health Centers (CMHCs) is provided (returned to the state) by the CMHCs through Intergovernmental Transfers (IGTs). Application of the increased ARRA rate to Medicaid claims, in effect lowers the State share. To compensate the CMHCs for ARRA funding which reduced the State share, in June 2009, FSSA Finance issued $13.8 million in payments directly to the CMHCs from the ARRA designated Medicaid Fund, 8000-105430 Medicaid FMAP (IGT). A letter from the Indiana Department of Mental Health accompanied these payments stating "These funds have become available because of the retroactive increase in the FMAP which is part of the Federal Stimulus Package." The letter further stated that "The agency receiving recovery funds agrees that its use of these funds will be transparent to the public," and that "the use of these funds is strictly limited to the funding of activities that expand consumer access to mental health and addiction care," and requiring the CMHCs to agree to "develop and maintain a detailed plan documenting how these funds are to be used and submit that plan to DMHA, other branches of state government, and/or the federal government upon request; . . ."

From inception through June 2009, the Medicaid ARRA was accounted for in a separate column within the Medicaid grant accounting records with the transactions recorded into the Medicaid fund 3530. Medicaid drew $396.2 million in ARRA federal funds based on Medicaid eligible claims. These receipts were fully transferred to the ARRA 8000 accounts. However, in the State's accounting system FSSA only transferred $378.5 million of the ARRA expenses from the Medicaid fund to the ARRA fund. As of June 30, 2009, the grant accounting records reflect that the $13.8 million payment to the CMHCs was substituted for $13.8 million in qualified Medicaid ARRA expenses. An additional $4 million of the $396.2 million draw was paid to the CMHCs from the ARRA fund in July 2009. The effect is the appearance of a separate Medicaid ARRA grant and the overstatement of the State's share of Medicaid expenses in the State's accounting records.

The federal reports (CMS 64) for the Medicaid ARRA were based upon the Medicaid fiscal agent contractor's system of reporting, as designed for the program and did not incorporate the state disbursements to the CMHCs that were classified as ARRA in the state financial system. Thus different detail records were applied to support federal reporting than that of the state financial reporting.

"The expenditures and condition under which the State draws funds must be those for which the increased FMAP is applicable." (Center for Medicaid and State Operations, SMD #09-005, ARRA #5)

42 CFR 435.1002(a) states: ". . . Federal Financial Participation is available in expenditures for Medicaid services for all recipients whose coverage is required or allowed under this part."

45 CFR 92.20 (a) states: "A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to—(1) Permit preparation of reports required by this part and the statutes authorizing the grant, and (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes."

We recommended that FSSA ensure that the State's accounting records reflect that all Medicaid ARRA draws are supported exclusively by qualified Medicaid expenses. As qualified costs existed to support ARRA draws, the payments to the CMHC's should be reclassified as a state grant. FSSA determinations regarding the reclassification of the payments issued and directions to the CMHC's should be made upon appropriate legal basis for state grant consideration.

Status of Finding as of September 2010:

FSSA has discontinued the use of the ARRA IGT Fund. This finding is considered closed.

FINDING 2009 - FSSA-6, QUALITY ASSESSMENT FEE REFUNDS - INTERMEDIATE CARE AND NURSING FACILITIES

Federal Agency:	Department of Health and Human Services
Federal Program:	Medicaid Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Allowable Costs/Cost Principles
Internal Control:	Significant Deficiency

Finding:

Intermediate Care facilities and Nursing facilities pay the State of Indiana quality assessment fees (QAF) as part of a program approved by the federal government. These fees are a source of state funding to provide for increased rates for recognized quality measures. Most of these fees are collected as deductions from Medicaid payments issued. Upon recording Medicaid expenditures, the net payment amount is recorded in the agency's grant records. The following quarter, the state records an adjustment to recognize the state fees collected, and increases the federal share to that of the gross payments issued. The adjustment amounts for both Intermediate Care facilities and Nursing facilities are taken from Accounts Receivable Reports provided by EDS, the Medicaid claims contractor. As reported in our prior finding 2007-FSSA-3, Quality Assessment Fee Refunds, the total adjustment each quarter should include total quality assessments, less assessment overpayments refunded by the state. It was brought to the attention of EDS, that the Intermediate Care Facility reports provided to the State through the end of SFY 2008 did not include the associated refunds. In SFY 2009, EDS reissued the Intermediate Care facility reports from SFY 2006 to current to include refunds issued. Due to a lack of communication regarding this change, FSSA finance did not deduct the refund amounts from Intermediate Care facility total assessments. The total effect of not accounting for the Intermediate Care facility refunds from SFY 2006

through SFY 2009 is an overstatement of federal share of $772,090 to the Medicaid program, with the Medicaid ARRA overstated by $ 5,879. Additionally, clerical errors caused incorrect refund amounts to be subtracted from the Nursing Facility assessments resulting in a further overstatement of federal share of $420,919 to the Medicaid program. (See 2009-FSSA-4, ARRA GRANT ACCOUNTING, for explanation that ARRA was unclaimed for Nursing Facility assessment adjustments.)

We consider the total overstatement of federal expenditures of $1,198,888 ($1,193,009 for Medicaid and $5,879 for Medicaid ARRA), to be questioned costs which may be required to be repaid to the federal government.

"To be allowable under Federal awards, costs must meet the following criteria . . . (i). Be the net of all applicable credits." (US OMB Circular A-87 (C) (1))

We recommended that FSSA record the Intermediate Care facility and Nursing facility QAF adjustments net of the refunds issued. The identified questioned costs should be returned to the federal government.

Status of Finding as of September 2010:

Procedures have been drafted to record Assessment offsets to allow comparison to source documents.

The finding remains open pending return of federal share.

FINDING 2009 - FSSA-7, MEDICAID ACCOUNTING RECORDS

Federal Agency:	Department of Health and Human Services
Federal Program:	Medicaid Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Allowable Costs/Cost Principles; Reporting
Internal Control:	Significant Deficiency

Finding:

As discussed in our prior finding 2008-FSSA-5, Grant Accounting Internal Control Environment, controls have not been designed to prevent or detect material errors in the accounting records. No review process or monitoring was in place to prevent or detect errors.

In our tests of the fiscal 2009 grant accounting we identified the following errors:

Understated Federal Expense:

First Steps is a State of Indiana program which through February 2009 used the Medicaid fiscal contractor, EDS, for claims payments and shared the Medicaid bank account. The electronic funds transfers issued for First Steps expenses were not included in the calculation of Medicaid federal expense used to draw federal funds. These were posted as 100% state expense. State accounting entries to transfer the First Steps expenses from Medicaid Assistance to the First Step program were made weekly.

As reported in Finding 2008-FSSA-2 Medicaid Program Grant Accounting Records, part 6, during State Fiscal Year 2008, all the First Steps state transfer entries associated with the 2008 Medicaid grant, incorrectly divided the reversing expense entry between federal and state expense. However, no portion of the transfer received was owed to the federal government, as the expense was originally recorded correctly as state expense. Although a correction was made to the grant records for the error as calculated through June 30, 2008, the same error continued in State Fiscal Year 2009. Due to this error, at June 30, 2009, federal expenses were understated and state expenses were overstated by $12,504,528.90.

Overstated Federal Expense

During fiscal 2009, two refunds were received for the settlements for the Faculty Physician Access to Care payments. We found that the refunds received were incorrectly classified as IGT payments and then recorded in the grant records as 100% state receipts. However, the refunds are for the total computable amount, which includes federal share refunded. Also, manual checks were issued to repay the IGT share of the refunds, which is 100% state. However, no entries were made to recognize this, and the disbursements then were included in regular program bank settlements with the federal share applied (plus ARRA). The total effect was to overcharge the Medicaid program grant expense by $1,015,800 and the ARRA grant expense by $21,694, for a total federal grant expense overcharge of $1,037,494. The calculations are shown in the following chart:

CALCULATION OF FEDERAL EXPENSE CREDIT DUE

Date	Description	Total Amount	Federal Expense Credit Share
08-06-08	Refund Deposit for 2006	$ 591,928	$ 370,606
04-09-09	Refund Deposit for 2007	584,371	366,342
08-21-08	Manual Check issued for state share	221,322	138,747
04-07-09	Manual Check issued for state share	218,029	140,105
	ARRA expense portion		21,694
Total Unrecorded Federal Expense Credit:			$ 1,037,494

We could not readily ascertain if other settlements resulted in refunds that may have been misclassified as well.

We consider the total identified excess federal expense recorded of $1,037,494 as questioned cost that may be required to be repaid to the federal government.

"Grant funds may be used only for: (1) The allowable costs of the grantees, subgrantees and cost-type contractors . . ." 45 CFR 92.22 (a)

"To be allowable under Federal awards, costs must meet the following criteria . . . (i). Be the net of all applicable credits." (US OMB Circular A-87 (C) (1))

"A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its sub grantees and cost-type contractors, must be sufficient to: 1) Permit preparation of reports required by this part and the statutes authorizing the grant, and 2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes." (45 CFR 92.20(a))

We recommended that FSSA ensure that the identified errors be corrected and that FSSA further review the fiscal 2009 activity to identify other settlement refund accounting transactions to ensure they were recorded in an accurate manner. Documented accounting entry examples for the Medicaid exception accounting such as settlement refunds should be developed. FSSA should then implement control procedures of training and adequate supervisory review to ensure accurate transaction description and accounting entries.

Status of Finding as of September 2010:

FSSA has reviewed accounting records. Documentation is being compiled. FSSA has documented accounting processes to be followed for adjustments to the Medicaid Assistance projects so expenditures can be reconciled to the State accounting system.

This finding remains open pending further review of other settlement refund transactions.

FINDING 2009 - FSSA-8, MEDICAID ADMINISTRATION GRANT REPORTING AND AWARD

Federal Agency	Department of Health and Human Services
Federal Program:	Medical Assistance Program
CFDA Number:	93.778
Auditee Contact Person:	David Nelson
Title of Contact Person:	Director of Federal Funding, FSSA
Phone Number:	317-232-7088
Compliance Requirement:	Allowable Costs/Cost Principles, Reporting
Internal Control:	Significant Deficiency

Finding:

The Schedule of Federal Financial Assistance reports total disbursements that exceed the Medicaid Administration grant award for the federal fiscal year ended September 30, 2008. The disbursements reported in the Schedules of Federal Financial Assistance for this award totaled $175,389,777. The grant award of $175,402,000 was reduced by CMS on February 11, 2009, by $38,496,430. As such the current award amount is shown as $136,905,570. The excess of the federal costs over the grant award of $38,484,207 may be required to be repaid to the federal government with state funds. This condition has also been reported in prior year's findings FINDING 2006 - FSSA-8, MEDICAID ADMINISTRATION GRANT - EXPENDITURES OVER AWARD and FINDING 2008 - FSSA-1, MEDICAID ADMINISTRATION GRANT - PERIOD OF AVAILABILITY.

FSSA Finance could provide no explanation for this decrease in the grant award. We obtained the related federal notification and correspondence directly from the federal government. The calculations show that the grant reduction was based upon the federal administration costs reported on the CMS 64 reports. An open FINDING 2007 - FSSA-1, MEDICAID GRANT REPORTING ERRORS reports the condition that the federal share of program costs remains unreconciled. We found that for the state fiscal

year ended June 30, 2009, the grant schedule reported $14,674,698 more in federal administration costs than that reported on the CMS 64. In addition, per the federal calculations and reports observed, FSSA had classified grant administrative costs as associated to prior years grant awards. Grant reporting to classify costs to other grant funding periods did not then correspond to the federal payment management system records, the state grant accounting or reporting in the Schedule of Federal Financial Assistance.

"A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its sub grantees and cost-type contractors, must be sufficient to: 1) Permit preparation of reports required by this part and the statutes authorizing the grant, and 2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes." (45 CFR 92.20(a))

"Each agency, department, institution or office has the following accounting responsibilities: 1. Operate within the confines of the established budget, 2. Maintain a control environment, 3. Maintain control procedures . . ." "The accounting system provides the basis for budgetary control. The operating budget should be viewed as a comprehensive planning and control device. Each agency must function within the budget limits." (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

We continue to recommend that FSSA ensure that all costs reported be reconciled to the grant accounting records. FSSA should examine the grant reporting made and identify adjustments necessary to have the grant records correspond to the federal reports. Upon identifying any federal reporting corrections, requests to reinstate grant awards to their prior levels should be made.

Status of Finding as of September 2010:

CMS works through a close out process at the end of the Federal Fiscal Year in which they adjust the most recently ended grant award to expenditures reported on the CMS-64. CMS adjusts the prior grant award for prior period expenditures reported on the CMS-64. Prior to FFY 2010, CMS operated on a pool authorization. After the close-out of FFY 10 expected in March 2011, we plan to review pool funding for grants prior to FFY 2010 and conduct a project to reconcile federal expenditures to reported expenditures if grant authorizations remain negative. CMS verified this process in correspondence dated March 11, 2010, to the Director of Federal Funding, which was shared with the SBoA on March 24, 2010.

This finding is considered open.

FINDING 2009 - DCS-1, SUBRECIPIENT MONITORING

Federal Agency:	Department of Health and Human Services - ACF
Federal Program:	Child Support Enforcement Program (IV-D)
CFDA Number:	93.563
Auditee Contact Person:	Cynthia Longest
Title of Contact Person:	Deputy Director, Child Support Bureau
Phone Number:	317-233-4482
Compliance Requirement:	Subrecipient Monitoring
Internal Control:	Significant Deficiency

Finding:

During our audit of the DCS Child Support Program, we noted that DCS does not adequately monitor the counties' use of Title IV-D Child Support incentive funds. Although DCS receives monthly statements detailing the disbursements of incentive funds and maintains a register for each county based on the monthly statements received, DCS does not require the counties to submit a statement for the months that incentive funds were not expended. Also, DCS does not perform a final accounting or reconciliation of each county's incentive funds expended at least annually. Under its current system, DCS does not have adequate assurance as to the actual incentive funds expended for each county and consequently cannot attest to the completeness, existence, and propriety of the incentive funds transactions conducted by the counties. This is a significant deficiency.

31 USC 7502(f)(2)(B) states, "Each pass-through entity shall monitor the subrecipient's use of federal awards through site visits, limited scope audits, or other means; . . ."

We recommended that DCS perform a final accounting or reconciliation of each county's incentive funds expended at least annually.

Status of the Finding as of September 2010:

DCS Child Support Program is in the process of hiring two new Field Auditors who will educate county staff on the use of Incentive funds. Remains open.

FINDING 2009 - IDOE-1, CASH MANAGEMENT

Federal Agency:	Department of Education
Federal Program:	State Fiscal Stabilization Fund-Education State Grants - Recovery Act
CFDA Number:	84.394A
Auditee Contact Person:	Kent Hatcher
Title of Contact Person:	Chief Financial Officer
Phone Number:	317-234-6792
Compliance Requirement:	Cash Management
Internal Control:	Significant Deficiency

Finding:

During our audit of the Indiana Department of Education (IDOE), we found that IDOE disbursed federal funds to its subrecipients, in advance, without determining the cash needs of the subrecipients. This resulted in the subrecipients maintaining the federal funds for excessive days.

31 CFR 205.11(a) states: "A State and a Federal Program Agency must minimize the time elapsing between the transfer of funds from the United States Treasury and the State's payout of funds for Federal assistance program purposes, whether the transfer occurs before or after the payout of funds."

We recommended that IDOE determine the cash needs of its subrecipients in order to minimize the time elapsing between the transfer of the federal funds and the payout of those funds.

Status of Finding as of September 2010:

To minimize the time elapsing between the transfer of federal funds to the LEA's and the payout of funds, the IDOE has switched from its previous practice of advancing cash to subrecipients via a cash request form to a reimbursement method via a reimbursement form. If not diligently regulated, the advancement method can lead to excessive cash balances which could lead to interest earned and interest returned issues. Subrecipients may submit a reimbursement form for actual anticipated expenses up to twice per month. The switch became effective July 1, 2010.

IDOE believes that this Finding is unresolved for fiscal year 2010.

FINDING 2009 - IDOE-2, SUBRECIPIENT MONITORING

Federal Agency:	Department of Education
Federal Program:	State Fiscal Stabilization Fund - Education State Grants - Recovery Act
CFDA Number:	84.394A
Auditee Contact Person:	Kent Hatcher
Title of Contact Person:	Chief Financial Officer
Phone Number:	317-234-6792
Compliance Requirement:	Subrecipient Monitoring
Internal Control:	Significant Deficiency

Finding:

During our audit of the Indiana Department of Education, we found that subrecipients of federal funds were not properly monitored by IDOE. IDOE did not properly identify the CFDA title and number or applicable compliance requirements to the subrecipient. This could result in subrecipients improperly spending grant funds.

OMB Circular A-133 Subpart D Section 400 provides that a pass-through entity is responsible for at the time of the award, identifying to the subrecipient the Federal award information (e.g., CFDA title and number, award name, name of Federal agency) and applicable compliance requirements.

We recommended that IDOE comply with OMB Circular A-133 and provide its subrecipients with all required information.

Status of Finding as of September 2010:

The IDOE identifies all pertinent information (e.g., CFDA, title and number, award, name) for the subrecipient at the time of disbursement of the funds.

The IDOE believes this Finding has been resolved.

FINDING 2009 – IDOE-3, CASH MANAGEMENT ADVANCES

Federal Agency:	U.S. Department of Education
Federal Program:	Special Education Cluster (IDEA), Title 1, Part A Cluster
CFDA Number:	84.027, 84.173, 84.391, 84.392, 84.010, 84.389
Auditee Contact Person:	Kent Hatcher
Title of Contact person:	Chief Financial Officer, IDOE
Phone Number:	317-234-6792
Compliance Requirement:	Cash Management
Internal Control:	Significant Deficiency

Finding:

During our audit of Special Education Cluster (IDEA) and Title 1, Part A Cluster, we found that the Indiana Department of Education (IDOE) disbursed federal funds to its subgrantees in advance without properly determining the cash needs of the subgrantees. IDOE did not ensure that the advance was for expenses occurring not more than three days after the disbursement of funds. We also found that IDOE did not have an adequate system of documentation to trace specific expenditures to its corresponding federal draw. This occurred due to a lack of formal written procedures and monitoring over Cash Management.

As a result, the time between funds disbursed to subgrantee and subgrantee's expenditure of the advance was not minimal. Subgrantees maintained cash on hand balances throughout the award period that earned interest.

It was also determined that IDOE did not calculate the amount of interest earned by the subgrantees based on the advances of federal funds IDOE made to the subgrantees. Therefore, IDOE did not appropriately remit interest payments to the United States Department of Education (USDOE). These are significant control deficiencies

34 CFR 80.20(a)(2) states in part: "A state must expend and account for grant funds in accordance with State laws and procedure for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees … must be sufficient to… Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes."

34 CFR 80.20(b)(2) states in part: "Accounting Records. Grantees . . . must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards . . . assets, liabilities, outlays or expenditures and income."

31 CFR 205.11(a) states: "A State and a Federal Program Agency must minimize the time elapsing between the transfer of funds from the United States Treasury and the State's payout of funds for Federal assistance program purposes, whether the transfer occurs before or after the payout of funds. (b) A State and a Federal Program Agency must limit the amount of funds transferred to the minimum required to meet a State's actual and immediate cash needs."

31 CFR 205.12(b)(4) states: "Cash advance (pre-issuance or post-issuance) funding means that a Federal Program Agency transfers the actual amount of Federal funds to a State that will be paid out by the State, in a lump sum, not more than three business days prior to the day the State issues checks or initiates EFT payments."

34 CFR 80.37(4) states that States shall: "Conform any advances of grant funds to subgrantees substantially to the same standards of timing and amount that apply to cash advances by Federal agencies.

31 CFR 205.19(a) states: "A State must calculate Federal interest liabilities and State interest liabilities for each Federal assistance program subject to this subpart A."

We recommended that IDOE consistently monitor the subgrantees in order to adequately assess their cash needs to minimize the time between funds disbursed to subgrantee and the subgrantee's expenditure of the advance as well as ensure that interest for the advance of federal funds be calculated and appropriately remitted to the USDOE. We recommended that IDOE develop formal written procedures over Cash Management to ensure that adequate supporting documentation of draws be maintained.

Status of Finding as of September 2010:

This finding is unresolved due to a concurrent audit being done for SFY09 (retroactively) and SFY10, thus, it was not possible for IDOE to implement controls to correct the SFY09 finding.

FINDING 2009 – IDOE-4, CASH MANAGEMENT TEMPLATE

Federal Agency:	U.S. Department of Education
Federal Program:	Title 1, Part A Cluster
CFDA Number:	84.010, 84.389
Auditee Contact Person:	Kent Hatcher
Title of Contact person:	Chief Financial Officer, IDOE
Phone Number:	317-234-6792
Compliance Requirement:	Cash Management,
Internal Control:	Significant Deficiency

Finding:

During our audit of the Indiana Department of Education (IDOE), we found that no Title 1, Part A Cluster clearance pattern template was created to support the Cash Management Improvement Act (CMIA) Agreement. As a result, we were unable to audit Title 1, Part A Cluster Cash Management draws by verifying they were in accordance with an accurate clearance pattern. This is a significant control deficiency.

31 CFR 205.20 states in part: "States use clearance patterns to project when funds are paid out, given a known dollar amount and a known date of disbursement. A State must ensure that . . .: (a) A clearance pattern must be auditable. (b) A clearance pattern must accurately represent the flow of Federal funds under the Federal assistance programs to which it is applied.

CFR 80.40(a) states: "Monitoring by grantees. Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and sub grant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity."

We recommended that IDOE develop formal written procedures on the creation of a clearance pattern template for Title 1, Part A Cluster. IDOE also needs to implement procedures to adequately monitor to ensure that all necessary data is included in the computation of a clearance pattern.

Status of Finding as of September 2010:

This finding is unresolved due to a concurrent audit being done for SFY09 (retroactively) and SFY10, thus, it was not possible for IDOE to implement controls to correct the SFY09 finding.

FINDING 2009 – IDOE-5, PROCUREMENT, SUSPENSION AND DEBARMENT

Federal Agency:	U.S. Department of Education
Federal Program:	Special Education Cluster (IDEA), Title 1, Part A Cluster
CFDA Number:	84.027, 84.173, 84.391, 84.392, 84.010, 84.389
Auditee Contact Person:	Kent Hatcher
Title of Contact person:	Chief Financial Officer, IDOE
Phone Number:	317-234-6792
Compliance Requirement:	Procurement, Suspension, and Debarment
Internal Control:	Significant Deficiency

Finding:

During our audit of Indiana Department of Education (IDOE), it was determined that IDOE was not properly monitoring Special Education Cluster (IDEA) and Title 1, Part A Cluster contracts to verify contractor's were not federally suspended and debarred. Suspension and debarment verifications were not performed by IDOE due to a lack of formal written procedures and controls were not in place over contacts. This is a significant control deficiency.

34 CFR 80.35 states: "Grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, "Debarment and Suspension."

34 CFR 80.40(a) states: "Monitoring by grantees. Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and sub grant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity."

We recommended that IDOE develop formal written procedures and proper monitoring controls over contracts to ensure that contractors that have been suspended or debarred are not paid with federal funds.

Status of Finding as of September 2010:

This finding is unresolved due to a concurrent audit being done for SFY09 (retroactively) and SFY10, thus, it was not possible for IDOE to implement controls to correct the SFY09 finding.

FINDING 2009 – IDOE-6, EARMARKING

Federal Agency:	U.S. Department of Education
Federal Program:	Special Education Cluster (IDEA)
CFDA Number:	84.027, 84.173, 84.391, 84.392
Auditee Contact Person:	Kent Hatcher
Title of Contact Person:	Chief Financial Officer, IDOE
Phone Number:	317-234-6792
Compliance Requirement:	Earmarking
Internal Control:	Significant Deficiency

Finding:

During our audit of the Special Education Cluster (IDEA), we found that the Indiana Department of Education (IDOE) did not ensure that Local Education Agencies (LEAs) identified as having a significant disproportionality reserve the maximum amount of Special Education Part B funds (CFDA number 84.027) in order to provide coordinated early intervening services (CEIS) for children in the LEAs within those groups. Of the seven LEAs required to reserve the funds, we found that five did not set aside the maximum amount. IDOE approved LEA applications that did not allocate the required 15% for CEIS. This is a significant control deficiency.

34 CFR 300.646(b) states: "In the case of a determination of significant disproportionality with respect to the identification of children as children with disabilities, or the placement in particular educational settings of these children, in accordance with paragraph (a) of this section, the State or the Secretary of the Interior must—… (2) Require any LEA identified under paragraph (a) of this section to reserve the maximum amount of funds under section 613(f) of the Act to provide comprehensive coordinated early intervening services to serve children in the LEA, particularly, but not exclusively, children in those groups that were significantly overidentified under paragraph (a) of this section…"

We recommended that IDOE integrate the significant disproportionality identification process with the application approval process and adequately monitor these procedures to ensure that the necessary LEAs are meeting the federal requirement.

Status of Finding as of September 2010:

This finding is unresolved due to a concurrent audit being done for SFY09 (retroactively) and SFY10, thus, it was not possible for IDOE to implement controls to correct the SFY09 finding.

FINDING 2009 – IDOE-7, SUBRECIPIENT MONITORING

Federal Agency:	U.S. Department of Education
Federal Program:	Special Education Cluster (IDEA)
CFDA Number:	84.027, 84.173, 84.391, 84.392
Auditee Contact Person:	Kent Hatcher
Title of Contact Person:	Chief Financial Officer, IDOE
Phone Number:	317-234-6792
Compliance Requirement:	Subrecipient Monitoring
Internal Control:	Material Weakness

Finding:

During our audit of the Special Education Cluster (IDEA), we found that the Indiana Department of Education (IDOE) did not appropriately monitor subrecipients. IDOE did not monitor to ensure that subrecipients complied with OMB Circular A-133 requirements or that the required subrecipient A-133 audits were completed. Therefore, subrecipient noncompliance could go undetected..

34 CFR 80.40(a) states: "*Monitoring by grantees.* Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity."

We recommended that IDOE implement processes and procedures to adequately monitor subrecipients to assure compliance with applicable Federal requirements.

Status of Finding as of September 2010:

This finding is considered resolved.

FINDING 2009 – IDOE-8, SUBRECIPIENT MONITORING CCR VERIFICATION

Federal Agency:	U.S. Department of Education
Federal Program:	Special Education Cluster (IDEA), Title 1, Part A Cluster
CFDA Number:	84.027, 84.173, 84.391, 84.392, 84.010, 84.389
Auditee Contact Person:	Kent Hatcher
Title of Contact Person:	Chief Financial Officer, IDOE
Phone Number:	317-234-6792
Compliance Requirement:	Allowable Costs, Subrecipient Monitoring
Internal Control:	Significant Deficiency

Finding:

During our audit of the Special Education Cluster (IDEA) and Title 1, Part A Cluster, we found that the Indiana Department of Education (IDOE) did not ensure that Recovery Act subrecipients were registered with the federal Central Contractor Registration (CCR) database as required. This resulted in payments to unregistered subrecipients and, thus, we consider $3,480,327 for Special Education Cluster (IDEA) and $929,359 for Title 1, Part A Cluster as questioned costs. This is a significant control deficiency.

2 CFR 176.50 (c) states: "Recipients and their first-tier recipients must maintain current registrations in the Central Contractor Registration (http://www.ccr.gov) at all times during which they have active federal awards funded with Recovery Act funds. A Dun and Bradstreet Data Universal Numbering System (DUNS) Number (http://www.dnb.com) is one of the requirements for registration in the Central Contractor Registration."

We recommended that IDOE determine before the award that subrecipients are registered in the CCR database.

Status of Finding as of September 2010:

This finding is unresolved due to a concurrent audit being done for SFY09 (retroactively) and SFY10, thus, it was not possible for IDOE to implement controls to correct the SFY09 finding.

FINDING 2009 – IDOE-9, SPECIAL TESTS AND PROVISIONS, REQUIREMENT 3

Federal Agency:	U.S. Department of Education
Federal Program:	Special Education Cluster (IDEA), Title 1, Part A Cluster
CFDA Number:	84.027, 84.173, 84.391, 84.392, 84.010, 84.389
Auditee Contact Person:	Kent Hatcher
Title of Contact person:	Chief Financial Officer, IDOE
Phone Number:	317-234-6792
Compliance Requirement:	Special Tests and Provisions, Requirement 3
Internal Control:	Significant Deficiency

Finding:

During our audit of the Special Education Cluster (IDEA) and Title 1, Part A Cluster, we found that the Indiana Department of Education (IDOE) did not separately identify to each Local Education Agencies (LEAs), at the time of disbursement of funds, the federal grant award number and CFDA number. This is a significant control deficiency.

2 CFR 176.210(c) states: "Recipients agree to separately identify to each subrecipient, and document at the time of subaward and at the time of disbursement of funds, the Federal award number, CFDA number, and amount of Recovery Act funds."

We recommended that IDOE separately identify to each subrecipient, and document at the time funds are disbursed, the Federal award number and CFDA number.

Status of Finding as of September 2010:

This finding is unresolved due to a concurrent audit being done for SFY09 (retroactively) and SFY10, thus, it was not possible for IDOE to implement controls to correct the SFY09 finding.

FINDING 2009 – IDOE-10, SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE - REPORTING ERRORS

Federal Agency:	U.S. Department of Education
Federal Program:	Special Education Cluster (IDEA), Title 1, Part A Cluster
CFDA Number:	84.027, 84.173, 84.391, 84.392, 84.010, 84.389
Auditee Contact Person:	Kent Hatcher
Title of Contact person:	Chief Financial Officer, IDOE
Phone Number:	317-234-6792
Compliance Requirement:	Reporting
Internal Control:	Material Weakness

Finding:

During our audit of the Indiana Department of Education (IDOE), we found that the Schedule of Federal Financial Assistance (SFFA) had numerous errors for the Special Education Cluster (IDEA) and Title 1, Part A Cluster. IDOE resubmitted the SFFA for audit to us multiple times. Errors were found in disbursements and pass-through amounts. Even though these errors were resolved, such materially significant errors in the future could result in a qualification of the SFFA. This also affects the reliability of how major programs are determined. The lack of formal written procedures and an inadequate review process of the SFFA contributed to the potential for errors. This is a material weakness.

34 CFR 80.20(a) states: "A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to: (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes."

We recommended that IDOE develop formal written procedures in preparing the SFFA and institute a thorough review process of the SFFA to ensure accurate, current and complete disclosure of the financial results.

Status of Finding as of September 2010:

This finding is unresolved due to a concurrent audit being done for SFY09 (retroactively) and SFY10, thus, it was not possible for IDOE to implement controls to correct the SFY09 finding.

FINDING 2009 – IDOE-11, ACTIVITIES ALLOWED OR UNALLOWED

Federal Agency:	U.S. Department of Education
Federal Program:	Special Education Cluster (IDEA)
CFDA Number:	84.027, 84.173, 84.391, 84.392
Auditee Contact Person:	Kent Hatcher
Title of Contact Person:	Chief Financial Officer, IDOE
Phone Number:	317-234-6792
Compliance Requirement:	Activities Allowed or Unallowed
Internal Control:	Significant Deficiency

Finding:

During our audit of the Special Education Cluster (IDEA), we found that the Indiana Department of Education (IDOE) contracted for professional services to produce a system that was unreasonable and unnecessary to the program. We reviewed the supporting documentation and inspected the system delivered. IDOE determined that the contract was for services that were being provided to IDOE through another system and was discontinued by IDOE. Additionally, the itemization of the invoices was inconsistent with the services actually provided. In total, $523,000 was paid to the contractor through October 2009. This is a significant control deficiency. We consider this to be a questioned cost in the amount $523,000.

2 CFR 225 Appendix B 32.(a) states in part: "Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the governmental unit, are allowable, subject to subparagraphs b and c when reasonable in relation to the services rendered . . .

(b) In determining the allowability of costs in a particular case, no single factor or any special combination of factors is necessarily determinative. However, the following factors are relevant:

(1) The nature and scope of the service rendered in relation to the service required…

(8) Adequacy of the contractual agreement for the service (*e.g.*, description of the service, estimate of time required, rate of compensation, and termination provisions) . . ."

We recommended that IDOE determine allowability based on the nature and scope of the service rendered in relation to the service required and ensure the appropriateness of the contractual agreement for the service to the program.

Status of Finding as of September 2010:

This finding is unresolved due to a concurrent audit being done for SFY09 (retroactively) and SFY10, thus, it was not possible for IDOE to implement controls to correct the SFY09 finding.

FINDING 2009 - ING-1, SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE-REPORTING ERRORS

Federal Agency:	United States Department of Defense
Federal Program:	National Guard Military Operations and Maintenance Projects
CFDA Number:	12.401
Auditee Contact Person:	Colonel John Bailey
Title of Contact person:	Controller
Phone Number:	317-247-3254
Compliance Requirement:	Reporting
Internal Control:	Material Weakness

Finding:

During our audit of the National Guard Military Operations and Maintenance Projects grant program at the Indiana National Guard (ING), we found that the Schedule of Federal Financial Assistance had numerous errors and omissions in receipts, disbursements, and balances totaling $4,900,491. This was due to erroneous omissions of transactions of the State Armory Board. Furthermore, only the federal portion of expenditures were posted to the grant ledger which prevented us from readily reconciling to the total expenditures on the official accounting record, the Auditor of State. A revised schedule was later submitted and was materially correct. Even though the errors were corrected, such errors could affect the reliability of how major programs are determined. The lack of adequate Schedule preparation procedures and an adequate overall review process of the Schedule contributed to the errors. This is a material weakness.

45 CFR 92.20 states: "(a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its sub grantees and cost-type contractors, must be sufficient to— (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes."

We recommended that ING strengthen procedures in preparing the Schedule of Federal Financial Assistance and institute a thorough review process of the Schedule to ensure accurate, current, and complete disclosure of the financial results.

Status of Finding as of September 2010:

All State and Federal Funds are accounted for. The issue was a result of not reflecting the State share or the fund/center from which invoices were paid on our Federal ledgers. This made easy reconciliation difficult for the State Board of Accounts auditor. With Appropriated Funds, the audit finding has been resolved with the State's implementation of Encompass. All Federal funds for this agency are Department of Defense appropriations. Thus, they are all paid from the same fund. The differences, per Cooperative Agreement, are found within the assigned projects within this fund to include any State matching funds.

With State Armory Board funds, the fix is not that easy. The State Armory Board has two (2) funds from which to process invoices, the A-Fund and the E-Fund. A-Fund is the main operating account and handles all claims except Environmental. E-Fund is the account that handles only environmental claims. Each account has hundreds of invoices that flow through monthly. It would be a waste of taxpayer dollars to work up a reimbursement request for each invoice. Thus, reimbursement is requested monthly for both accounts. We are unable to set Federal projects up that correspond to the appropriate Cooperative Agreement because the State Armory Board has to approve any projects over $5,000.00 whether State, Federal or matching funded.

The Indiana National Guard considers this finding closed.

FINDING 2009 - IDWD-1, INTERNAL CONTROL - UNEMPLOYMENT INSURANCE REPORTING

Federal Agency:	U.S. Department of Labor
Federal Program:	Unemployment Insurance
CFDA Number:	17.225
Auditee Contact Person:	Randy Gillespie
Title of Contact Person:	Chief Financial Officer
Phone Number:	317-232-7675
Compliance Requirement:	Reporting
Internal Control:	Material Weakness

Finding:

During our audit of the Indiana Department of Workforce Development (DWD) Unemployment Insurance (UI) grant we found expenses per DWD's grant accounting records that did not agree to expenses reported in the federal report, ETA 2112, or to expenses provided as combined State and Federal expenses for the Schedule of Federal Financial Assistance.

The Trust Fund Accounting Department of DWD maintains the detailed grant accounting records for the Indiana's Unemployment Trust Fund in an Oracle database separate from the State's accounting system. UI benefit expenses per the Oracle database were $131,532,706 greater than UI Benefit expenses on the ETA 2112 reports for fiscal year 2009. Additionally, the total UI benefit expenses for fiscal year 2009 reported in the combined State and Federal Benefits for the Schedule of Federal Financial Assistance was $29,247,436.46 less than the 2009 total UI benefit expenses per the ETA 2112 reports.

Per the UI Reports Handbook No. 401, the ETA 2112 reports should "accurately show the net result of all transactions in the three accounts comprising the state unemployment fund as they appear in the state's records."

29 CFR 92.20(a) states: "A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its sub grantees and cost-type contractors, must be sufficient to: 1) Permit preparation of reports required by this part and the statutes authorizing the grant, and 2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes."

We recommended that DWD implement a reconciliation process to verify that the amounts recorded on the ETA 2112 reports and Schedule of Federal Financial Assistance are accurate.

Status of Finding as of September 2010:

While IDWD acknowledged that the transparency of our reconciliation process in the Trust Fund Accounting (TFA) unit could be improved and the ability to trace funds needed to be more formally documented; we believed our reports to be accurate. Subsequent analysis and reconciliation proved this to be correct.

DWD identified the differences between the Oracle database and the ETA2112 reports that were the factors in this finding. The adjustments to the ETA2112 reports that make up the $131,532,706 difference are related to items that need to be excluded from, or added to, our ledger totals to meet the requirements for Line 31 of the ETA2112 report as specified in the instructions for completing the reports. In reviewing the state ledgers, SBoA did not adjust the ledger totals to arrive at the true net benefit expense as required on the ETA21123 thus resulting in a perceived substantial difference between the ledger and the ETA2112. In actuality, the ETA2112 reports were completed with the proper adjustments factored into the totals. The reconciled differences between the State ledger and what was reported on the ETA2112 line 31 represents a .0014% of total UI expenses reported for the year.

DWD has modified the procedures of Trust Fund Accounting (TFA), to facilitate a more transparent reconciling process. Going forward a monthly reconciliation will be completed between Oracle, the ETA 2112 and the Schedule of Federal Financial Assistance. This will be maintained in an Excel spreadsheet by TFA and a hard copy will be kept with the ETA 2112 and the Schedule of Federal Financial Assistance. This will ensure there will be a summary and supporting documentation that are clear and easy to understand. Written procedures for this reconciliation process are in draft form and being adjusted as TFA staff performs the monthly reconciliation process.

DWD considers this finding resolved.

FINDING 2009 - IDWD-2, LACK OF PROCEDURES FOR CCR VERIFICATION

Federal Agency:	U.S. Department of Labor
Federal Program:	Workforce Investment Act Cluster
CFDA Number:	17.258, 17.259, 17.260
Auditee Contact Person:	Randy Gillespie
Title of Contact Person:	Chief Financial Officer
Phone Number:	317-232-7675
Compliance Requirement:	Allowable Costs, Subrecipient Monitoring
Internal Control:	Significant Deficiency

Finding:

During our audit of the Workforce Investment Act Cluster at the Indiana Department of Workforce Development (IDWD), we found that IDWD did not have procedures in place to ensure that subrecipients were registered with the Central Contractor Registration (CCR) database as required by the U.S. Department of Labor (USDOL). This is a significant control deficiency

As a result, Recovery Act Funds, totaling $1,349,310 were paid out to subrecipients without verifying their CCR status. This is considered a questioned cost.

2 CFR 176.50 (c) states that "Recipients and their first-tier recipients must maintain current registrations in the Central Contractor Registration (http://www.ccr.gov) at all times during which they have active federal awards funded with Recovery Act funds. A Dun and Bradstreet Data Universal Numbering System (DUNS) Number (http://www.dnb.com) is one of the requirements for registration in the Central Contractor Registration."

We recommended that IDWD put in place procedures to verify that subrecipients have a current registration in the CCR system before paying out Recovery Act Funds

Status of Finding as of September 2010:

The State Board of Accounts did a retroactive audit of the 2009 Stimulus funds where this finding was issued; this audit was done simultaneous to the 2010 audit and was completed in February 2011. Therefore, we have not had time to address the issue any further than what is stated in our Corrective Action Plan in the 2009 audit.

FINDING 2009 - INDOT – 1, SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE - ERRORS

Federal Agency:	U.S. Department of Transportation
Federal Program:	Highway Planning and Construction Cluster
CFDA Number:	20.205 and 20.219
Auditee Contact Person:	Dan Brassard
Title of Contact person:	Chief Financial Officer, INDOT
Phone Number:	317-232-1472
Compliance Requirement:	Reporting
Internal Control:	Material Weakness

Finding:

During our audit of the Indiana Department of Transportation (INDOT) Highway Planning and Construction Cluster, we initially found a material error of $162,138,246 reported as Amount Passed Down to Subrecipients on the Schedule of Federal Financial Assistance (SFFA). This error is considered a material control weakness.

Beginning in 2009, INDOT began reporting funds passed through to subrecipients. The SFFA error included direct construction costs for local public agency projects paid by INDOT rather than only those INDOT approved pre-construction contract costs paid in full to the vendors by the local public agencies which INDOT reimbursed to the local agencies upon submission of a claim.

Subsequent to INDOT submitting a corrected SFFA, INDOT then reversed their 2009 position on subrecipient determination. The revised SFFA contained another $36,590,698 error.

For such material errors to go undetected on two occasions reflected a lack of internal controls over 1) accurate compilation of the financial activity, 2) adequate review of the SFFA at all applicable levels within INDOT, as well as 3) internal communications related to changes in accounting procedures.

49 CFR Subtitle A, Part 18.20(a) states "A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds" and 18.20(b)(1) states "Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant".

We recommended that INDOT follow their formal written procedures in preparing the SFFA, implement a thorough review process, and resolve internal accounting procedure changes prior to submission of the SFFA to help ensure accurate, current and complete disclosure of the financial results.

Status of Finding as of September 2010:

Since the FY09 and FY10 audits were done concurrently, INDOT did not have time to implement the new procedures discussed in the FY09 Findings.

FINDING 2009 - IDHS-1 REPORTING

Federal Agency:	U.S. Department of Homeland Security
Federal Program:	Public Assistance Grants
CFDA Number:	97.036
Auditee Contact Person:	Nancy Stevens
Title of Contact Person:	Controller, IDHS
Phone Number:	317-232-6199
Compliance Requirement:	Reporting
Internal Control:	Significant Deficiency

Finding:

During our audit of the Indiana Department of Homeland Security (IDHS), we could not reconcile the quarterly federal Financial Status Report (Form 20-10) and the Schedule of Federal Financial Assistance (Schedule) to the agency's grant ledger. The net total under reported on the Form 20-10 was $128,156.24. In addition, we found $1,267,869 of receipts and disbursements on the Schedule that could not be verified to the correct disaster. There was no review process in place to ensure that postings to the grant ledger were correct. There were no reconciliations of the federal financial reports to supporting accounting records. In addition, there was no review and approval process by a responsible official before filing. This is a significant deficiency.

28 CFR 66.20 provides that a State's financial management systems must maintain accurate, current, and complete disclosure of the financial results of financially assisted activities. Additionally, effective control and accountability must be maintained for all grant assets.

We recommended that IDHS implement adequate controls to ensure accurate and complete disclosure of financial information on both the Form 20-10 and the Schedule.

Status of Finding as of September 2010:

Finding 2 pertained to the federal Financial Status Reports (Form 20-10) and the Schedule of Federal Assistance to the agency's grant ledger reconciliation. This finding noted differences between the grant ledger and the amounts reported on the Form 20-10. Also noted was the lack of review process to ensure that postings to the grant ledger were correct and the lack of reconciliation of the federal financial reports to the supporting accounting records. In addition, the finding noted that no review or approval process by a responsible official was occurring before filing the Form 20-10 and the Schedule.

To address the differences noted by SBOA on the Form 20-10 and to verify disbursements on the Schedule to the correct grant year, processes and internal controls were implemented in November 2009. Beginning in July 2010, an accountant was brought in to reconcile the Public Assistance grants to the grant spreadsheet and to prepare the Form 20-10 reports with the Controller providing review and approval of the reconciliations and reports on behalf of IDHS. This finding is resolved.

AUDITOR OF STATE
Tim Berry

Telephone (317)232-3300
Facsimile (317)232-6097
http://www.in.gov/auditor

March 25, 2011

Ms. Jennifer Marshall, CPA
Indiana State Board of Accounts (SBOA)
302 W. Washington Street
Indiana Government Center South, Suite E418
Indianapolis, IN 46204

Dear Ms. Marshall:

This letter provides official responses (statuses) for the prior year financial statement findings for inclusion in the State's Single Audit Report for the fiscal year ended June 30, 2010.

The fiscal year ended June 30, 2010 marked the first year for Indiana to provide its external financial reporting from its new statewide accounting system, ENCOMPASS (Enterprise Common Processing and Analytics Systems). After such a large system implementation, the State's Comprehensive Annual Financial Report (CAFR) was issued only two months beyond its regular due date and an unqualified opinion was issued by the SBOA on the fair presentation of the State's financial statements for the year ended June 30, 2010. We are proud of the successful deployment of the largest statewide accounting system implementation in State history.

FINDING 2005 - CAFR-1, CAPITAL ASSETS

Auditee Contact Person:	Steve Daniels
Title of Contact Person:	Deputy Auditor of Fiscal Operations
Phone Number:	317-233-9817
Internal Control:	Material Weakness

The Indiana Department of Administration is required by statute to provide for the periodic inspection, appraisal, and inventory of all of the State's real and personal property. The Auditor of State needs financial information relating to the State's real and personal property for financial reporting purposes. Procedures have been established which require all state agencies to ensure that all purchases of land, equipment, buildings and related improvements, and retirement and sale of assets of $500 or more are properly recorded within the Asset Management (AM) module of ENCOMPASS. Additionally, agencies are required to physically tag assets and conduct an annual physical inventory of assets, comparing the results of such inventory to the asset listing in the AM module. Through our testing we found that state agencies do not consistently comply with the above requirements. This results in a lack of internal control over the State's capital assets as well as a misstatement of capital assets in the State's financial statements. Our testing found new asset purchases that were not interfaced with the AM module, and thus not properly capitalized, due to incomplete or improper information inputted at the agency level. While these errors did not prevent the payment of the asset invoice, the errors did cause the assets to not interface to the AM module. In prior years, assets have frequently been reported as additions in subsequent fiscal periods after the acquisition of the assets. This lack of timely reporting results in prior period adjustments in the State's financial statements. This condition remained in the current audit and required a material prior period adjustment due in large part to the asset clean-up work that was done in preparation for implementation of the new accounting system. Additionally, we were unable to determine that assets being surplused were properly reclassified as such within ENCOMPASS. This is due to the lack of an asset tag number on the form that

agencies are required to submit to State Surplus when an asset is being surplused. This form has not been approved by the State Board of Accounts (SBOA).

The Governmental Accounting Standards Board requires the capitalization of a government's capital assets in the period in which they are acquired.

Indiana Code 4-13-1-20(b) and 4-20.5-6-3 state that the Department of Administration shall provide for the periodic inspection, appraisal, and inventory of all of the state's property, and shall require reports from agencies concerning the property in the custody of each state agency.

Each agency, department, institution or office is responsible for compliance with applicable statutes, regulations, contract provisions, state policies, and federal requirements. Compliance is required, as applicable, with generally accepted accounting principles, and standards issued by the Governmental Accounting Standards Board, Financial Accounting Standards Board, and other standard setting bodies. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview)

All accounting forms, records and systems used by governmental units in the State of Indiana are required to be prescribed or approved by the SBOA. This includes all statements and reports necessary for the internal administration of the office to which they pertain. It also includes electronic, automated or computerized systems. Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview Chapter)

Status of Finding as of March 2011:

State agencies will be sent a reminder about the requirements in the State's capital asset policy and procedures to ensure that all capital assets are correctly recorded in the Asset Management (AM) module of ENCOMPASS, that assets are to be physically tagged, and that they are to conduct an annual physical inventory.

State agencies are responsible for ensuring that their assets interface into the ENCOMPASS AM module. Staff of the Auditor of State's (AOS) Office and the Indiana Office of Technology's Government Management Information Systems (GMIS) is currently working with state agencies whose assets did not interface to ensure that these assets are placed into the AM module. AOS and GMIS staff developed a query that state agencies can use to detect assets that have not interfaced into AM. Because of the large-scale scope of implementing ENCOMPASS, state agencies still have asset clean-up work to be done.

AOS will notify the Indiana Commission on Public Record's Forms Management Division of the need to re-review State Form 13812, Notification of Surplus State-Owned Property, because it does not include a place on the form to include the asset tag number and was not approved by the SBOA.

The AOS' fiscal year 2010-11 closing instructions provided to state agencies on March 14, 2011 reminded them to have all fixed asset additions, retirements, and changes made in ENCOMPASS with complete chartfield information by July 7, 2011. These instructions also included that all assets acquired June 30, 2011 or earlier must be reported to prevent a prior period adjustment to the State's financial statements.

FINDING 2007 - CAFR-1, GRANT REPORTING

Auditee Contact Person:	Steve Daniels
Title of Contact Person:	Deputy Auditor of Fiscal Operations
Phone Number:	317-233-9817
Internal Control:	Material Weakness

As reported in prior audits, the State of Indiana does not have an adequate process in place for the compilation of a complete and accurate schedule of federal awards (grant schedule). In addition to reporting federal grant activity in the Single Audit Report, this schedule is used in the calculation of accruals for grants receivable and deferred revenue in the financial statements.

The State's process for compiling the grant schedule has required each agency that receives federal financial assistance to prepare a schedule that reflects fiscal year grant activity. This schedule includes beginning cash balance, federal receipts, program expenditures, ending cash balance, and funds passed through to subrecipients, for each grant award. The state implemented a new accounting system during the current year and business processes were designed that were to allow for a statewide grant schedule to be produced from the grant records maintained in the projects module. However, it was determined that agencies did not consistently follow the business processes designed for grant accounting in the projects module and, therefore, a reliable grant schedule could not be produced out of ENCOMPASS. As such, agencies were directed to again individually compile grant schedules and submit them for compilation into a statewide schedule. During the current audit, we again found various errors in the agency-prepared grant schedules. These errors if left uncorrected would have resulted in the material misstatement of the accruals for grants receivable and deferred revenue in the financial statements as well as incorrect grant schedule reporting. These errors are the result of this largely manual process that continues to exist for the preparation of the schedules by agencies. Additionally, internal controls are not in place to provide a centralized review of the agency prepared schedules nor is there a centralized compilation of the various schedules into a comprehensive schedule for the State.

Adequate grant schedule reporting should be prepared to ensure that grant related activities are properly presented in the State's financial statements in accordance with standards issued by the Governmental Accounting Standards Board.

OMB Circular A-133 requires a recipient of federal awards to prepare appropriate financial statements, including the schedule of expenditure of federal awards.

Each agency, department, institution or office is responsible for compliance with applicable statutes, regulations, contract provisions, state policies, and federal requirements. Compliance is required, as applicable, with generally accepted accounting principles, and standards issued by the Governmental Accounting Standards Board, Financial Accounting Standards Board, and other standard setting bodies. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview)

Status of Finding as of March 2011:

The current process of each state agency compiling their own Schedule of Federal Financial Assistance (SFFA) from reports on ENCOMPASS and supporting internal agency will continue to be necessary for the fiscal year ended June 30, 2011. The OMB/SBA, GMIS, and AOS have undertaken a major project to standardize and clean up the data in the PeopleSoft module that is

used to produce the SFFA as one of the priorities for FY11, with the ultimate goal of producing the SFFA from ENCOMPASS, but until all state agencies are fully and correctly using this module, the existing process of each state agency preparing and providing their own SFFA will remain. The current process remains necessary because the SFFA prepared and provided by each state agency serves a dual purpose of providing the report required by OMB Circular A-133 and the accruals for grants receivable and deferred revenue in the State's CAFR and, as such, additional data is included that is needed for the grants receivable and deferred revenue accruals, but that is not required for the SFFA in the OMB A-133 Single Audit Report.

The SBA, SBOA, and Indiana Office of Technology (GMIS division) meet on a weekly basis to review state agencies' progress on cleaning up data in the PeopleSoft projects module. In addition, SBA is currently testing the A-133 report generated from PeopleSoft. Finally, the SBA has taken over responsibility for creating funding sources to ensure that grant awards reflect appropriations for federal funds created in PeopleSoft.

During FY 2010, state agencies developed written procedures for preparing their annual SFFA. In addition, state agencies were required to provide a certification with their SFFA for the fiscal year ended June 30, 2010 that it was complete and accurate.

The AOS and OMB/SBA will continue to stress the importance to state agencies of preparing and providing a complete, accurate and timely SFFA to the SBOA, AOS, and OMB/SBA.

FINDING 2008 - CAFR-1, CONSTRUCTION IN PROGRESS

Auditee Contact Person:	Steve Daniels
Title of Contact Person:	Deputy Auditor of Fiscal Operations
Phone Number:	317-233-9817
Internal Control:	Material Weakness

The Indiana Department of Administration (IDOA) and the Indiana Department of Transportation (INDOT) maintain databases of the State's construction in progress (CIP) activity. Procedures in place to report to the Auditor's office the activity and balances at year end were not adequate to ensure that construction in progress balances reported for external financial reporting were accurate. Our testing of INDOT construction in progress balances disclosed right of way projects that were completed but were not properly capitalized. Additionally, our testing of IDOA projects disclosed ongoing maintenance projects that were improperly capitalized. These errors resulted in a prior period adjustment to restate beginning CIP balances for IDOA and a recalculation of CIP balances for both IDOA and INDOT at year end for external financial reporting.

The Governmental Accounting Standards Board requires the capitalization of a government's capital assets in the period in which they are acquired or constructed.

Each agency, department, institution or office is responsible for compliance with applicable statutes, regulations, contract provisions, state policies, and federal requirements. Compliance is required, as applicable, with generally accepted accounting principles, and standards issued by the Governmental Accounting Standards Board, Financial Accounting Standards Board, and other standard setting bodies. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview)

Status of Finding as of March 2011:

AOS, Office of Management and Budget (OMB), and State Budget Agency (SBA) staff will continue to meet and work with the IDOA and INDOT staff to ensure that they have the proper procedures in place for accurately and timely reporting of the activity and balances for CIP at fiscal year end. AOS, OMB, and SBA will engage both IDOA and INDOT in advance of fiscal year end, and will review the databases and reports for errors.

FINDING 2008 - CAFR-5, MEDICAID

Auditee Contact Person:	Steve Daniels
Title of Contact Person:	Deputy Auditor of Fiscal Operations
Phone Number:	317-233-9817
Internal Control:	Material Weakness

As reported in the 2008 audit, adequate procedures were not in place to properly report the Medicaid Assistance Fund transactions made by the Medicaid fiscal agent for proper external financial reporting. The State accounting records post only the net disbursement issued to fund the Medicaid checking account. In fiscal years 2009 and 2010, adjusting entries were submitted by FSSA for external financial reporting to properly recognize accounts receivable, accounts payable, and quality assessment fees. During our current audit, we found that the adjustments for accounts receivable and for drug rebates receivable were misstated. Accounts receivable was understated and omitted the balance held in the Medicaid Medicare Part D account, which resulted from the 2010 federal ARRA applied to states Medicare cost calculations. The drug rebates receivable was also misstated. The rebate contractor no longer maintains account receivables as those are reliant upon federal invoice rates, which have not been supplied as being recalculated per the US Health Care Reform Act of 2010. Collections made subsequent to fiscal year end were ultimately used by FSSA to record the receivables.

The financial statement assertions of accuracy and proper classification were materially affected by several errors detected within the underlying source transactions for the Medicaid fund. These overstated the revenues and expenses of the Medicaid fund, but understated the

revenue of the ARRA fund, and understated the expenses of the Children's Health Insurance fund and the Indiana Check Up Trust fund. We also found an error that overstated the revenues and expenses of the ARRA fund, which in turn caused an overstatement to Medicaid grant revenue claimed. These errors were communicated and adjustments were made to the financial statement compilations. However, adjustments remain necessary to the accounting system.

Additionally, it was found that in the financial statement compilation process, the accrual reversal of the 2009 amounts inadvertently included the revenue and expense classification adjustment. Prior to audit detection and correction, this error caused the service fee income and welfare expenses to be understated by $110 million.

Adequate procedures should be in place to ensure accruals and other adjustments needed to fairly state Medicaid Assistance Fund activity and balances for external financial reporting in accordance with standards issued by the Governmental Accounting Standards Board. Risk assessment should be applied to the understanding of the environment and transaction source changes in order to ensure complete and accurate financial statements. In addition, the final

balance sheet amounts expected should be used comparatively in order to detect possible errors in compilations.

Each agency, department, institution or office is responsible for compliance with applicable statutes, regulations, contract provisions, state policies, and federal requirements. Compliance is required, as applicable, with generally accepted accounting principles, and standards issued by the Governmental Accounting Standards Board, Financial Accounting Standards Board, and other standard setting bodies. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview)

Status of Finding as of March 2011:

AOS and OMB/SBA staff along with the assistance of the SBOA will continue to work with the Office of Medicaid Policy and Planning (OMPP) staff to improve upon the continued progress that they made with the submittal of their accruals and adjusting entries in 2010. OMPP staff will be reminded that their accruals and adjusting entries provided to the AOS for external financial reporting should be complete and accurate and consider any possible changes to accruals and adjustments provided in the prior year and possible new accruals and adjustments that may be needed in the current year.

OMPP established a consistent methodology for recognizing the full accrual liability for the Medicaid fund in 2010 as recommended by the SBOA in the prior year.

The Medicaid errors discovered by the SBOA are in the process of being verified by the Controller of the Office of Medicaid Policy and Planning. Adjustments to correct these errors will be made in ENCOMPASS by April 29, 2011.

AOS staff made improvements to its financial statement compilation process in 2010 by instituting a documented review of the accruals and adjustments that are entered in the spreadsheet files that result in the governmental funds' financial statements. After an accrual or adjustment is entered and reviewed by one person, a second person reviews the entry and if deemed correct, then the sheet in the file is changed from yellow to green. AOS staff will explore making additional improvements to its review process so that we may detect an inadvertent error such as that noted in this finding.

FINDING 2009 - CAFR-1, UNEMPLOYMENT INSURANCE

Auditee Contact Person:	Steve Daniels
Title of Contact Person:	Deputy Auditor of Fiscal Operations
Phone Number:	317-233-9817
Internal Control:	Material Weakness

The Indiana Department of Workforce Development (IDWD) is responsible for the collection of unemployment taxes and the payment of unemployment benefits. When the tax is collected by IDWD from an Indiana employer, IDWD receipts the monies into the state's records and then transfers the funds to the US Department of the Treasury. The US Department of the Treasury maintains the funds in a Trust Fund. When an individual is eligible to receive unemployment compensation, IDWD must draw down the funds from the US Department of the Treasury to pay those claims. These funds are drawn down on a daily basis. In February 2007, IDWD no longer issued checks to claimants, but began issuing the unemployment compensation via a debit card.

At that same time, IDWD ceased reporting the draw downs and the payment of unemployment benefits in the Auditor of State's records. Additionally, in September 2009, IDWD began recording the receipt of unemployment tax from Indiana employers and the distribution of the funds to the US Department of the Treasury as a net amount. The Unemployment Compensation Fund is the responsibility of the State of Indiana and is reported in the State's Comprehensive Annual Financial Report (CAFR) as a proprietary fund. However, since IDWD does not record the draw downs from the US Department of the Treasury and expenditures for the unemployment benefits, the State must make large adjustments in order to fairly present the Unemployment Compensation Fund within the CAFR. IDWD did not receive approval from either the Auditor of State or Budget Agency to cease reporting these monies within the Auditor of State's records.

Adequate procedures should be in place to ensure accruals and other adjustments needed to fairly state Unemployment Insurance Fund activity and balances for external financial reporting in accordance with standards issued by the Governmental Accounting Standards Board.

System controls are in effect on the ENCOMPASS financial accounting system, which is the official book of record for the State; however, each agency is responsible for controls in any subsidiary systems used or other records maintained. At all times, the agency's manual and subsidiary ledgers should reconcile with ENCOMPASS. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview)

The state accounting system includes features of standardized source documents, uniform transaction identification and classification codes, uniform report formats, an account structure with summarization of activity for business units and funds, and centralized control for revenue deposits and warrant issuance. This structure is designed to identify, analyze, classify, record, and report the State of Indiana financial transactions and to maintain accountability of the related assets and liabilities. This account structure provides for the preparation of the Indiana Comprehensive Annual Financial Report (CAFR) in conformity with generally accepted accounting principles, as prescribed by Governmental Accounting Standards Board (GASB) pronouncements. The GASB is the authoritative accounting and financial reporting standard setting body for governmental entities throughout the United States. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview)

Status of Finding as of March 2011:

AOS, OMB, and the SBA concur that the unemployment draws from the U.S. Department of the Treasury and the payment of unemployment benefits must be reported in ENCOMPASS. We also agree that the Department of Workforce Development (DWD) should provide for separate reporting of the unemployment tax from Indiana employers and the transfer of funds to the U.S. Department of Treasury rather than recording a net amount. Prior to February 2007, DWD recorded these unemployment Compensation Fund transactions in the State's accounting system.

DWD continues to work on re-establishing the reporting of this unemployment financial activity in the State's accounting system. The new target date for DWD to report this activity on the State's accounting system is July 1, 2011.

If you have any questions or require further information, please contact Steve Daniels, Deputy Auditor of Fiscal Operations, at 233-9817 or via email at sdaniels@auditor.in.gov.

Sincerely,

Tim Berry
Auditor of State
State of Indiana

Chris Ruhl
Director
Office of Management and Budget

"People helping people help themselves"

Mitchell E. Daniels, Jr., Governor
State of Indiana

Indiana Family and Social Services Administration
402 W. WASHINGTON STREET, P.O. BOX 7083
INDIANAPOLIS, IN 46207-7083

Anne Waltermann Murphy, Secretary

March 21, 2011

Bruce Hartman, SBOA State Examiner
Indiana State Board of Accounts
200 W. Washington St. Rm. 212 State House
Indianapolis, IN 46204

Dear Mr. Hartman:

Thank you for your work in preparing the SFY 2010 A-133 Audit report and for closing thirteen of the Prior Year Findings.

The following are our responses for the new findings:

1. Finding 2010-FSSA-1: SAPT-Activities Allowed or Unallowed

   FSSA Response:

   FSSA agrees with this finding and will institute an internal control procedure that ensures each and every scorecard is thoroughly reviewed by at least one person who has not been involved in producing the scorecards. We will also institute an internal control procedure to ensure that the percentages reported are verified by a second person before they are sent for payment processing.

2. Finding 2010-FSSA -2: SAPT-Subrecipient Monitoring, Notification

   FSSA Response:

   FSSA does not agree with this finding. FSSA recognizes the need to include the CFDA number on the individual provider contracts; however, OMB Circular A-133 Section 4(d)(1) states: "Identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, ... When some of this information is not available, the pass-through entity shall provide the best information available to describe the Federal award." Each year, the SAPT subrecipients receive such notification via an email, which includes the CFDA number and title and the amount of federal dollars passed to them.

3. Finding 2010-FSSA-3: TANF – Subrecipient Monitoring

FSSA Response:

FSSA agrees with the finding. FSSA will perform annual audits of sub-recipient internal controls, eligibility processes and procedures to ensure that funds are expended according to the federal and state regulations and policies. All MOUs will reference the federal regulations to ensure there is a standard understanding of allowable expenditures. Also, a follow-up email will be sent to the program and financial contacts for each sub-recipient relationship with detailed instructions on supporting document that should be maintain for eligibility determination and federal reporting and draws.

4. Finding 2010-FSSA-4: ADP Review Not Performed

FSSA Response:

HP engaged Clifton and Gunderson in September 2010 to perform a SAS 70 audit for the period covering CY 2010 to meet RFP requirement 5.1.6.61. The control objects addressed in the audit are noted below. HP and Clifton Gunderson finalized the report and provided a detailed summary of the report to the state in March 2011. The report showed HP was operating with sufficient effectiveness to provide reasonable assurance that the control objectives listed below were achieved during this period.

Control Objectives

1. Segregation of Duties
2. Protection of PHI
3. Computer Operations
4. Reporting
5. Data Backup
6. MMIS System Software Implementation and Change
7. Logical Access
8. Physical Environment
9. Operating Systems Supporting MMIS Application and Change
10. Paper Claims
11. Electronic Claims
12. Claims Processing
13. Claims Payment
14. Financial Transactions
15. HIPAA Compliance
16. Provider Enrollment
17. Third Party Liability
18. MCO Data Exchanges

FSSA considers this finding resolve.

5. Finding 2010-FSSA-5: Error in Reprocessed Eligibility Cost

FSSA Response:

CHIP and Medicaid expenditures were adjusted on the CMS-64. The adjustment on the CMS-64 was not completely recorded in the State's accounting system. The entry is to be researched by

accounting to determine if any federal draw adjustments are needed. No changes to the CMS-64 are required.

As a preventative and detective control, OMPP conducts an annual review of the criteria for CHIP enrollment classifications.
FSSA will review and update current policies and procedures to ensure proper and consistent accounting treatment of reclassifications.

6. Finding 2010-FSSA-6: Accounting for Special Hospital Payments

FSSA Response:

A refund of prior year payments was received and recorded as revenue instead of a reduction to expends in the State's accounting system. Medicaid expenditures were reduced properly on the CMS-64. The refunds will be researched to determine if any federal draw adjustments are needed. No changes to the CMS-64 are required.

Procedures for refunds and Inter-governmental payments have been put in place to ensure segregation of duties and proper accounting treatment of funds. FSSA will also review similar accounting entries to ensure accuracy of accounting treatment.

7. Finding 2010-FSSA-7: Federal Expends for CHIP Overstated

FSSA Response:

CHIP and Medicaid claim expenditures are reported on the CMS-64 from reports provided by the fiscal agent. Separate reports are used to record the expenditures in the State's accounting system. Account will research to determine if any federal draw adjustments are needed. No changes to the CMS-64 are required.

Procedures have been developed for project reconciliations and two levels of supervisory review have been put in place.

8. Finding 2010-FSSA-8: Drug Rebate Balance Held

FSSA Response:

Drug rebate funds are received in a lockbox for the contractor Indiana's drug rebate program. Rebates received are dispositioned to invoices then transferred to the Medicaid checking account where receipts offset Medicaid claim expenditures.

FSSA Internal Audit will review procedures of the drug rebate vendor to ensure funds are being properly recorded.

9. Finding 2010-FSSA-9: Medicaid Project Accounting Errors

FSSA Response:

Medicaid claim expenditures are reported on the CMS-64 from reports provided by the fiscal agent. The CMS-64 system calculates federal share and ARRA share from the reported categories of service. As a new state accounting system was implemented during SFY 2010, new procedures for calculating federal expenditures from the accounting system were developed and rolled out during SFY 2010.

Accounting will research to determine if any federal draw adjustments are needed. No changes to the CMS-64 are required.

FSSA has developed procedures to describe the accounting for each type of transaction affecting Medicaid expenditures within the state's accounting system.

10. Finding 2010-FSSA-10: Expense Overstatements

FSSA Response:

Medicaid claim expenditures are reported on the CMS-64 from reports provided by the fiscal agent. The CMS-64 system calculates federal share and ARRA share from the reported categories of service. As a new state accounting system was implemented during SFY 2010, new procedures for calculating federal expenditures including the ARRA share from the accounting system were developed and rolled out during SFY 2010.

Accounting will research to determine if any federal draw adjustments are needed. No changes to the CMS-64 are required.

FSSA has developed procedures to describe the accounting for each type of transaction affecting Medicaid expenditures within the state's accounting system.

11. Finding 2010-FSSA-11: Monitoring of Claim Processing

FSSA Response:

An OMPP staff member currently reviews a sample of claims bi-weekly to determine accuracy of payment processing.
OMPP is in contract amendment discussions with its OV&V vendor to develop and execute the quality control function discussed in the audit finding. The organization has the skills and the experience necessary to conduct this program. Funding must be secured and a contract amendment must be executed before the program can be implemented.

12. Finding 2010-FSSA-12: Cash Management

FSSA Response:

As a new state accounting system was implemented during SFY 2010, new procedures for calculating federal expenditures from the accounting system were developed and rolled out during SFY 2010. As noted in the finding, most adjustments to correct conversion errors were made by the end of SFY 2010. The grant project reconciliations for SFY 2011 show all transactions and include reconciliations of federal expenditures to grant revenue.

Procedures have been developed for project reconciliations with supervisory review. Federal fund requests are reduced by any cash on hand from any other grant within the same Payment Identification Number.

13. Finding 2010-FSSA-13: Schedule of Federal Financial Assistance – Reporting Errors

FSSA Response:

FSSA does not agree with the finding. The recommendation in the original finding, 2005-FSSA-5, stated "We recommended that FSSA develop formal written procedures in preparing the Schedule of Federal Financial Assistance and institute a thorough review process of the schedule to ensure accurate, current and complete disclosure of the financial results." FSSA developed and followed written procedures to produce the SFY 2010 Schedule of Federal Financial Assistance (SFFA), and instituted a review process to ensure the accuracy of the schedule at the time of its preparation. FSSA has requested detail of the amount in question cited in the finding. FSSA is agreeable to updating the SFFA to include the items noted once the information is received and reviewed.

If you have any questions or comments, please feel free to contact us.

Regards,

Paul Bowling
Chief Financial Officer

Mitchell E. Daniels, Jr., Governor
James W. Payne, Director

Indiana Department of Child Services
Room W392 - MS03
402 W. Washington Street
Indianapolis, Indiana 46204-2739

317-232-4705
FAX: 317-232-4490

www.in.gov/dcs

Child Abuse and Neglect Hotline: 800-800-5556

March 24, 2011

Bruce Hartman, State Examiner
State Board of Accounts
302 W. Washington St., E418
Indianapolis, IN 46204

Dear Mr. Hartman,

This letter represents the Department of Child Services' response to the State Board of Accounts A-133 Audit Findings presented to our agency during an Exit Conference held on March 14, 2011. The matters discussed herein were brought to the attention of the appropriate staff. In addition, statuses of proposed corrective action plans are attached.

If you need anything else please let me know.

Sincerely,

Doug Weinberg
Chief Financial Officer
Department of Child Services

Status of Findings as of March 2011

Finding 96 – FSSA (DCS)-33, Fund Balances – Child Support Enforcement Fund Centers

DCS received an audit determination letter dated 2/22/11 from the Federal Office of Child Support Enforcement stating that this audit finding is considered closed. The $34,879,131 identified in the original finding has been accounted for and disbursed to the proper recipients. The amount remaining in this account (around $4,000) is from new payments received designated as restitution. The only reason money is remaining in this account is due to the fact that DCS is using the same account number for the restitution money that was used previously for our old Child Support system (TCAM). The remaining balance in this account does not have anything to do with the original finding regarding the $34,879,131 balance.

DCS believes it is appropriate to consider this finding closed since all money from the original finding has been accounted for and we are in receipt of the audit determination letter from the Federal Office of Child Support that states they consider this finding to be closed.

Finding 99 – FSSA (DCS)-7, ISETS Information Technology Controls

DCS considers only the Security subpart of the overall audit finding to remain unresolved.

Accounting Procedures and Controls - The Child Support Bureau (CSB) has put manual processes in place to balance and reconcile child support receipts and disbursements processed at the State level. This is completed on a daily and monthly basis. Additionally, this reconciliation process prevents any inaccurate tax intercept processing from occurring due to the fact that CSB is verifying the total federal and state tax amounts received against the total amount of tax money posted in ISETS.

CSB has also directed County offices to correct the inaccuracies of sub-account balance, as required by the Cooperative Agreements between CSB and the County offices. CSB continues our ongoing training efforts to make sure that the county offices are maintaining the balances accurately on their cases.

There will never be zero inaccurate balances due to circumstances that are outside of the state's control. However, the counties have performed significant case cleanup on cases, since the issuance of this audit finding. Once the balance has been corrected in ISETS, ISETS automatically calculates the balance correctly on these cases in the future. As issues are brought to the attention of the IV-D office, the staff is trained to make the appropriate corrections.

DCS considers this sub part of the finding to be closed. Additionally, DCS received an audit determination letter dated 2/22/11 from the Federal Office of Child Support Enforcement stating that this audit finding is considered closed.

Cash Receipts Handling – The majority of paper checks received for child support payments are processed by the vendor selected to operate Indiana's State Disbursement Unit (Indiana State Central Collection Unit- INSCCU). Segregation of duties is a standard security and control feature of INSCCU operations. They are staffed so that no individual has responsibility for more than one processing element – accounting transactions, program changes, data entry, etc. – thus reducing risk and decreasing opportunities for processing errors. INSCCU allows access to the different modules based on job-related need and to the physical facility as well by allowing area access to only those whose position requires this access. There are defined roles for each of the managers and their supervisory and operational staff, and these roles do not overlap. INSCCU deposits all checks received into a Treasurer's zero balance account created at Huntington Bank on a daily basis. These checks are sent to the bank by a bonded courier.

The CSB processes a minimum number of child support payments daily. Our Undistributed Collections Unit staff is responsible for posting payments into ISETS and balancing the deposit before it is sent over to the DCS Cash Management for deposit. ISETS does not allow the same person who entered the batch to approve the batch. A different person will reconcile the checks and approve the batch. The checks are then sent over to DCS Cash Management by a CSB mail courier in a locked bag. DCS Cash Management verifies the balance before completing a Report of Collections to send to the Treasurer's office. All checks are deposited within 24 hours.

Any adjustments to payments posted in ISETS are completed by staff in the Adjustment Unit. Staff who post payments are not allowed to create adjustments in ISETS. Additionally, staff that post or adjust payments are not allowed to change addresses in ISETS.

The Child Support Bureau (CSB) has put manual processes in place to ensure cash accounts are properly reconciled. A DCS Cash Management employee conducts daily reconciliation of the deposits between our payment processing vendor (INSCCU), the bank, and ISETS. The staff performs daily reconciliation of the disbursements made from ISETS and monthly reconciliation of ISETS with the Auditor of the State. Any errors are corrected upon discovery.

DCS considers this subpart of the finding to be closed. Additionally, DCS received an audit determination letter dated 2/22/11 from the Federal Office of Child Support Enforcement stating that this audit finding is considered closed.

Security - CSB has created processes to ensure user access to various systems is appropriate and properly monitored. CSB limits user access at the county level based on staff needs. These needs are accessed and the proper profiles are assigned to staff. Supervisors are asked to review user profiles quarterly to validate the need of staff's current profile.

The county (CSA-County Security Administrator) receives a report quarterly of staff to review. Their review will consist of determining if the worker is still employed, as well as a check of users' profile. Any profile changes and/user deletes will be routed to the ISETS help desk. CSA responds back within the 30 days to ISETS to confirm their review.

All State users with active Mainframe IDs are also evaluated on a quarterly basis to delete users who no longer need access to the system. CSB demonstrated that ISETS produces this report quarterly for the counties and CSB supervisors for review and to take action

Corrective Action Plan
DCS (CSB) has developed a procedure to monitor the worker (both state and county) quarterly to determine staff's need to retain access. Reports are received from IOT and ISETS to review State mainframe user IDs. Any user (state and county) who has not logged on to the mainframe in the last 90 days is reviewed to determine their continued need for the access. IOT deletes IDs from the mainframe who have not logged in shortly after receipt of the report. Annually the State user's profiles are reviewed to determine if their ISETS profile is still at the appropriate level. Also our practice is to review profiles if and when job duties change. The annual review will be another reminder to security staff to monitor.

DCS considers this finding to be the only subpart of the overall audit finding to remain unresolved.

Child Support Data Supplied to the Welfare System – Transfer of referenced child support data to the welfare system was corrected in August 2005. The disbursement date is now used to pass data back to ICES, and this data is now displayed on the DECB screen in the system for the case. Considered closed. (CSB demonstrated on 2/7/11 that the interface between ISETS and ICES is providing accurate information.)

DCS considers this subpart of finding to be resolved.

Verification of Social Security Numbers – A verification process for SSNs with the Social Security Administration was completed in December 2000. On an automated basis, all child support participants are submitted for SSN verification to SSA. When ISETS receives the verification from SSA, the SSN is automatically coded in ISETS as VSSA (verified SSA). Considered closed. (CSB demonstrated on 2/7/11 that ISETS reflects SSNS verified by SSA. This is updated and verified daily by the Federal Case Registry (FCR) interface with OCSE.)

DCS considers this subpart of finding to be resolved.

Finding 2000-FSSA (DCS)-1, Lack of Improper and Supporting Documentation

Effective January 1, 2009, the Central Eligibility Unit (CEU) became responsible for determining if a child is eligible for a Title IV-E adoption subsidy or the State's new subsidy program. A form with the results of the final eligibility determination is forwarded by CEU to the Family Case Manager (FCM) who discusses the findings with the adoptive family. If

the family is eligible for a subsidy, CEU completes the appropriate adoption assistance agreement (IV-E or State) and also sends this agreement with the final eligibility determination to the FCM. Upon negotiation of the adoption subsidy, the adoptive parents sign the agreement prior to adoption finalization. Upon finalization the signed agreement and adoption decree are returned to CEU. CEU then maintains files on these new adoption cases that contain the adoption agreement, copies of the adoption decree, and other relevant information to begin new adoption subsidies.

Corrective Action Plan
CEU procedures for adoption assistance have been developed which outline the steps described above in detail. An interim policy and new forms were published on the DCS Website in December, 2008. Updates were also published in September 2009. New processes were outlined and a Computer Assisted Training (CAT) program was developed. An updated CAT and a new Adoption Assistance Desk Guide were issued in March 2010. DCS considers this finding closed for cases initiated after the Centralization of Adoption Eligibility functions resulting from HB1001 in 2009.

Finding 2000-FSSA (DCS) –2, Overpayment of Adoption Assistance Subsidies

The Central Eligibility Unit (CEU) now initiates new adoption subsidy payments in DCS' KidTraks financial system upon finalization of adoptions. CEU ensures that the subsidy agreement does not reflect amounts in excess of the standard foster care per diem. Payment to the adoptive parent cannot be reduced unless: all parties are in agreement through an amendment to the subsidy; or subsidies are automatically increased or decreased proportionately to any across the board increase or decrease in the standard foster care per diem. Any manual adjustments made to the adoption subsidy are entered into KidTraks. KidTraks has reporting features to facilitate detection of payments in excess of limitations for review and further approval.

Corrective Action Plan
CEU procedures for adoption assistance have been developed which outline the steps described above in detail. An interim policy and new forms were published on the DCS Website in December, 2008. Updates were also published in September 2009. New processes were outlined and a Computer Assisted Training (CAT) program was developed. An updated CAT and a new Adoption Assistance Desk Guide were issued in March 2010. "DCS expects to promulgate administrative rules governing the Indiana Adoption Program, which will include both the federal adoption subsidy program and the state adoption subsidy program, during the state fiscal year beginning July 1, 2011. DCS considers this finding closed for cases initiated after the Centralization of Adoption Eligibility functions resulting from HB1001 in 2009.

Finding 2000-FSSA (DCS)-3, Foster Care Provider Licensure

Toward the end of every quarter, Central Office Licensing develops a letter and a report of homes that have a license that will expire. This letter provides guidance to the workers who

license the homes listed on the report. This is a reminder to workers to begin or complete the licensing renewal process prior to the expiration of the license. If the licensing renewal process cannot be completed prior to the expiration of the license, guidance is given to the worker to assure that an application for renewal has been submitted prior to the expiration so that the license can remain in full force until disposition of the application. DCS recommends closure of this finding.

Finding 2000-FSSA (DCS)-5, Child Support Enforcement Program Federal

DCS received a audit determination letter dated 2/22/11 from the Federal Office of Child Support Enforcement stating that this audit finding is considered closed. DCS Financial Management reconciles ISETS transactions (collections and disbursements of child support funds) to balances on the State's accounting system. This manual reconciliation occurs on a daily and monthly basis.

DCS believes it is appropriate to consider this finding now closed because the manual reconciliation meets the requirements of 45 CFR 74.21 and we are in receipt of the audit determination letter from the Federal Office of Child Support Enforcement that states they consider this finding to be closed.

Finding 2003-FSSA (DCS)-1, Foster Care Payments

Beginning January 1, 2009 DCS began processing foster care claims through the new KidTraks financial system. The KidTraks system has a reporting tool that reviews payments from each month. Parameters are in place in KidTraks to identify and prevent duplicate payments. The foster parent must submit a monthly invoice in order to be paid. Effective spring of 2010, central office fiscal staff review invoices and approve for payment if appropriate documentation exists. This process had been previously performed by county bookkeepers. Once approved the payment is made via KidTraks. There are parameters established in KidTraks to ensure proper coding so that expenditures are reimbursed from the appropriate programs. Effective July 2010 ICWIS is sending the KidTraks financial system the child's eligibility. KidTraks then determines funding source for payments on behalf of a child based on her/his eligibility status transmitted from ICWIS. This in turn ensures appropriate federal reimbursement and reporting. Corrective action described above has been implemented and DCS recommends closure of this finding.

Finding 2005-FSSA (DCS)-4, PSC 272 Quarterly Reports

DCS continues to refine its procedures and fully compliance with the recently implemented financial system of the state, Encompass. We, as are all Federal funded Agencies, are completing an extensive system cleanup effort to align transactions correctly with Grant Project parameters to activate fully the reporting and validation tools of Encompass to allow for the creation of the annual A-133 Schedule of Federal Financial Assistance and all Quarterly PSC 425 (formerly 272) Reports. We agree that this finding remains open.

Corrective Action Plan
DCS anticipates being fully compliant with the Encompass directives for the use of the Projects Module before the end of the current State Fiscal Year. At that time Reporting tools from the State Financial System for Federal Grant Management will be used for the preparation of Quarterly and Annual reporting needs. DCS will be coordinating validation tasks with the State Budget Agency and Encompass staff to ensure that accurate and auditable data is produced and maintained in the Office State System.

Finding 2005-FSSA (DCS)-5, Schedule of Federal Financial Assistance – Reporting Errors

DCS continues to refine its procedures and fully compliance with the recently implemented financial system of the state, Encompass. We, as are all Federal funded Agencies, are completing an extensive system cleanup effort to align transactions correctly with Grant Project parameters to activate fully the reporting and validation tools of Encompass to allow for the creation of the annual A-133 Schedule of Federal Financial Assistance and all Quarterly PSC 425 (formerly 272) Reports. DCS agrees that this finding remains open.

Corrective Action Plan
DCS will engage the assistance of the Indiana Budget Agency and the Encompass technical resources to complete all corrections to the system configuration of Encompass to allow for the generation of accurate Federal Award tracking and reporting. We anticipate this to be completed before the Indiana State Fiscal Year end close of June 30th. At that time Reporting tools from the State Financial System for Federal Grant Management will be used for the preparation of Quarterly and Annual reporting needs. DCS will develop and place on file with State Board of Accounts documentation of the processes and actions that will be taken to produce the Schedule of Federal Financial Assistance following the validation effort with Encompass.

Finding 2009-DCS-1, Sub recipient Monitoring

DCS agrees that this finding remains open.

Corrective Action Plan
The DCS Child Support Bureau (CSB) has taken the following steps to address this audit finding:

1) Hired two Field Auditors in September 2010 to monitor the Indiana county entities who receive federal IV-D funds.

2) Instituted a "Quarterly Incentive Expenditure Report for Title IV-D" (State Form 52528) that county entities must file on a quarterly basis. If no incentive funds are expended in the quarter, counties are still required to submit the form. Nine training sessions for the counties on this form and other information relative to the appropriate expenditure of Title IV-D funds were held in November and December

of 2010 and February of 2011. Ongoing training is being developed but not yet completed.

3) Informed County Auditors via memorandum on 2/15/11 that each county must provide a cutover balance as of 12/31/10 for the regular incentives and the ARRA incentives for the three separate county entities: prosecuting attorneys, circuit court clerks, and the county general fund.

4) Instituted a "Quarterly Incentive Balance Form (State Form number pending) that county Auditors will file quarterly on an ongoing basis.

5) Using the forms noted in items 2, 3 and 4 above, DCS will perform a reconciliation of each county's incentive funds at least annually.

6) Proposed a change to IC 31-25-4-23 in the 2011 session of the Indiana General Assembly that clarifies that Title IV-D incentive monies for county general purposes must be placed in a separate, non-reverting fund.

7) Developing a DCS/CSB Monitoring Manual which will serve as the governance manual for the staff responsible for monitoring the activities of sub recipients as necessary to ensure that federal awards are used for authorized purposes. The Manual includes role definitions, technical assistance, and monitoring processes and procedures, templates, forms, and tracking tools which support the established processes and procedures. This Manual is scheduled to be completed by the end of May 2011.

Finding 2010-DCS-1, Sub recipient Monitoring

DCS understands however does not concur with this finding as the entity receiving the Federal Funding identified in this area of the audit performed is a peer State Agency. However in light of the position taken by State Board of Accounts, we will be pursuing stronger language in our Memorandum of Understanding (MOU) documentation that establishes our relationship with State Agencies that are apportioned any funding which originates from Federal Awards in the name of DCS. DCS agrees that this finding remains open

Corrective Action Plan
DCS will include language to all MOU documents that specifies the need to provide for spot audits of their expenses and systems where Federal Funding is managed. DCS has begun efforts to employee Compliance Audit staff for the purposes of measuring Vendor records for services rendered and will extend that staff to also perform Subgrantee reviews for ensuring eligibility of claimed expenses.

Finding 2010-DCS-2, Cash Management Documentation Procedures

DCS agrees that this finding remains open.

Corrective Action Plan

DCS will coordinate with the State Treasurer's Office a process for establishing a Cash Clearance Pattern (CCP) utilizing the data currently available with the State's Official Financial system, Encompass. As most all payments are made by the State of Indiana in the form of electronic transfers of funds (ACH) or focus will be only those payments processed in the form of a State Warrant (check) to document clearance patterns.

Finding 2010-DCS-3, Special Tests and Provisions, R3

DCS agrees that this finding remains open.

Corrective Action Plan
DCS has modified the Remittance Notice provided to the County Offices who are paid with Title IV-D ARRA funds to include the CFDA number, Grant Award period and the indicator that it is ARRA funding. Similar modifications will be made to other remittance notifications for these recipients on or before the final payments issued in State Fiscal Year 2011. DCS has incorporated the CFDA number to all Cooperative Agreements issued by Child Support Bureau.

Finding 2010-DCS-4, Sub recipient Monitoring

DCS agrees that this finding remains open.

Corrective Action Plan
The DCS CSB Field Auditors will be responsible for reviewing the applicable A-133 audits of sub recipients in order to verify that timely and appropriate corrective action concerning any findings from those audits have been completed by the applicable sub recipient. This will be accomplished by reviewing the county A-133 audit findings posted on the SBOA website and following up with the specific county.

Finding 2010-DCS-5, SSBG – Questioned Costs

DCS agrees that this finding remains open.

Corrective Action Plan
DCS is constructing communications to the entities that received SSBG Supplemental Disaster Funds for additional data to assess more thoroughly the eligibility of the claimed expenses in compliance with the terms of the Federal Award. Where necessary recovery actions will be taken to secure the return of any payments made for ineligible costs. For the payees that claimed expenses that are construction related instruction for complying with necessary NFI filings will be provided.

Finding 2010-DCS 6, Overdrawn Federal Funds

The KidTraks system does link individual claim payments to the respective federal draws. Applicable federal draws were adjusted to appropriate levels within the SFY 2010 audit period. DCS has implemented system controls to ensure that amounts federally claimed do not exceed amounts paid. Effective July 2010 ICWIS is sending the KidTraks financial system the child's eligibility. KidTraks then determines funding source for payments on behalf of a child based on her/his eligibility status transmitted from ICWIS. This in turn ensures appropriate federal reimbursement and reporting. Given that the corrective action described above has been implemented, DCS recommends closure of this finding.

Finding 2010-DCS 7, SSBG Period of Availability

DCS agrees that this finding remains open.

Corrective Action Plan

DCS has issued notice to the identified Sub recipient to have expenses for services prior to the start of the Federal Award of SSBG 2010 corrected to disassociate these from the SSBG 2010 Grant Project in Encompass. DCS will alter our records of claimed expenses to remove these transactions and will act to either recover these funds or reduce future claims by the recipient.

DCS will expand educational efforts to all Finance and other involved staff on the regulations and roles associated with administering Federal Grant Awards and Subgrantee monitoring to ensure that funding availability and eligibility of expense policies of all Federal Awards made to Indiana Department of Child Services meet compliance expectations.

MITCHELL E. DANIELS, Jr., Governor
STATE OF INDIANA
DEPARTMENT OF HOMELAND SECURITY Joseph E. Wainscott, Jr. EXECUTIVE DIRECTOR

Indiana Government Center South
302 West Washington Street
Indianapolis, IN 46204
317-232-3980

March 16, 2010

Bruce Hartman
State Examiner
Indiana State Board of Accounts,
302 W. Washington St. Room E418
Indianapolis, IN 46204-2765

Re: OFFICIAL RESPONSE: Audit of IDHS Homeland Security Grant Program FY10

Dear Mr. Hartman,

This letter is in response to the findings in the audit of US DHS Homeland Security Grant Programs, July 1, 2009 to June 30, 2010.

Finding 2010 - IDHS-1, references duplicate payments issued to temporary services during the implementation of the GuideSoft/Knowledge Services MSP. At the time of the audit, $11,545.41 in duplicate payments had been refunded to DHS. DHS has now received the remaining refunds of $6,997.42.

To address the duplicate payment finding, DHS procurement staff now ensures that all invoices are processed against a receipt generated from the PO. This will prevent duplicate payments. Invoices for the same service period will not be processed.

Thank you for the assistance of the State Board of Accounts audit team in connection with these issues. We are grateful for your assistance in helping IDHS to bring these areas into compliance with the Code of Federal Regulations and with State accounting standards.

Please feel free to call me at 234-7008 should you have any questions or continuing concerns.

Sincerely,

Myra Y. Ross
Chief Financial Officer
Indiana Department of Homeland Security

cc: Nancy Stevens
Rhonda Evans Barnsbee
Tami Bastow
Rachel Meyer

An Equal Opportunity Employer

File: R\fiscal/Crowe/Letter MYR to D Heilman (2010 Audit Response)

OFFICE OF THE LT. GOVERNOR
One North Capitol, Suite 600
INDIANAPOLIS, INDIANA 46204

REBECCA S. SKILLMAN
LT. GOVERNOR

March 1, 2011

Mr. Bruce Hartman, State Examiner
Indiana State Board of Accounts
302 W Washington St, Rm E418
Indianapolis, IN 46204

Dear Mr. Hartman:

This letter is in response to the finding in the A-133 audit of the Community Development Block Grant (CDBG) program for the period July 1, 2009 to June 30, 2010.

FINDING 2010 - LT GOV - 1, SPECIAL TESTS AND PROVISIONS

Federal Agency:	U.S, Housing and Urban Development
Federal Program:	Community Development Block Grant (CDBG) Cluster
CFDA Number:	14.228 and 14.255
Auditee Contact Person:	Kyleen Welling
Title of Contact Person:	Chief Operating Officer and General Counsel Lt. Governor's Office of Community and Rural Affairs
Phone Number:	317-232-8831
Compliance Requirement:	Special Tests and Provisions, R3
Internal Control:	Significant Deficiency

During our audit of the Lieutenant Governor's Office of Community and Rural Affairs (OCRA) CDBG Cluster, we found that, although they did separately identify the Federal award number and CFDA number to their subrecipients at the time of subaward, they did not separately identify the Federal award number and CFDA number at the time of disbursement of funds to the CDBG subrecipients who received American Recovery and Reinvestment Act (ARRA) funds. This is a significant control deficiency in the internal control design and operation.

Until June 23, 2010, there was no state guidance issued on how to inform ARRA subrecipients of the federal award and CFDA numbers. OCRA could not provide documentation for audit which indicated that subrecipients had been notified at the time of each disbursement. OCRA accounting staff became aware of the new guidance when we forwarded the State Budget Agency's memo to them during our current audit.

2 CFR 176.210(c) states, "Recipients agree to separately identify to each subrecipient, and document at the time of subaward and at the time of disbursement of funds, the Federal award number, CFDA number, and amount of Recovery Act funds."

We recommended that OCRA identify the Federal award and CFDA numbers to each CDBG ARRA recipient at the time of each disbursement of funds. Such communication should be done through the State's Encompass Accounts Payable ACH Payment Method box in accordance with the State Budget Agency's June 23, 2010, memo.

Corrective Action Plan for Finding 2010-1

The State Budget Agency's memo from June 23, 2010 was distributed to all accounting staff at the time of the State Board of Accounts audit. Staff was instructed to include Federal award number, CFDA number and amount of Recovery Act funds in the Encompass payment method message box. Staff was also instructed to include this information in the same message box for all federal fund payments according the State Accounting Manual 7.3.3. A sampling of accounts payable vouchers is being reviewed for the inclusion of this information by the accounts receivable approver as approvals are being completed, prior to submission to the Auditor of State for disbursement of funds.

While the Encompass system will not allow us to update this information in a completed voucher, all federal fund vouchers from the time of the State Board of Accounts audit will include this information. We believe the action described in this response resolves this finding for the current fiscal year ending June 30, 2011.

Please contact me if you have questions or need further information.

Sincerely,

S. Kyleen Welling

S. Kyleen Welling
COO/General Counsel

STATE OF INDIANA

Mitchell E. Daniels
Governor

STATE BUDGET AGENCY

212 State House
Indianapolis, IN 46204-2796
317-232-5610

Adam M. Horst
Director

March 2, 2011

Mr. Bruce A. Hartman, CPA, State Examiner
State Board of Accounts
302 Washington St., Room E418
Indianapolis, Indiana 46204-2765

Dear Mr. Hartman,

This letter is in response to the findings identified in the audit of the State Fiscal Stabilization Fund for the period July 1, 2009 to June 30, 2010. Please consider this letter the official response for the Indiana State Budget Agency to the audit findings.

In response to the 2010 Audit Finding – ISBA-1, the Budget Agency will implement a policy to ensure subrecipents receive proper notification of their respective CFDA number at both the initial award date and at the time of disbursement. For those subrecipients who have contracts in place, the Budget Agency will notify those subrecipents of the respective CFDA number. With regard to including the CFDA number within the ACH payment Method Box, we have already notified the person primarily responsible for all our disbursements and their direct supervisor to ensure the requirement is satisfied.

In response to the 2010 Audit Finding – ISBA-2, the Budget Agency submitted a corrected Schedule of Federal Financial Assistance report to the State Board of Accounts on February 22, 2011, which reflects the appropriate amount of funds passed down to subrecipients. The inclusion of certain amounts shown as being paid to subrecipients was an oversight. Future Schedules of Federal Financial Assistance will be completed consistent with the corrected schedule, and will be reviewed thoroughly by a qualified supervisor prior to submission.

Sincerely,

Jay Collins, Deputy Budget Director
State Budget Agency

March 3, 2011

State Board of Accounts
Mr. Bruce Hartman, State Examiner
302 Washington St., Room E418
Indianapolis, Indiana 46204-2765

Dear Mr. Hartman:

The Indiana Department of Education (IDOE) provides the following corrective action response to a finding identified in the audit conducted on the State Fiscal Stabilization Fund (SFSF) for SFY 10.

FINDING 2010 - CASH MANAGEMENT

1) 84.394A is not included as part of the 2010 CMIA, therefore, 31 CFR 205.33 in Subpart B would be applicable to this program. 31 CFR 205.33(a) states "A State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes." Also that "States should exercise sound cash management in funds transfer to subgrantees in accordance with OMB Circular A–102". OMB Circular A-102, 2(a) Cash Management states "Agency methods and procedures for transferring funds shall minimize the time elapsing between the transfer to recipients of grant and cooperative agreements and the recipient's need for the funds." Based on the documentation provided, the subrecipients certified on the Summary of Fund 7950 forms that the May 11, 2010, disbursements were spent between June 8th and June 30. This three to six week time frame subsequent to the date of disbursements did not minimize the time and was not close to the old unwritten three day rule (before CMIA existed?) applicable to programs in Subpart B.

IDOE CORRECTIVE ACTION: To minimize the time elapsing between the transfer of all federal funds to the LEA's and the payout of funds, the IDOE has switched from its previous practice of advancing cash to subrecipients via a cash request form, or in this case per the school funding formula, to a reimbursement method via a reimbursement form. If not diligently regulated, the advancement method can lead to excessive cash balances which could lead to interest earned and interest returned issues. Subrecipients may submit a reimbursement form for actual anticipated expenses up to twice per month. The corrective action became effective July 1, 2010.

Based on new implementation noted above, this finding should be resolved moving forward.

Please contact me if you have questions or if further information is needed.

Sincerely,

Kent A. Hatcher
Chief Financial Officer

March 28, 2011

State Board of Accounts
Mr. Bruce Hartman, State Examiner
302 Washington St., Room E418
Indianapolis, Indiana 46204-2765

Dear Mr. Hartman:

The Indiana Department of Education (IDOE) provides the following corrective action response to findings identified in the audit conducted on the Special Education IDEA Part B for SFY 10.

FINDING 2010 – IDOE-1. CASH MANAGEMENT TEMPLATE

1) During our audit of the Indiana Department of Education (IDOE), we found that no Special Education Cluster (IDEA) clearance pattern template was created to support the Cash Management Improvement Act (CMIA) Agreement. As a result, we were unable to audit Special Education Cluster Cash Management draws by verifying they were in accordance with an accurate clearance pattern.

IDOE CORRECTIVE ACTION: In SFY 10 the IDOE did not create a check clearance pattern for Special Education since approximately 99.9% of all disbursements and payments were by EFT/ACH. It was presumed that the clearance pattern template did not apply due to checks for payment not being sent to subrecipients and vendors. Additionally, no one requested this information from the IDOE for the CMIA agreements submitted by the State Budget Agency (SBA). Per the Auditor of State's Office (AOS) this information is now available in PeopleSoft, report titled CMIA Cir Patt Rpt by Cir Date and report titled CMIA Cir Patt Rpt by Pmt Date.

Based on new implementation noted above, this finding should be resolved moving forward.

Please contact me if you have questions or if further information is needed.

Sincerely,

Kent A. Hatcher
Chief Financial Officer

March 3, 2011

State Board of Accounts
Mr. Bruce Hartman, State Examiner
302 Washington St., Room E418
Indianapolis, Indiana 46204-2765

Dear Mr. Hartman:

The Indiana Department of Education (IDOE) provides the following corrective action response to findings identified in the audit conducted on the Special Education IDEA Part B and Title I for SFY 10.

FINDING 2010 - REPORTING

1) The State Board of Accounts (SBoA) found that the Schedule of Federal Financial Assistance for both Special Education IDEA Part B (Special Education) and Title I had numerous errors resulting in IDOE having to submit the Schedule to SBoA multiple times. Errors were found in disbursements and pass-through amounts. Even though these errors were resolved, such materially significant errors in the future could result in a qualification of the Schedule. This also affects the reliability of how major programs are determined. The lack of formal written procedures and an inadequate review process of the Schedule contributed to the potential for errors.

IDOE CORRECTIVE ACTION: Prior to September 16, 2009, Alchemy was used to determine the federal revenue, disbursements and pass-through amounts for the Schedule of Federal Financial Assistance. After the statewide ENCOMPASS conversion it was difficult to determine what PeopleSoft report(s) was to be used to complete the Schedule. Additionally, the use of "fake" projects furthered the difficulty in completing the Schedule.

IDOE will prepare a formal written procedure and review for the completion of the SFY 11 schedule. Standard statewide PeopleSoft reports should also be available to complete the information accurately.

Based on new implementation noted above, this finding should be resolved moving forward.

FINDING 2010 - CASH MANAGEMENT

1) IDOE disbursed federal funds to the Local Educational Agencies (LEAs) for Title I in advance without properly determining the cash needs of the LEAs for Title I. This resulted in the LEAs maintaining the federal funds for excessive days, prior to the funds being expended. This also resulted in interest earned by the LEAs and/or IDOE. IDOE did not properly monitor the LEAs to determine if and how much interest earned by the LEAs as a result of IDOE improperly advancing the funds to the LEAs, interest owed to the United States Department of Education (USDOE) was not remitted to the federal agency for Title I for SFY 10.

IDOE CORRECTIVE ACTION: To minimize the time elapsing between the transfer of federal funds to the LEA's and the payout of funds, the IDOE has switched from its previous practice of advancing cash to subrecipients via a cash request form to a reimbursement method via a reimbursement form. If not diligently regulated, the advancement method can lead to excessive cash balances which could lead to interest earned and interest returned issues. Subrecipients may submit a reimbursement form for actual anticipated expenses up to twice per month. The corrective action became effective July 1, 2010.

Based on new implementation noted above, this finding should be resolved moving forward.

2) IDOE did not have an adequate system of documentation for both Special Education and Title 1, such as a clear audit trail, to trace specific expenditures to its corresponding federal draw.

IDOE CORRECTIVE ACTION: IDOE provided the SBOA with the federal cash draw spreadsheet maintained and used by the IDOE for federal cash draws. In July 2010 the IDOE began updating the federal cash draw spreadsheet on a bi-weekly basis. PeopleSoft reports are used to determine expenditures and revenue for each federal fund's projects from one bi-weekly period to the next bi-weekly period. The spreadsheet ties to expenditures and revenue for all federal funds, excluding ARRA Stimulus funds. The balances on the spreadsheet are then used to make the federal cash draw and completion of the Report of Collections (ROC) and entry into PeopleSoft AR.

Based on new implementation noted above, this finding should be resolved moving forward.

3) During our audit of Title 1 the SBoA found that no check clearance pattern template was created for Title 1, Part A, which was partly due to a lack or supervision or monitoring over Cash Management at IDOE. Since IDOE did not create a check clearance pattern template for Title 1, the SBoA was unable to determine how the clearance pattern documented in the SFY 09 and the SFY 10 Cash Management Improvement Act (CMIA) Agreement was determined. As a result of this lack of supervision and monitoring over Cash Management, IDOE was unable to properly ensure that Cash Management draws were being performed properly.

IDOE CORRECTIVE ACTION: In SFY 10 the IDOE did not create a check clearance pattern for Special Education and Title 1 since approximately 99.9% of all disbursements and payments were by EFT/ACH. It was presumed that the clearance pattern template did not apply due to checks for payment not being sent to subrecipients and vendors. Additionally, no one requested this information from the IDOE for the CMIA agreements submitted by the State Budget Agency (SBA). Per the Auditor of State's Office (AOS) this information is now available in PeopleSoft, report titled CMIA Cir Patt Rpt by Cir Date and report titled CMIA Cir Patt Rpt by Pmt Date.

Based on new implementation noted above, this finding should be resolved moving forward.

FINDING 2010 - EARMARKING

1) IDOE did not ensure for Special Education that LEAs identified as having a significant disproportionate reserve, the maximum amount of Special Education Part B funds in order to provide coordinated early intervening services (CEIS) for children in the LEAs within those groups. Of the seven LEAs required to reserve the funds, we found that five did not set aside the

maximum amount. IDOE approved LEA applications that did not allocate the required 15% for CEIS.

IDOE CORRECTIVE ACTION: Previously, the federal Office of Special Education Programs (OSEP) conducted an onsite visit of the Indiana DOE Office of Special Education and had issue with a number of practices. As a result of OSEP's findings, the FY 2010 application process was revised so that LEAs include any CEIS dollars budgeted, whether those dollars were required due to significant significant disproportionality or the LEA's choice. This is evidenced in the current application's CEIS page, which requires the LEA to list the percentage and dollars budgeted, the measurable objectives, means for monitoring implementation, and means for tracking progress.

Based on new implementation noted above, this finding should be resolved moving forward.

FINDING 2010 - SUBRECIPIENT MONITORING

1) During our SFY 10 audit of Special Education and Title, the SBoA found that the IDOE did not ensure that subrecipients were registered with the federal Central Contractor Registration (CCR) database as required by the USDOE.

IDOE CORRECTIVE ACTION: IDOE was not aware that all subrecipients are to be registered with the federal Central Contractor Registration (CCR) database. It is the IDOE's understanding that beginning October 1, 2010 all federal grant award grantees and subrecipients are to be registered with the CCR under the Federal Funding Accountability and Transparency Act (FFATA). As of this date IDOE is awaiting guidance from the USDA and the USDOE as to how to register subrecipients in CCR. Once the guidance had been received the subrecipient registration will be completed.

Based on new implementation noted above, this finding should be resolved moving forward.

FINDING 2010 – SPECIAL TESTS AND PROVISIONS

1) During SFY09 and SFY10 the federal grant award number and CFDA number were not included at the time of disbursement of funds by IDOE to the LEAs for both Special Education and Title 1.

IDOE CORRECTIVE ACTION: Previously IDOE provided an insert with each EFT mailing that state the federal grant award number and CFDA number. The IDOE did not keep copies of the insert and could not produce the documentation for the SBoA. Beginning July 2010 the IDOE is including this information (federal award number, CFDA number and in the case of ARRA funds, amount of in the Recovery Act funds with the designation of "ARRA") in the description box of each payment which is then printed on the EFT mailed by the AOS.

Based on new implementation noted above, this finding should be resolved moving forward.

FINDING 2010 - PROCUREMENT, SUSPENSION AND DEBARMENT

1) During SFY 10 IDOE did not perform verifications on Special Education and Title 1 contracts to make sure contractors weren't suspended and debarred.

IDOE CORRECTIVE ACTION: IDOE was unaware that these types of verifications were to be conducted. In previous audits the signature of the vendor on a contract served as the certification

"that neither it nor its principals nor any of its subcontractors are presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from entering into this contract by any federal agency or by any department, agency or political subdivision of the State" and "the Contractor certifies that it has verified the state and federal suspension and debarment status for all subcontractors receiving funds under the Contract..."(taken from the State contract boilerplate language under Section 13. Debarment and Suspension). Beginning January 2011, IDOE began verifying state and federal disbarment and suspension for all vendors.

Based on new implementation noted above, this finding should be resolved moving forward.

FINDING 2010 – ACTIVITIES ALLOWED AND UNALLOWED

1) During SFY 09, two of the 16 items tested were for a contract that has been determined as unreasonable and unnecessary to the program. Upon investigation of the supporting documentation and inspection of the deliverable, the itemization of the invoices was inconsistent with the services actually rendered. Furthermore, the system that was produced was discontinued because the technology became obsolete, and the information maintained in the database became available via internet. $523,000 was paid to the contractor through October 2009. According to IDOE, the services ended during June 2009 due to the end in funding and subsequently removed from IDOE's website in January 2010.

IDOE CORRECTIVE ACTION: Anne Davis, Special Education Director, did answer SBoA questions regarding why a number of the grants were cut off abruptly in 2009. Under the new administration and its change of philosophy, the existing resource centers and related discretionary grants were reviewed. It was determined by the new administration that the contract referred to above did not fit into the new mission and vision of IDOE. The above mentioned contract and several other contracts were ended at a midyear point so that the IDOE could move to a competitive grant process based on deliverables that would assist the IDOE in meeting its mission and vision.

Based on new implementation noted above, this finding should be resolved moving forward.

Please contact me if you have questions or if further information is needed.

Sincerely,

Kent A. Hatcher
Chief Financial Officer

INDIANA
WORKFORCE
DEVELOPMENT
AND ITS WorkOne CENTERS

March 8, 2011

Bruce Hartman, State Examiner
State Board of Accounts
302 West Washington Street
4th Floor, Room E418
Indianapolis, IN 46204

Re: **OFFICIAL RESPONSE**
Audit Period: Federal Programs: 07/01/09 through 06/30/10

Dear Mr. Hartman:

Please find attached the Department of Workforce Development's Corrective Action Plan to the 2010 audit finding in the SBOA report issued March 2011. We believe this response, and the actions described within, resolve this finding. We appreciate the professional and cooperative manner in which your auditors performed their duties and the assistance they provide in completing this audit.

Please contact me directly at 232-7676 if you have additional comments or questions regarding this response.

Regards,

Charles R. Gillespie
Chief Financial Officer

Attachments

Mitchell E. Daniels, Jr., *Governor*
Mark W. Everson, *Commissioner*

10 North Senate Avenue
Indianapolis, IN 46204-2277
www.workforce.IN.gov

Phone: 317.232.7670
Fax: 317.233.4793

An Economic Development Partner

2010 Audit

UNRESOLVED FINDING 2009 – DWD-2, LACK OF PROCEDURES FOR CCR VERIFICATION

CORRECTION ACTION PLAN:

DWD has created a tracking worksheet that list the sub-recipient, their DUNS #, CAGE #, date CCR expires and/or the status of their CCR registration. This information will be checked against the CCR Search link and the worksheet will be updated any time DWD sends out a new grant which will ensure that all sub-recipients are in compliance with this requirement.

Based on our initial review, DWD sent letters to all sub-recipients on whom we could not find proof of registration requiring that they register in the CCR system by COB March 4, 2011. We are currently working with those sub-recipients as they are getting their registrations completed.

We are in the process of drafting new internal procedures regarding the up keep of the tracking worksheet and a new policy to send to all DWD sub-recipients.

INDIANA DEPARTMENT OF TRANSPORTATION
Driving Indiana's Economic Growth

100 North Senate Avenue
Room N725
Indianapolis, Indiana 46204

PHONE: (317) 317-5358
FAX: (317) 233-3691

Mitchell E. Daniels, Jr., Governor
Michael B. Cline, Commissioner

March 7, 2011

Bruce Hartman, State Examiner
State Board of Accounts
IGCS, Room E418
Indianapolis IN 46204

Subject: Official Response/Corrective Action Plan to Findings and Questioned Costs - - Fiscal Year 2010

Dear Mr. Hartman:

Enclosed please find the Indiana Department of Transportation's Corrective Action Plan in response to the A-133 Audit for State Fiscal Year 2010 for the FY09 Finding.

If you have any questions, please contact me at 317-232-5358.

Sincerely,

Tony Hedge

Tony Hedge
Director, Accounting

INDIANA DEPARTMENT OF TRANSPORTATION
Driving Indiana's Economic Growth

100 North Senate Avenue
Room N725
Indianapolis, Indiana 46204

PHONE: (317) 317-5358
FAX: (317) 233-3691

Mitchell E. Daniels, Jr., Governor
Michael B. Cline, Commissioner

March 4, 2011

Bruce Hartman, State Examiner
State Board of Accounts
IGCS, Room E418
Indianapolis IN 46204

Subject: Response to Findings and Questioned Costs - - Fiscal Year 2010 Finding

FINDING 2009 - INDOT – 1, SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE - ERRORS

Federal Agency:	U.S. Department of Transportation
Federal Program:	Highway Planning and Construction Cluster
CFDA Number:	20.205 and 20.219
Auditee Contact Person	Dan Brassard
Title of Contact person:	Chief Financial Officer
Phone Number:	317-232-1472
Compliance Requirement:	Reporting
Internal Control:	Material Weakness

During our audit of the Indiana Department of Transportation (INDOT) Highway Planning and Construction Cluster, we initially found a material error of $162,138,246 reported as Amount Passed Down to Sub recipients on the Schedule of Federal Financial Assistance (SFFA). This error is considered a material control weakness.

Beginning in 2009, INDOT began reporting funds passed through to sub recipients. The SFFA error included direct construction costs for local public agency projects paid by INDOT rather than only those INDOT approved pre-construction contract costs paid in full to the vendors by the local public agencies which INDOT reimbursed to the local agencies upon submission of a claim.

Subsequent to INDOT submitting a corrected SFFA, INDOT then reversed their 2009 position on sub recipient determination. The revised SFFA contained another $36,590,698 error. These errors had no effect on INDOT's American Recovery and Reinvestment Act funds this fiscal year.

For such material errors to go undetected on two occasions was indicative of ineffective internal controls over 1) accurate compilation of the financial activity, 2) adequate review of the SFFA at all applicable levels within INDOT, as well as 3) internal communications related to changes in accounting procedures.

We recommended that INDOT follow their formal written procedures in preparing the SFFA, implement a thorough review process, and resolve internal accounting procedure changes prior to submission of the SFFA to help ensure accurate, current and complete disclosure of the financial results.

Subject: Response to Findings and Questioned Costs - - Fiscal Year 2010 Finding continued

Response/Corrective Action:
INDOT does not agree with the substance of FINDING 2009 - INDOT – 1, SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE - ERRORS

This finding is specific to a single amount reported as payments 'passed down to recipients for one program, Highway Planning and Construction (20.205)', whereby the amount reported needed to be revised as the definition of a "sub-recipient" remained in question. The original submission of the Schedule of Federal Financial Assistance report was twice revised, with each reported amount deemed correct with that respective interpretation / definition of "sub-recipient".

The Auditor for this finding identifies that per A-133 language, the 'AGENCY' is responsible to determine the definition of a "sub-recipient" and adopt their interpretation in fulfilling their reporting and monitoring responsibilities in accordance with A-133; however, the Auditor does acknowledge that the A-133 reference to "AGENCY" may be interpreted as the grantor (Federal) agency. A definition has yet to be supplied by the Federal Highway Administration, the grantor for Federal program 20.205. Therefore, the ambiguity surrounding the definition is one source for differing interpretations for "sub-recipient".

With INDOT having reported three different dollar amounts for a single balance on the SFFA, it is clear that improvement is warranted in the reporting of this isolated area. While the variances between the dollar amounts reported with each of INDOT's interpretation of "sub-recipient" ($190+ million to 0 dollars) were significant, the revisions to the SFFA report were the result of differing interpretations of "sub-recipient" --- each of which has merit. With the absence of clear direction and interpretation of A-133, the resulting reporting questions should not be classified as a WEAKNESS on the part of INDOT's reporting. The only weakness may be in the inconsistent interpretation of "sub-recipient", coupled with the lack of timely guidance from those outside of INDOT.

Notwithstanding the above, INDOT does submit the following plan to address the subject finding, prevent future such reporting inconsistencies without justification, and possibly preclude the need for such findings beyond this date. The plan includes the following:

1. INDOT shall maintain a written definition of sub-recipient based on the applicable program requirements and guidance provided by the grantors of the Federal programs, as applicable; as circumstances may warrant any revision to the relevant definition, INDOT staff shall document the basis and justification for any such revision. To be completed by the Manger, Fiscal Analysis & Reporting; Manager, Budget, and Director, LPA/MPO & Grant Administration.
2. The Department shall maintain written procedures in preparing the SFFA in accordance with the applicable definition of sub-recipient, and follow such procedures in preparing the SFFA. To be completed by Manager, Fiscal Analysis & Reporting.
3. INDOT shall implement and maintain a thorough review process conducted by the Director, Accounting, to reasonably assure the SFFA data is materially accurate and in accordance with the applicable procedures.
4. INDOT shall maintain and document internal accounting procedures specific to the applicable Federal programs, to ensure accurate, current and complete disclosure. To be completed by Manager, Fiscal Analysis & Reporting and Manager, Budget.
5. The above referenced definitions, procedures, and review processes shall be reviewed and updated annually prior to the submission of the SFFA. To be completed by the Manager, Fiscal Analysis & Reporting.

Dan Brassard
Chief, Financial Officer, INDOT