

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

REVIEW REPORT

OF

INDIANA ADJUTANT GENERAL'S OFFICE

January 1, 2009 to February 29, 2012



FILED
07/24/2012

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AGENCY OFFICIALS

Office

Official

Term

Adjutant General

Major General R. Martin Umbarger

01-10-05 to 01-13-13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE INDIANA ADJUTANT GENERAL'S OFFICE

We have reviewed the activities related to the receipts, disbursements, and assets of the Indiana Adjutant General's Office for the period of January 1, 2009 to February 29, 2012. The Indiana Adjutant General's Office's management is responsible for the receipts, disbursements, and assets.

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

Financial transactions of this office are included in the scope of our audits of the State of Indiana as reflected in the Indiana Comprehensive Annual Financial Reports. Federal programs are included in the scope of our statewide single audits as reflected in the Statewide Single Audit Reports.

Based on our review, nothing came to our attention that caused us to believe that the activities related to the receipts, disbursements, and assets of the Indiana Adjutant General's Office are not in all material respects in conformity with the criteria set forth in the Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, and applicable laws and regulations except as stated in the review comment.

The Indiana Adjutant General's Office's response to the Review Comment identified in our review is described in the accompanying section of the report entitled Official Response. We did not review the Indiana Adjutant General's Office's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Indiana Adjutant General's Office's management, 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 reviewed.

STATE BOARD OF ACCOUNTS

April 18, 2012

INDIANA ADJUTANT GENERAL'S OFFICE
REVIEW COMMENT
FEBRUARY 29, 2012

LATE PAYMENT PENALTY

Auditor of State accounting records reflect late payment penalties paid to vendors and charged to accounts of the Adjutant General Office as a result of untimely payment of claims. Total penalties for the fiscal year 2011 were \$59,771.70 and for the current fiscal year through April 30 penalties were \$62,056.31. Total penalties for both fiscal year 2011 and current fiscal year through April 30 were \$121,828.01. These penalties are an unnecessary use of public funds.

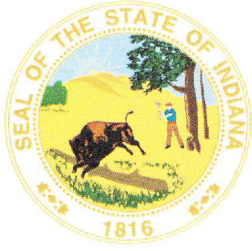
Indiana Code 5-17-5 requires a state agency to ". . . pay a late payment penalty at a rate of one percent (1%) per month on amounts due on written contracts for public works, personal services, goods and services, equipment, and travel whenever the state agency . . . fails to make timely payment."

Payment of penalties and interest due to late payments to vendors may be the obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines for State and Quasi Agencies, 6.4.7.4)

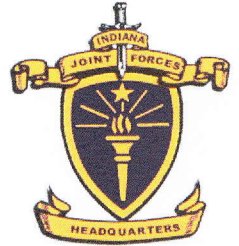
Each agency, department, quasi, institution, or office is responsible for compliance with applicable statutes, regulations, contract provisions, state policies, and federal requirements. (Accounting and Uniform Compliance Guidelines for State and Quasi Agencies, Organizational Overview – General Guidelines and Policy, IV. Summary of Agency Accounting Responsibilities)

INDIANA ADJUTANT GENERAL'S OFFICE
EXIT CONFERENCE

The contents of this report were discussed on July 9, 2012, with Colonel David Shorter, Director of State Operations; Colonel John Bailey, Controller; and Kami Woods, Accounting Supervisor. The official response has been made a part of this report and may be found on pages 6 and 7.



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



July 10, 2012

State Controller's Office

OFFICIAL RESPONSE

Indiana State Board of Accounts
302 W Washington St
Room E 418
Indianapolis, IN 46201-2765

Dear Sir,

We are providing this official response in reference to the Review Report of the Indiana Adjutant General's Office for the period of January 1, 2009 to February 29, 2012. The review comment states, "Auditor of State accounting records reflect late payment penalties paid to vendors and charged to accounts of the Adjutant General Office as a result of untimely payment of claims."

We are diligently working to eliminate all interest payments due to untimely payment of claims. The following are initiatives that we have taken and/or are currently working:

If a "due upon receipt" invoice (due 30 days after invoice date) is received in the Controller's office more than 20 days past invoice date, a signed memorandum from the Program Director needs to accompany the invoice. This will notify the Program Director and the State Controller if there is a vendor issue or a potential employee issue.

If a "35 in arrears" invoice (due 35 days of receipt date or invoice date, whichever is greatest) is received in the Controller's office more than 25 days past the invoice date, a signed memorandum from the Program Director needs to accompany the invoice. This will notify the Program Director and the State Controller if there is a vendor issue or a potential employee issue.

We are working with Deputy Attorney General, Jason Thompson, for an interpretation of IC 5-17-5-2 (a) (6). Section 2 (a) states, "Section 1 of this chapter does

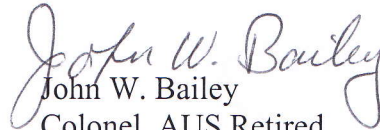
OFFICIAL RESPONSE

OFFICIAL RESPONSE

not apply to the following: (6) Claims, contracts, or projects that are to be paid for exclusively with federal funds.” The Auditor of State’s Office interprets the law to mean they will charge a State fund the interest. Ninety-five percent (95%) of the claims our agency processes are paid exclusively with federal funds. In addition, all claims chargeable to federal funds are first reviewed by federal program managers, budget analysts and project coordinators. The final interpretation of this law will determine if we need to rewrite agency procedures to alleviate interest payments.

We are pleased to report with the directives we have already implemented, our agency has significantly reduced interest payments made in June 2012.

Sincerely,


John W. Bailey
Colonel, AUS Retired
State Controller

OFFICIAL RESPONSE