

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

REVIEW REPORT
OF
DEPARTMENT OF TRANSPORTATION
STATE OF INDIANA
March 1, 2009 to April 30, 2012



FILED
08/09/2012

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AGENCY OFFICIALS

Office

Official

Term

Commissioner

Michael W. Reed
Michael Cline

03-01-09 to 06-13-10
06-14-10 to 01-13-13



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

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

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE INDIANA DEPARTMENT OF TRANSPORTATION

We have reviewed the activities related to the receipts, disbursements, and assets of the Indiana Department of Transportation for the period of March 1, 2009, to April 30, 2012. Indiana Department of Transportation'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 Department of Transportation are not in all material respects in conformity with the criteria set forth in the Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, and applicable laws and regulations except as stated in the review comments.

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

This report is intended solely for the information and use of the Indiana Department of Transportation's management and others within the entity, 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

June 13, 2012

INDIANA DEPARTMENT OF TRANSPORTATION
REVIEW COMMENTS
APRIL 30, 2012

DAILY DEPOSITS

As stated in our prior Report B35420, we observed that Indiana Department of Transportation (INDOT) collects revenue for various kinds of permits. Not all funds receipted by the district offices were remitted to INDOT's Cashier's Office in a timely manner. We found receipts that were held for several days to several weeks before being remitted to the Cashier's Office for deposit.

During our current review of INDOT receipts, we found that most funds receipted by the district offices were not remitted to INDOT's Cashier's Office in a timely manner.

Indiana Code 5-13-6-1(b) states in part: ". . . all public funds . . . shall be deposited with the treasurer of state, or an approved depository selected by the treasurer of state not later than the business day following the receipt of the funds."

ATTENDANCE REPORTS

As stated in our prior two Reports B35420 and B29382, we observed that Indiana Department of Transportation (INDOT) employee attendance reports were frequently signed and dated by the employee and approved by the supervisor prior to the last day worked.

Our prior Report also stated that INDOT implemented the PeopleSoft Time and Labor computer application. We found hundreds of examples where employees had recorded hours worked and supervisors had approved those hours in advance of their last day worked in the pay period. The system allows this to occur and go undetected.

In order to compensate for insufficient controls in the computer application, INDOT should consider generating an error report each pay period to identify and resolve electronically signed and approved attendance reports in advance of their last day worked prior to submission of payroll to the Auditor of State for processing.

Regardless of the system used to process payroll transactions, an internal control system should be in place to assure correctness and accuracy on payroll related documents. Attendance reports should be dated as of the last day worked, should be signed by the employee, and should be approved by a direct supervisor. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, 9.4.1.1)

INDIANA DEPARTMENT OF TRANSPORTATION
REVIEW COMMENTS
APRIL 30, 2012
(Continued)

SDO FUND ADVANCES

As stated in our prior Report B35420, the Indiana Department of Transportation (INDOT) has seven Special Disbursing Officer Fund (SDO) advances totaling \$2,034,800. Only one of the advances was turned over in less than 2 months. It took 15 months for INDOT to turn over the central office operating advance of \$1,355,000 and four of the advances did not turn over once during our 32 month review period.

During our current review, we observed that INDOT closed six of seven SDO Funds advances leaving the central office operating advance. However, the central office SDO Advance of \$1,355,000 did not turnover once during our 34 month review period.

Whenever a SDO fund is established, money is removed from a Treasurer of State bank account, thus, not being invested. Therefore, consideration should be given to the size of the SDO fund. If an agency is not using the total SDO advance within one or two months, the SDO advance is too large and should be reduced. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 6.4.10.6)

ACCOUNTABILITY OF PERMITS

As stated in our prior Report B35420, we observe that the Cashier's Office of the Indiana Department of Transportation no longer performs reconciliations between the number of permits issued to permit revenues received.

During our current review, we found that INDOT did not perform reconciliations between the number of permits issued to permit revenues received.

Each agency, department, quasi, institution or office has the responsibility to operate within the confines of the established budget, to maintain an adequate internal control environment and to maintain adequate internal control procedures. (Accounting and Uniform Compliance Guidelines for State and Quasi Agencies, Organizational Overview – General Guidelines and Policy, IV. Summary of Agency Accounting Responsibilities)

INDIANA DEPARTMENT OF TRANSPORTATION
EXIT CONFERENCE

The contents of this report were discussed on July 25, 2012, with Dan Brassard, Chief Financial Officer and Deputy Commissioner; Brian Burkert, Director of Accounting; and Joy Koester, Fiscal Analysis and Reporting Manager. The Official Response has been made a part of this report and may be found on pages 7 and 8.

The contents of this report were emailed on July 26, 2012, to Michael Reed, former Commissioner.



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

August 1, 2012

Bruce Hartman, State Examiner
State Board of Accounts
IGCS, Room E418
Indianapolis IN 46204

Subject: Response to State Compliance Audit for the period February 2009 thru April 2012

The following is INDOT's official response to the State Compliance Audit and Review for the period February 2009 thru April 30, 2012

Daily Deposits

The finding is referring to checks that are received in the six (6) District offices for permits that are issued thru the electronic permit system. Both the Permit Manager and the Fiscal Analysis Manager reminded the district offices that checks received in those offices must be sent daily to Central Office. Both the cashier's office and the Financial Management Section of Central office will monitor the timeliness of checks sent and hold accountable those districts that are not adhering to the Indiana code. A report will be sent out monthly to the Finance Staff showing when checks are received to monitor compliance. Once all districts are in compliance, periodic reviews will be conducted by the Financial Management Central office Staff.

Accountability of Permits

The Financial Management Section of Central Office is preparing a daily reconciliation of permit revenue as of July 1, 2012. INDOT is committed to maintaining adequate internal control and adhering to Indiana Code 5-13-6-1(b) to deposit permit fees within one business day. As part of the INDOT's fiduciary responsibility, INDOT will continue to evaluate the cost/benefit balance for internal control processes and seek cost efficient solutions to unique issues such as the fully electronic permit issuing process and manual payment process for submitting payments.

Subject: Response to State Compliance Audit for the period February 2009 thru April 2012 continued

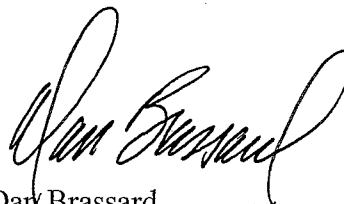
Attendance Reports

INDOT's Payroll section has developed two (2) PeopleSoft queries that will identify staff that are submitting and approving pay prior to the end of the pay period. This report will be reviewed each pay period and Payroll staff will follow-up on any departures from policy. For the pay period July 31, 2012 thru August 4, 2012 out of 4,078 employees, there were 84 staff that submitted time prior to the end of the pay period; 0 staff approved time for worked hours. (Approvers had approved time for authorized vacation, sick, personal, or lost time). The payroll manager has sent out notification to those staff not to submit time prior to the end of the pay period. The payroll manager also sent an email to the District Finance and HR staff of offenders.

SDO Fund Advances

INDOT's Management has reviewed the SDO balance of \$1,355,000 and at this time has deemed that the amount should not be reduced. INDOT is a first responder to state disasters and will require quick assessment and repair to insure public safety. The SDO account is monitored and evaluated to position the State of Indiana and INDOT to meet the mission and goals for public safety. It should be noted that interest earned on the account is deposited with Dept of Revenue thru the Treasurer's office.

If there are any questions or concerns, please contact Brian Burkert (317-232-5358) or Joy Koester (317-232-5367).



Dan Brassard
Deputy Commissioner, Finance
Indiana Department of Transportation