

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

REVIEW REPORT
OF
INDIANA WAR MEMORIALS COMMISSION
July 1, 2008 to March 31, 2011



FILED
05/06/2013

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AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	J. Stewart Goodwin	03-07-05 to 01-08-17
President of the Commission	Brian Regan Carol Mutter	01-10-05 to 12-31-11 01-01-12 to 12-31-13



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE INDIANA WAR MEMORIALS COMMISSION

We have reviewed the activities related to the receipts, disbursements, and assets of the Indiana War Memorials Commission for the period of July 1, 2008 to March 31, 2011. Indiana War Memorials Commission'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 War Memorials Commission are not in all material respects in conformity with the criteria set forth in the Accounting and Uniform Compliance Guidelines Manual for State Agencies, and applicable laws and regulations (except as stated in the review comments).

The Indiana War Memorials Commission'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 War Memorials Commission's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Indiana War Memorials Commission'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

March 26, 2013

INDIANA WAR MEMORIALS COMMISSION
REVIEW COMMENTS
March 31, 2011

***INTERNAL CONTROLS OVER INDIANA WAR MEMORIALS
FOUNDATION, INC., DONATION REVENUE COLLECTIONS***

During our review of the Indiana War Memorials Commission (Commission) it was discovered that the Commission collects donations from the donation boxes on behalf of the Indiana War Memorials Foundation, Inc. (Foundation) and deposits the donation revenues into the Foundation's bank account. Our review of the donation revenue collections revealed the following deficiencies in the internal control structure:

1. The Commission has been collecting the Foundation's donations without having an agreement or contract in place between the two parties, detailing out the expectations and job requirements for both parties involved.
2. Proper controls were not in place to prevent fraud from occurring when the Commission has only one person collect the cash donations from the donation boxes. The Commission should have another person witness the collection process and cash count. Once all of the cash has been counted, both individuals should sign off on the cash count.
3. The Commission collected donations designated for the Foundation but did not keep a record of the amounts or the dates collected. During the time period of May 10, 2010 to July 18, 2011, the Commission collected \$5,152.76 of Foundation donations, but did not deposit the revenues until August 3, 2011.

Each agency, department, quasi, institution or office should have internal controls in effect to provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of managements' objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and forms of information processing are part of an internal control system. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview - Guidelines & Policy)

LATE PAYMENT PENALTY

Auditor of State accounting records reflect late payment penalties paid to vendors and charged to accounts of the Department of Revenue as a result of untimely payment of claims. Total penalties for fiscal years 2011 and 2012 were \$1,446.02 and \$1,313.41, respectively. These penalties are an unnecessary use of public funds.

INDIANA WAR MEMORIALS COMMISSION
REVIEW COMMENTS
March 31, 2011
(Continued)

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)

OFFICIAL BOND

The Indiana War Memorials Commission did not have a public employee bond in place for the Secretary of the Commission during the review period as required by statute.

Indiana Code 10-18-1-8(c) provides that the secretary shall give a bond in the sum of ten thousand dollars (\$10,000) for the faithful performance of the secretary's duties.

FIXED ASSET INVENTORY

As stated in our prior Report B33620, the fixed asset inventory of the Indiana War Memorials Commission is not complete as to retirements and assets have not been consistently tagged upon receipt. Additionally, an annual physical inventory of assets owned has not been conducted.

Agency personnel are responsible for accountability for all assets under their control, including capital assets. Adequate asset management staff should be assigned to recording and maintaining, on the ENCOMPASS financial system, all capital assets with a cost greater than \$500. Assets are automatically capitalized upon approval by either the BU approver or AOS approver. Controls should be in effect to assure that additions, disposals, and transfers to other departments or agencies are recorded timely. Inventories of these assets should be performed each year in each department and compared to the ENCOMPASS listing. Results of inventories should be retained for audit purposes. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, 8.3)

INDIANA WAR MEMORIALS COMMISSION
EXIT CONFERENCE

The contents of this report were discussed on April 15, 2013, with J. Stewart Goodwin, Executive Director, and C. Nina Gaither, Director of Administration. The Official Response has been made a part of this report and may be found on pages 7 through 10.

A copy of the review comments were sent by email on April 15, 2013, to Carol Mutter, President of the Commission, and Brian Regan, former President of the Commission.



INDIANA WAR MEMORIALS

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To: Bruce Hartman
State Examiner

From: J. Stewart Goodwin, USAF (Ret)
Executive Director, Indiana War Memorials Commission

Date: 4/22/2013

Re: Response to SBOA Review

During the recent audit review of the Indiana War Memorials Commission (IWMC), the following items were noted. I have included the measures, put in place since the audit period, which aim to bring the IWMC into compliance.

Internal controls over Indiana War Memorial Foundation Inc. (IWMF) donation revenue collection

- (1) See attached MOU between IWMF and IWMC (Attachment A) which details expectations and job requirements for both parties.
- (2) As detailed in Attachment A, multiple personnel are tasked with collection, recording and reconciliation of the donations received. Two personnel are present during cash collection, counting and deposit.
- (3) Staff changes during July 2011 resulted in a new staff member filling the Director of Administration position effective 8/1/2011. Since this date, all IWMF donations received have been collected, recorded and deposited weekly.

Late Payment Penalty

- (1) Change in staff, improved accounting practices, and increased efficiency/communication between IWMC and the State Budget Agency (SBA) have resulted in significantly reduced penalties for FY 2013. As of 4/17/2013, the Late Payment Penalties charged to the IWMC total \$265.15. The IWMC is on track to reduce the Late Payment Penalties by almost 80% over the 2011/2012 fees.

Official Bond

- (1) Public Employee Blanket Bond B8860155, which covers the Secretary of the IWMC, was renewed and increased to \$10,000 effective 5/13/2012. This bond is set to be renewed at \$10,000 on 5/13/2013.

Fixed Asset Inventory

- (1) IWMC completed a fixed asset inventory in April 2012 and is currently completing the same for 2013. This inventory is accomplished using the encompass asset list and reconciled with the local file at IWMC.
- (2) Measures have been put in place to ensure that all acquired assets valued at \$500 or more are affixed with a physical asset tag, the tag number and asset ID are recorded in the IWMC files in addition to forwarding to SBA for encompass entry. These measures are all completed prior to payment for such assets.
- (3) Measures have been put in place which addresses the disposal and transfer of assets with tags in conjunction with the State Surplus Agency.



J. Stewart Goodwin, USAF (Ret)
Executive Director
Indiana War Memorials Commission

ADMINISTRATIVE PRACTICE LETTER

SUBJECT: CASH DONATIONS PROCEDURES

DEPOSIT OF CASH RECEIPTS (DONATIONS)

All cash receipts (including cash and checks) should be deposited on a regular basis as determined by the Administrative Director of the Indiana War Memorial (IWM). This may mean that funds are held overnight and deposited the following business day. Such funds must be kept secure. At a minimum, cash receipts must be deposited when receipts exceed \$100 or once a week, whichever comes first. Timely and accurate deposits reduce the risk of lost or misplaced receipts and make account reconciliation easier. In addition, the sooner receipts are deposited, the sooner the funds may be used for other Indiana War Memorial Foundation (IWMF) business.

RECORDING OF CASH RECEIPTS

All cash receipts will be recorded through the use of an appropriate ledger (spreadsheet) indicating the date the receipt was prepared and the date in which the funds were deposited with the designed banking facility. This ledger should clearly indicate the amount collected/deposited, where these funds were collected from and any special comments or designations that the funds are for.

CONTROL OF CASH RECEIPTS

IWM management is responsible for establishing and maintaining an effective internal control structure to safeguard assets. Because of its nature, cash is particularly vulnerable to loss; therefore, management needs to be careful in evaluating each cash collection location and ensuring appropriate controls are present.

IWM management and other personnel responsible for cash must ensure that all cash receipts are properly recorded as determined by the IWM Administrative Director, documenting the completeness of collections and allowing for the proper deposit, recording, and reconciliation of funds. Whenever possible, management should consider the reasonableness of deposits by comparing collections over a period of time or by performing other analytical tests. A periodic review of these records will be conducted by the IWMF Treasurer in the presence of the IWM Administrative Director.

SEGREGATION OF DUTIES

Adequate segregation of duties helps to prevent misappropriation of funds and aids in detecting errors. The responsibilities of one person should complement and check those of others. IWM management must ensure that more than one person is responsible for cash collections, deposits, and reconciliations. When segregation of duties is not practical, compensating control procedures must be established.

MANAGEMENT RESPONSIBILITY

The importance of prompt deposits, adequate records, segregation of duties, and reconciliation of accounts must be recognized by any individual working with cash. Management is responsible for ensuring that personnel who handle cash collections are properly trained and understand their duties.

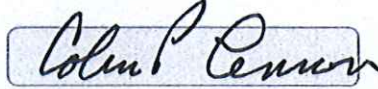
ADMINISTRATIVE PRACTICE LETTER

SUBJECT: CASH DONATIONS PROCEDURES

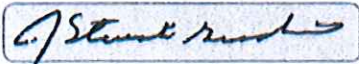
APPROVED:

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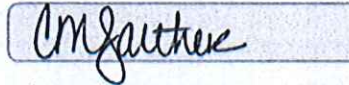
IWMF, President

A handwritten signature in cursive, appearing to read "Colin P. Connor", enclosed in a rounded rectangular box.

IWMF, Treasurer

A handwritten signature in cursive, appearing to read "J. Stewart", enclosed in a rounded rectangular box.

Executive Director, IWM

A handwritten signature in cursive, appearing to read "M. Gauthier", enclosed in a rounded rectangular box.

Administrative Director, IWM