

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

REVIEW REPORT  
OF  
INDIANA ECONOMIC DEVELOPMENT CORPORATION  
STATE OF INDIANA  
July 1, 2012 to December 31, 2014



**FILED**  
12/14/2015



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AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chairman	Governor Mitchell E. Daniels, Jr. Governor Michael R. Pence	01-12-09 to 01-13-13 01-14-13 to 01-08-17
Secretary of Commerce/ Chief Executive Officer	Daniel J. Hasler Victor P. Smith	09-16-11 to 01-13-13 01-14-13 to 01-08-17
President	Eric Doden (Vacant) Jim Schellinger	01-14-13 to 04-30-15 05-01-15 to 08-09-15 08-10-15 to 01-08-17



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TO: THE OFFICIALS OF THE INDIANA ECONOMIC DEVELOPMENT CORPORATION

We performed procedures on the records of the Indiana Economic Development Corporation (IEDC) for the period July 1, 2012 to December 31, 2014; in accordance with Indiana Code 5-28-3-2. We performed procedures to identify areas of noncompliance with the State's Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, and applicable state laws and policies. We also performed procedures to identify internal control deficiencies in processing financial transactions. The financial statements for the IEDC are audited by an outside CPA firm, under the direction of the State Examiner, and can be located on our website, [www.sboa.in.gov](http://www.sboa.in.gov).

Compliance procedures to ensure compliance with the Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies and applicable state laws and policies, were not designed to opine on compliance or financial activity of the Agency. Additionally, since these procedures are not being utilized to support a financial opinion, the procedures performed to identify internal control deficiencies also were not conducted to opine on the financial activity of the agency. Therefore, we did not follow Generally Accepted Auditing Standards, Government Auditing Standards, or OMB Circular A-133 when completing these procedures.

Our procedures are conducted on a test basis and do not provide absolute assurance that no additional issues exist in these areas. Our procedures are evaluated each year and conducted based on risks that we identify at the agencies. During this current review period, procedures were conducted on receipts, vendor disbursements, payroll disbursements, capital asset activity, and SDO (Special Disbursing Officer) activity. The procedures and findings are summarized in the *Procedures and Findings* Section. Some issues are identified during the course of the review that do not rise to the level of a written comment but are discussed with agency officials as possible areas for improvement. Those issues are not communicated in this report.

This communication is intended solely for the information and use of Agency's management and others within the agency, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

October 20, 2015

# ***Procedures and Findings***

## **RECEIPTS**

### *Receipt Procedures*

We gained an understanding of the process from collection of receipt to posting in the financial records, identified key controls, and tested a sample of receipts for those key controls. Additionally, we reviewed a sample of receipts, for compliance with key compliance areas for receipts, from the State Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies.

### *Receipt Findings*

#### **Cash Book Internal Controls**

The Indiana Economic Development Corporation did maintain a Cash Book, but did not balance the Cash Book daily. The deposit date was not logged into the Cash Book and total receipts logged in the Cash Book were not reconciled to deposits. In our sampling of deposits, we identified three items deposited that were not logged into the Cash Book. Additionally, evidence of receipt date for checks was not retained for review.

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

If money is received on a regular basis, some type of cash book (paper or electronic) is required (See 4.1.2). This cash book must list the revenue by classification and amount in detail. Noting cash and checks separately is helpful for reconciliation to the final Report of Collection. The cash book may include the receipt number or daily summaries from a source document or data processing listing. The amount deposited with the Treasurer of State and the corresponding ENCOMPASS Deposit ID must also be shown on the cash book. The process of issuing a receipt and posting the cash receipts journal can be incorporated into one function. Only actual collections of money, whether it be cash, check, or money orders, must be included in the cash book. This is a method of assuring that these monies reconcile with the actual deposits with the TOS. Corrections, wire transfers and other bank to bank transfers wouldn't be necessary to include, as no one in the agency actually receives money in these cases. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Accounting for Revenue, Chapter 4.4)

## **VENDOR DISBURSEMENTS**

### *Vendor Disbursement Procedures*

We performed sample testing on credit card disbursements, travel card disbursements, contract disbursements, and general disbursements for compliance with key compliance areas for disbursements from the State Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, as well as compliance with the agency's policies. Additionally, we reviewed late penalty charges paid by the quasi agency.

# **Procedures and Findings**

(Continued)

## *Vendor Disbursement Findings*

Our procedures did not identify issues that warrant written comment at this time.

## **PAYROLL DISBURSEMENTS**

### *Payroll Procedures*

We determined the process and controls in place for payroll disbursements. We performed sample testing on payroll disbursements, ensuring that payroll disbursements had proper approval. We additionally reviewed for any payroll activity that was not being appropriately reported as income to an employee. Lastly, we conducted a review of overtime and comp time.

### *Payroll Findings*

Our procedures did not identify issues that warrant written comment at this time.

## **SDO (SPECIAL DISBURSING OFFICER)**

### *SDO (Special Disbursing Officer) Procedures*

We conducted procedures to determine if an SDO was still in use. If SDO was still in use, we determined if the transactions were proper and that the account is being properly reconciled to the financial system and to the bank account.

### *SDO (Special Disbursing Officer) Findings*

#### **SDO Internal Controls**

The records for Indiana Economic Development Corporation (IEDC) international Special Disbursing Officer Fund (SDO), LPN 5438, did not clearly document when an expense was reimbursed. Since the SDO is used for recurring monthly international rent payments, the payment and subsequent reimbursement documentation is necessary for accurate reconciliation. Additionally, reimbursement of expenses was not timely. Of a total \$192,667 in unreimbursed expenses as of December 17, 2014, the following expenses had not been reimbursed and were outstanding for longer than a month:

- An expense of \$70,000 was paid on August 4, 2014.
- An expense of \$35,000 was paid on September 4, 2014.
- An expense of \$60,833 was paid on November 6, 2014.

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—General Guidelines and Policy, Section IV)

## ***Procedures and Findings***

(Continued)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements, and incorrect decision making. An Agency's control environment consists of the overall attitude, awareness and actions of management and the governing board or commission. This would include establishing and monitoring policies for developing and modifying accounting systems and control procedures. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview—General Guidelines and Policy, Section IV)

### ***CAPITAL ASSETS***

#### *Capital Asset Procedures*

We conducted procedures to gain an understanding of the capital asset activity. We verified that there was a capital asset inventory in place and up to date. Additionally, we tested a sample capital asset additions and deletions to ensure proper accounting and compliance with key compliance areas for capital assets from the State Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, as well as compliance with the agencies' own policies.

#### *Capital Asset Findings*

Our procedures did not identify any issues that warrant a written comment at this time.



October 26, 2015

## **Reply to Comments on SBOA Review for the Corporation**

### **Cash Book Internal Controls**

The IEDC does reconcile the cash book however there were controls which the SBOA examiners felt were inadequate. The IEDC has a low frequency of payments to post in the cash book. As a result of this control step, the IEDC immediately changed the Cash Log procedure to accommodate the finding. The new procedure now requires 5 individuals to process a cash receipt.

### **SDO Advance**

The timing of reimbursements to the SDO account was a previously known issue which was identified by IEDC management prior to the SBOA examination. The IEDC took timely corrective action and has removed the individual who was responsible. New procedures were also implemented to ensure timely SDO reimbursements.

*Mark Dishon*

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