

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

COMPLIANCE REPORT

OF

EXECUTIVE AGENCIES

STATE OF INDIANA

December 31, 2016



FILED
12/06/2017

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STATE OF INDIANA
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TO: THE OFFICIALS AND MANAGEMENT OF EXECUTIVE BRANCH AGENCIES

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of agencies under the Executive Branch of the State of Indiana, for various periods ending December 31, 2016, to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

The Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

The financial transactions for the Executive Branch Agencies are included in the audit of the State of Indiana Comprehensive Annual Financial Report which can be located on our website: www.in.gov/sboa/.

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

October 3, 2017

ALCOHOL AND TOBACCO COMMISSION
January 1, 2015 to December 31, 2016

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chairman	David Johnson (interim) David Cook	10-15-14 to 01-04-15 01-05-15 to 01-10-21

There were no issues identified during this review that warranted written comment.

AUDITOR OF STATE
January 1, 2015 to December 31, 2016

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor of State	Suzanne Crouch Tera K. Klutz	01-02-14 to 01-08-17 01-09-17 to 12-31-18

There were no issues identified during this review that warranted written comment.

DEPARTMENT OF ADMINISTRATION
January 1, 2016 to December 31, 2016

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Commissioner	Jessica Robertson	05-08-13 to 01-10-21

There were no issues identified during this review that warranted written comment.

DEPARTMENT OF CHILD SERVICES
January 1, 2016 to December 31, 2016

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Mary Beth Bonaventura	02-01-14 to 01-10-21

RECONCILIATIONS BETWEEN PEOPLESOFT AND KIDTRAKS

The Indiana Department of Child Services (DCS) maintains a subsidiary system, KidTraks. As identified in the 2015 and 2016 Section II finding of the Comprehensive Annual Financial State audit of the State of Indiana, the DCS did not perform a comprehensive reconciliation between expenses recorded in KidTraks and expenses posted to the State's accounting system, PeopleSoft. Management of the DCS had not designed and implemented adequate controls to sufficiently compensate for this deficiency.

A similar comment also appeared in prior Report B47349.

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the DCS at risk that controls may not have been either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, material misstatements in a timely manner.

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)

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)

System controls are in effect on the PeopleSoft 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 PeopleSoft. In the case of agency controlled bank accounts, if the reconciled bank balance is less than the account ledger, the responsible official or employee may be held personally responsible for the amount needed to balance. Audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview--General Guidelines and Policy)

DEPARTMENT OF CHILD SERVICES
January 1, 2016 to December 31, 2016
(Continued)

ISETS - PEOPLESOFT CHILD SUPPORT BALANCE RECONCILIATION

The Department of Child Services (DCS) records the detail of Child Support receipts and payments in the Indiana Support Enforcement Tracking System (ISETS). ISETS functions as a subsidiary ledger system for the State's accounting system, PeopleSoft. Although daily reconciliations between PeopleSoft and ISETS of Child Support receipts and payments are performed, the net cash balance of over \$20 million in PeopleSoft is not reconciled to the detail supporting records in ISETS.

A similar comment also appeared in prior Report B47349.

System controls are in effect on the PeopleSoft 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 PeopleSoft. In the case of agency controlled bank accounts, if the reconciled bank balance is less than the account ledger, the responsible official or employee may be held personally responsible for the amount needed to balance. Audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Manual for State and Quasi Agencies, Organizational Overview--General Guidelines & Policy)

CAPITAL ASSET ADDITIONS

The capital asset inventory of the Department of Child Services (DCS) is not accurate as to additions. Of the twenty-five expenditures tested in the review period, we identified the following:

- For twelve asset additions tested, the DCS did not disaggregate a quantity purchase of two or more identical assets. Instead, the DCS recorded the purchase of multiple assets as one asset, using the total invoice price as the cost for the asset. For example, five desks, each with a per item cost of \$779.07, were recorded as one desk with a cost of \$3,895.35.
- Nine assets were not classified with the appropriate Asset Profile ID. Eight projectors in the amount of \$4,838.47, which have a depreciable life of five years, were classified as computers, which have a depreciable life of three years. Also, one desk in the amount of \$779.07, which has a depreciable life of seven years, was classified as a handgun, which has a depreciable life of five years.

A similar comment also appeared in prior Report B47349.

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 PeopleSoft financial system, all capital assets with a cost of \$500 or more. Assets are automatically capitalized upon approval by either the Business Unit 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 PeopleSoft listing. Results of inventories should be retained for audit purposes. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 8.3)

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 Manual for State and Quasi Agencies, Organizational Overview--General Guidelines & Policy)

DEPARTMENT OF CHILD SERVICES
January 1, 2016 to December 31, 2016
(Continued)

CAPITAL ASSET DISPOSALS

The Department of Child Services (DCS) did not retain documentation for all asset deletions. Additionally, the DCS did not accurately document asset disposals in the PeopleSoft Capital Asset module. There were the following deficiencies based upon the review of the sixteen asset deletions tested:

- Five assets were coded as "Surplused," but the DCS only provided a State Surplus form for one of the five assets.
- Four assets were disposed in error. Three of the four were reinstated, and one has been identified as incorrectly disposed, but has not been reinstated.
- Seven assets were listed as missing for over a year, but no follow-up on the status of the asset was provided for audit. A comment should be added in the Capital Assets module to explain the missing status for items that cannot be located.
- Three disposed assets, (one missing and two surplus) were actually software licenses, and should use the "Software license retirement" disposal code. One of the disposed assets coded as missing is the ISETS software with an asset cost of over \$15 million. This asset is still in use and should be reinstated as an asset.

Additionally, in calendar year 2016, the DCS coded 129 assets as missing. Of those 129 assets coded as missing, 58 were IT hardware and 25 were IT software. More accurate coding or an explanation should be provided for these asset disposals.

A similar comment also appeared in prior Reports B47349, entitled *CAPITAL ASSET DISPOSALS*, and B45799, entitled *CAPITAL ASSETS: LACK OF INTERNAL CONTROLS AND CONDITION OF RECORDS*.

All transfers, sales, retirements and other disposals of capital assets must be processed through and approved by State Surplus Property division of IDOA by submitting Form 13812, Notification of Surplus State-Owned Property. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 8.4)

The Department of Administration establishes guidelines and requirements relating to the retirement of agency assets. All retirements, whether or not IDOA State Surplus is involved, must be recorded in the PeopleSoft Asset Management system, including accounting for any money received. Documentation of the asset retirement should also be retained. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 8.4)

Generally, surplus property may be considered "retired" if disposed of in any of the following ways:

- Missing asset. This should be a temporary status, to be reversed when the asset or asset disposal documentation is found, or only used if the agency is sure that the asset has not been stolen, but are still unable to locate the asset or disposal information. A comment should be added in the Location/Comments/Attributes tab of the Basic Add screen explaining the reason for the missing status.

(Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 8.4)



Eric J. Holcomb, Governor
Mary Beth Bonaventura, Director

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Child Support Hotline: 800-840-8757
Child Abuse and Neglect Hotline: 800-800-5556

TO: Paul Joyce
State Examiner

FROM: Mary Beth Bonaventura *MBB 10/18/17*
Director
Department of Child Services

DATE: October 13, 2017

RE: Response to State Board of Accounts Written Findings

Thank you for the opportunity to respond to the written comments noted in the most recent State Board of Accounts audit.

1. RECONCILIATION BETWEEN PEOPLESOFT AND KIDTRAKS

The Agency concurs with the finding. A team consisting of DCS Finance and IT staff have been working on a solution to this issue since August of 2017. This team has implemented a planned solution that will address the issue.

- a. KT IT team is developing three (3) queries from KT data that will provide monthly data to identify the following: (1) monthly spend (2) documents processed through KT but not yet fully processed through People Soft and (3) outstanding invoices not yet fully processed in KT (outstanding liabilities).
- b. Development and testing of these queries and the specific work procedures for accounting staff to implement the reconciliation will be completed by 12/31/17.
- c. **Deploy queries on 1/3/18. Implement reconciliation with month close of 1/31/18.**



Protecting our children, families and future

- d. DCS has attached a more detailed outline of the plan. The progress will be monitored biweekly through team meetings.

2. ISETS-PEOPLESOFT CHILD SUPPORT BALANCE RECONILIATION

The Agency concurs with the findings. In October of 2016, meetings were held with DCS Finance and Child Support Staff to identify the reports required to obtain a monthly cash balance being stated from ISETS. Email communication between the former DCS Controller and Child Support staff indicated that individual reports from ISETS would be required to obtain the various cash balances associated with the individual revenue sources. Apparently, there was no follow up after this email exchange.

The current Controller has discussed with Child Support Staff and proposed the following course of action:

- a. Review of required reports from ISETS with Child Support Staff by 10/27/17.
- b. Work with DCS Accounting Staff to create written procedures and process for reconciling People Soft with ISETs cash. Procedures to be completed and ready for implementation no later than 1/31/18. The complexity of this reconciliation with the multiple funding sources will take a singularly identified Accountant with experience that will be identified for this purpose. DCS Controller will work with CFO and DCS Management to identify funding for this position.
- c. Reconciliation Accountant identified and in place by 1/31/18.
- d. **Deploy process in February of 2018 and reconcile data from February of 2018 within 10 business days of close (3/14/18).**

3. CAPITAL ASSETS ADDITIONS

The Agency concurs with the finding. DCS has contacted the GMIS team to determine the cause and solution for the items when received and updated in the Asset module to not disaggregate. It was determined that we were not checking the Serial box to have the system disaggregate the items into multiple profiles. This step has been added to the work procedures when receiving against an asset line that has multiple items. Staff has been working with GMIS to fix any past errors and update the Asset Module accordingly. **The Target Date to have all corrections completed is 12/31/17.**

In addition, DCS has reviewed our process to determine how the Asset Profile ID is populated and determined for each purchased asset. The Asset Profile ID is chosen by the Encompass system at the time of purchase. The Asset Profile ID is based on the UNSPSC code chosen by DCS when we create a special requisition or it is chosen based on the information provided by IDOA for the



items we obtain from a punch-out catalog purchase such as Staples. The information picked by the system is carried from Requisition to PO and then to the Receipt. The Asset Profile ID is not changed at time of receiving. The Asset Profile ID is just a number with no description shown to the receiver unless the receiver clicks the magnifying glass for the Asset Profile ID area. If the ID chosen is not in the first 300 that is displayed by Encompass there is no search capability unless you know the number to be used.

Going forward, Procurement Staff will be required to specifically review the Profile ID. If staff determine that an assigned Profile ID is incorrect, a GMIS issue will be submitted to update for a more specific and appropriate UNSPSC code. Corrections will be made at the PO level before receiving.

4. CAPITAL ASSETS DISPOSALS

The Agency concurs with the findings. In response to the written comments regarding asset disposals, the Department of Child Services (DCS) will take steps to review procedures, processes, and internal roles related to asset management. In order to ensure process improvements, the DCS will establish a work group of agency personnel in various roles that touch the asset management process. The work group will be tasked with identifying issues and barriers, establishing asset management goals, defining all steps in the process, analyzing staff roles, and implementing improvements for both the process and communication surrounding asset inventory and asset disposals.

A key output of the work group will be to develop clear instructions and guidelines for staff identified as custodians to ensure the individuals understand roles, responsibilities, and procedures related to assets assigned to their custody. The guidelines will include instructions for proper procedures related to surplus transfers and disposals, including IT equipment and software.

Additional steps the DCS work group will take to address deficiencies outlined in the written comments:

- Review all asset status codes in the PeopleSoft Capital Asset module to define all codes and establish criteria and processes related to disposal code changes
- Develop a process flow chart with all steps in the lifecycle of an asset – from start to finish (purchase to disposal)
- Establish criteria for lost, stolen, or missing items – with the understanding that “missing” is a temporary status
- Engage with the DCS IT staff to define procedures for disposal of software and IT equipment



- As a team, the work group will meet routinely (throughout the year) to review all assets in various disposal codes (e.g., missing, disposed, transferred) to:
 - Ensure disposal codes are accurate
 - Follow up with custodians on missing items
 - Ensure all State Surplus forms for assets are completed and on file
 - Update the PeopleSoft comments feature to provide an explanation for a missing status and details related to the asset's disposal
- Review the annual schedule for asset inventory reviews and surplus retrieval at DCS County Offices to identify ways to streamline the process and ensure accurate documentation of assets
- **Written recommendations will be sent to the CFO by 11/30/2017/**
- **Implementation of procedures by 12/31/2017.**



**DEPARTMENT OF CORRECTION
BRANCHVILLE CORRECTIONAL FACILITY**
August 1, 2008 to December 31, 2016

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Commissioner	Edwin G. Buss	08-01-08 to 01-16-11
	Bruce Lemmon	01-17-11 to 11-30-16
	Randy Koester (interim)	12-01-16 to 01-16-17
	Robert E. Carter, Jr.	01-17-17 to 01-10-21
Warden	Gilbert Peters	07-01-08 to 08-18-14
	Kathy Alvey (acting)	08-19-14 to 10-19-14
	Kathy Alvey	10-20-14 to 06-30-18

There were no issues identified during this review that warranted written comment.

**DEPARTMENT OF CORRECTION
CAMP SUMMIT BOOT CAMP**
July 1, 2011 to December 31, 2016

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Commissioner	Bruce Lemmon	01-17-11 to 11-30-16
	Randy Koester (interim)	12-01-16 to 01-16-17
	Robert E. Carter, Jr.	01-17-17 to 01-10-21
Warden	Cecil Davis	07-01-11 to 06-30-18

There were no issues identified during this review that warranted written comment.

**DEPARTMENT OF CORRECTION
CHAIN O'LAKES CORRECTIONAL FACILITY**
July 1, 2010 to December 31, 2016

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Commissioner	Edwin G. Buss	01-12-09 to 01-16-11
	Bruce Lemmon	01-17-11 to 11-30-16
	Randy Koester (interim)	12-01-16 to 01-16-17
	Robert E. Carter, Jr.	01-17-17 to 01-10-21
Warden	Michael Cunegin II	07-01-10 to 01-17-11
	Kathy Griffin	01-18-11 to 06-30-18

There were no issues identified during this review that warranted written comment.

**DEPARTMENT OF CORRECTION
EDINBURGH CORRECTIONAL FACILITY**
January 1, 2015 to December 31, 2016

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Commissioner	Bruce Lemmon	01-14-13 to 11-30-16
	Randy Koester (interim)	12-01-16 to 01-16-17
	Robert E. Carter, Jr.	01-17-17 to 01-10-21
Warden	Frances Osburn	07-01-14 to 06-30-18

There were no issues identified during this review that warranted written comment.

**DEPARTMENT OF CORRECTION
HENRYVILLE CORRECTIONAL FACILITY**
July 1, 2010 to December 31, 2016

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Commissioner	Edwin G. Buss	01-12-09 to 01-16-11
	Bruce Lemmon	01-17-11 to 11-30-16
	Randy Koester (interim)	12-01-16 to 01-16-17
	Robert E. Carter, Jr.	01-17-17 to 01-10-21
Warden	Alan Chapman	07-01-10 to 04-22-11
	Ronald Gibson (acting)	04-23-11 to 06-12-11
	Ronald Gibson	06-13-11 to 04-26-15
	Kathy Alvey	04-27-15 to 07-01-16

There were no issues identified during this review that warranted written comment.

**DEPARTMENT OF CORRECTION
INDIANA STATE PRISON**
July 1, 2011 to December 31, 2016

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Commissioner	Bruce Lemmon	01-17-11 to 11-30-16
	Randy Koester (interim)	12-01-16 to 01-16-17
	Robert E. Carter, Jr.	01-17-17 to 01-10-21
Warden	William Wilson	07-01-11 to 09-01-14
	Ron Neal (acting)	09-02-14 to 09-28-14
	Ron Neal	09-29-14 to 06-30-18

There were no issues identified during this review that warranted written comment.

**DEPARTMENT OF CORRECTION
LOGANSPORT JUVENILE CORRECTIONAL FACILITY
July 1, 2010 to December 31, 2016**

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Commissioner	Edwin G. Buss	01-12-09 to 01-16-11
	Bruce Lemmon	01-17-11 to 11-30-16
	Randy Koester (interim)	12-01-16 to 01-16-17
	Robert E. Carter, Jr.	01-17-17 to 01-10-21
Warden	Lori Harshbarger	07-01-10 to 06-30-18

There were no issues identified during this review that warranted written comment.

**DEPARTMENT OF CORRECTION
MADISON CORRECTIONAL FACILITY**
July 1, 2010 to December 31, 2016

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Commissioner	Edwin G. Buss	01-12-09 to 01-16-11
	Bruce Lemmon	01-17-11 to 11-30-16
	Randy Koester (interim)	12-01-16 to 01-16-17
	Robert E. Carter, Jr.	01-17-17 to 01-10-21
Warden	Janice Davis	07-01-10 to 06-30-18

There were no issues identified during this review that warranted written comment.

**DEPARTMENT OF CORRECTION
MADISON JUVENILE CORRECTIONAL FACILITY
July 1, 2010 to December 31, 2016**

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Commissioner	Edwin G. Buss	01-12-09 to 01-16-11
	Bruce Lemmon	01-17-11 to 11-30-16
	Randy Koester (interim)	12-01-16 to 01-16-17
	Robert E. Carter, Jr.	01-17-17 to 01-10-21
Warden	Angela Sutton	07-01-10 to 08-02-11
	Janice Davis (acting)	08-03-11 to 10-16-11
	Timothy Greathouse	10-17-11 to 03-21-16
	John Galipeau	03-22-16 to 06-30-18

There were no issues identified during this review that warranted written comment.

**DEPARTMENT OF CORRECTION
MIAMI CORRECTIONAL FACILITY**
August 1, 2012 to December 31, 2016

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Commissioner	Bruce Lemmon	01-17-11 to 11-30-16
	Randy Koester (interim)	12-01-16 to 01-16-17
	Robert E. Carter, Jr.	01-17-17 to 01-10-21
Warden	Mark Sevier	07-01-12 to 07-20-14
	Daryl Walls (acting)	07-21-14 to 10-12-14
	Kathy Griffin	10-13-14 to 06-30-18

There were no issues identified during this review that warranted written comment.

**DEPARTMENT OF CORRECTION
WABASH VALLEY CORRECTIONAL FACILITY**
July 1, 2007 to December 31, 2016

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Commissioner	J. David Donahue	01-10-05 to 07-31-08
	Edwin G. Buss	08-01-08 to 01-16-11
	Bruce Lemmon	01-17-11 to 11-30-16
	Randy Koester (interim)	12-01-16 to 01-16-17
	Robert E. Carter, Jr.	01-17-17 to 01-10-21
Warden	Alan Finnan	07-01-07 to 10-04-09
	James Basinger	10-05-09 to 02-07-11
	Richard Brown (acting)	02-08-11 to 02-20-11
	Richard Brown	02-21-11 to 06-30-18

There were no issues identified during this review that warranted written comment.

**DEPARTMENT OF CORRECTION
WESTVILLE CORRECTIONAL FACILITY**
July 1, 2011 to December 31, 2016

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Commissioner	Bruce Lemmon	01-17-11 to 11-30-16
	Randy Koester (interim)	12-01-16 to 01-16-17
	Robert E. Carter, Jr.	01-17-17 to 01-10-21
Warden	Mark Levenhagan	07-01-11 to 06-29-14
	Michael Scott (acting)	06-30-14 to 07-20-14
	Mark Sevier	07-21-14 to 06-30-18

There were no issues identified during this review that warranted written comment.

DEPARTMENT OF EDUCATION
January 1, 2016 to December 31, 2016

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Superintendent of Public Instruction	Glenda Ritz	01-19-13 to 01-08-17
	Dr. Jennifer McCormick	01-09-17 to 01-10-21

There were no issues identified during this review that warranted written comment.

DEPARTMENT OF NATURAL RESOURCES
January 1, 2015 to December 31, 2016

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Cameron F. Clark	05-13-13 to 01-10-21

There were no issues identified during this review that warranted written comment.

DEPARTMENT OF REVENUE
January 1, 2016 to December 31, 2016

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Commissioner	Andrew Kossack	07-18-15 to 09-30-16
	Christopher Atkins	10-01-16 to 01-06-17
	Adam Krupp	01-07-17 to 01-10-21

There were no issues identified during this review that warranted written comment.

DEPARTMENT OF TRANSPORTATION
January 1, 2016 to December 31, 2016

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Commissioner	Karl B. Browning	08-16-13 to 04-22-15
	Brandye Hendrickson	04-23-15 to 01-08-17
	Joe McGuinness	01-09-17 to 01-10-21

There were no issues identified during this review that warranted written comment.

FAMILY AND SOCIAL SERVICES ADMINISTRATION

January 1, 2016 to December 31, 2016

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Secretary	Dr. John Wernert Dr. Jennifer Walthall	07-21-14 to 01-12-17 01-13-17 to 01-10-21

PROCUREMENT CARD TRANSACTIONS

We performed a detailed test of twenty-five procurement card transactions for the Family and Social Services Administration (FSSA). We identified the following errors during testing:

- One procurement card purchase had the wrong receipt attached in PeopleSoft. The FSSA was unable to provide the correct receipt.
- Four procurement card purchases were for lodging. A travel card should have been used for these purchases.
- One procurement card purchase contained \$45 paid for Indiana state taxes. Indiana state agencies are exempt from paying Indiana taxes.
- Three procurement card purchases were charged to incorrect accounts:
 - A set of work gloves designed to protect medical personnel were charged to the Off-Printing & Binding account.
 - A safe and set of keys were charged to the SpOp-FilmPhoto account.
 - A set of books meant to help train new employees was charged to the Manufacturing Equipment account.

A similar comment also appeared in the prior Report B47349, entitled *CLASSIFICATION OF ACCOUNTING TRANSACTIONS*.

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)

FAMILY AND SOCIAL SERVICES ADMINISTRATION

January 1, 2016 to December 31, 2016

(Continued)

The State of Indiana Procurement Card and Travel Card Program Agency Program Administrator and Cardholder User Manual, Version 6.0, page 14 states in part that ". . . Prohibited items include, but are not limited to, the following:

- Travel-related expenses such as hotel charges and vehicle rentals . . ."

The State of Indiana Procurement Card and Travel Card Program Agency Program Administrator and Cardholder User Manual, Version 6.0, page 16 also states that "The State of Indiana is exempt from paying tax on commodities or services paid for by government funds. The cardholder is to receive a copy of the Agency's Sales Tax exempt form when they receive their card. From that point, the cardholder should indicate to the vendor at the time of purchase and/or provide the State Sales Tax exempt document to the merchant."

RECONCILIATION OF REPAYMENT SCHEDULES TO ICES

We identified that actual welfare revenue recoveries recorded in PeopleSoft by the Family and Social Services Administration (FSSA) are not reconciled to the Indiana Client Eligibility computer System (ICES). Revenue recoveries are received from welfare recipients for overpayments for welfare programs such as Temporary Assistance for Needy Families, Supplemental Nutrition Assistance Program, and Medicaid. The ICES is considered to be the official record for the reporting of revenue recoveries for each welfare recipient's case. Without a reconciliation process in place with PeopleSoft, it cannot be determined if the values recorded in the ICES are correct.

A similar comment also appeared in the prior Reports B43983, B45799, and B47349.

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. In the case of agency controlled bank accounts, if the reconciled bank balance is less than the account ledger, the responsible official or employee may be held personally responsible for the amount needed to balance. Audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview--General Guidelines and Policy)



Eric Holcomb, Governor
State of Indiana

Indiana Family and Social Services Administration
402 W. WASHINGTON STREET, P.O. BOX 7083
INDIANAPOLIS, IN 46207-7083

October 13, 2017

Paul Joyce, CPA, State Examiner
Indiana State Board of Accounts
200 W. Washing St., Rm. 212 State House
Indianapolis, IN 46204

Dear Mr. Joyce:

This letter represents the Family and Social Services Administration's response to Written Comments identified in the review conducted for the period January 1, 2016 to December 31, 2016. If you have any questions, please contact me at your earliest convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul Bowling".

Paul Bowling
Chief Financial Officer
FSSA Administration



Procurement Card Transactions

Contact Person: Scott Blake
Title of Contact: Director of Administrative Services
Phone: (317) 234-1488

During the review period there were eight (8) procurement cardholders for FSSA's six (6) central business units who determine when to use their card to complete purchase transactions. On occasion we request an exception to use the PCard to resolve specific issues brought on by specifications of requests, supplier availability or as resolution to travel card issues. That practice of utilizing PCard for lodging establishments will be eliminated for employee requests but separated if an FSSA Client needs lodging accommodations as we would consider a request on their behalf a purchase of services.

The other discrepancies identified in review period are a result of employees not taking appropriate time to review transactional data that leads to payments of sales taxes, incorrect expenditure accounts, and receipts not being recorded accurately. The resolution of this finding will be resolved with a new tool for personnel, and the review of the approval process with all Agency personnel that are required to review the transaction request during the payment process.

The tool is a quick search for the Account Number to identify the number and definition to determine the reasonableness of the selection. If in the cardholder's interpretation it is not an appropriate selection it is their responsibility to work with the Financial Team of the business unit to modify or provide addition selection of the choice.

The other piece is develop a training program that would deliver a review process of purchase requisition approval process knowing the items for review and the steps to edit the data if required. In addition the 8 cardholder's must take accountability of the manual data that is entered to insure it's accuracy to the request document.

Reconciliation of Repayments Schedules to ICES

Contact Person: Lynn Johnson
Title of Contact: Director of Accounting Operations
Phone: (317) 233-4725

FSSA is in the process of upgrading ICES to a new eligibility system. During this process change orders for ICES have been frozen and others that were in process have not been completed due to the timing of the implementation of the new system. The Financial area does not have access to run reports in ICES due to HIPPA restrictions of the eligibility system. FSSA will continue to explore options for developing a reconciliation process between ICES and People Soft as we transition to our new eligibility system.

**FAMILY AND SOCIAL SERVICES ADMINISTRATION
EVANSVILLE PSYCHIATRIC CHILDREN'S CENTER**
January 1, 2009 to December 31, 2016

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Secretary	E. Mitchell Roob, Jr.	01-10-05 to 01-04-09
	Ann Murphy	01-05-09 to 11-13-10
	Michael Gargano	11-14-10 to 02-24-13
	Debra Minot	02-25-13 to 07-01-14
	(Vacant)	07-02-14 to 07-06-14
	Michael Gargano (interim)	07-07-14 to 07-20-14
	Dr. John Wernert	07-21-14 to 01-12-17
	Dr. Jennifer Walthall	01-13-17 to 01-10-21
Superintendent	Lottie L. Cook	07-01-08 to 06-30-18

There were no issues identified during this review that warranted written comment.

**FAMILY AND SOCIAL SERVICES ADMINISTRATION
EVANSVILLE STATE HOSPITAL
January 1, 2009 to December 31, 2016**

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Secretary	E. Mitchell Roob, Jr.	01-10-05 to 01-04-09
	Ann Murphy	01-05-09 to 11-13-10
	Michael Gargano	11-14-10 to 02-24-13
	Debra Minot	02-25-13 to 07-01-14
	(Vacant)	07-02-14 to 07-06-14
	Michael Gargano (interim)	07-07-14 to 07-20-14
	Dr. John Wernert	07-21-14 to 01-12-17
Superintendent	Dr. Jennifer Walthall	01-13-17 to 01-10-21
	Cathe M. Fulcher	07-01-08 to 12-29-14
	Steve Cruse (interim)	12-30-14 to 10-04-15
	Gene Schadler	10-05-15 to 06-30-18

There were no issues identified during this review that warranted written comment.

INDIANA STATE DEPARTMENT OF HEALTH
January 1, 2015 to December 31, 2016

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Commissioner	Jerome M. Adams, MD, MPH	10-22-14 to 09-01-17
	Pamela Pontones, MA (interim)	09-02-17 to 10-15-17
	Kristina M. Box, MD, FACOG	10-16-17 to 01-10-21

INTERNAL CONTROLS OVER REVENUES

We identified the following deficiencies in internal controls over revenues collected by the Indiana State Department of Health (ISDH):

- The ISDH did not perform reconciliations of accountable items (i.e., licenses, permits, certificates, etc.) to collections received.
- Checks were not consistently being restrictedly endorsed upon receipt by the Accounts Payable Clerk during the review period.
- For revenues collected at the Cashier's office, there were gaps in the sequential numbering of receipts posted to the accounting software, resulting in a lack of accountability for the receipts at this location.

A similar comment also appeared in prior Report B47349.

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)

Licenses, permits, goods for sale, invoices, etc., are considered accountable items for which a corresponding deposit must be made. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 4.3)

Money received should be recorded at time of receipt. Checks should be restrictively endorsed and date stamped upon receipt. This should occur upon opening the mail or otherwise receiving the instrument (check). (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 4.3)

Official receipts should be consecutively pre-numbered, whether paper or electronic. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 4.4)

INDIANA UNIFORM LAW COMMISSION
July 1, 2012 to December 31, 2016

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chair	Don Densborn William W. Barrett	07-01-12 to 12-31-12 01-01-13 to 06-30-18

There were no issues identified during this review that warranted written comment.

CREATION OF THE INDIANA UNIFORM LAW COMMISSION

Effective July 1, 2012, per Indiana Code 2-5-35-2, the Indiana Uniform Law Commission (Commission) was established. The Commission shall work with the National Conference of Commissioners on Uniform State Laws to: (1) research; (2) draft; and (3) promote the enactment of; uniform state laws in areas of state law where uniformity is desirable and practical.

INTEGRATED PUBLIC SAFETY COMMISSION
January 1, 2015 to December 31, 2016

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	David Vice	07-01-14 to 06-30-18

There were no issues identified during this review that warranted written comment.

MEDICAL EDUCATION BOARD
January 1, 2012 to December 31, 2016

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chairman	D. Craig Brater, MD Jay L. Hess, MD, PhD	07-01-11 to 08-31-13 09-01-13 to 06-30-18
Chairman by Proxy	Maryellen E. Gusic, MD Peter M. Nalin, MD, FAAFP	07-01-11 to 08-11-11 08-12-11 to 06-30-18

There were no issues identified during this review that warranted written comment.

OFFICE OF MANAGEMENT AND BUDGET
January 1, 2015 to December 31, 2016

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Christopher Atkins Micah Vincent	01-14-13 to 06-26-15 06-27-15 to 01-10-21

There were no issues identified during this review that warranted written comment.

OFFICE OF STATE-BASED INITIATIVES
July 30, 2013 to December 31, 2016

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	David Johnson (Vacant) Luke Kenworthy	08-12-13 to 05-06-15 05-07-15 to 07-07-15 07-08-15 to 01-10-21

There were no issues identified during this review that warranted written comment.

OFFICE OF INSPECTOR GENERAL
January 1, 2015 to December 31, 2016

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Inspector General	David Thomas	01-14-13 to 01-10-15
	Cynthia Carrasco	01-11-15 to 01-08-17
	Lori Torres	01-09-17 to 01-10-21

There were no issues identified during this review that warranted written comment.

OFFICE OF UTILITY CONSUMER COUNSELOR
January 1, 2015 to December 31, 2016

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Utility Consumer Counselor	A. David Stippler (Vacant)	01-14-13 to 12-31-16 01-01-17 to 01-08-17
	William I. Fine	01-09-17 to 01-10-21

There were no issues identified during this review that warranted written comment.

PROFESSIONAL LICENSING AGENCY
January 1, 2015 to December 31, 2016

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Nicholas Rhoad	06-17-13 to 08-31-15
	Deborah Frye (acting)	09-01-15 to 09-02-15
	Deborah Frye (interim)	09-03-15 to 09-15-15
	Deborah Frye	09-16-15 to 01-10-21

There were no issues identified during this review that warranted written comment.

STATE BUDGET AGENCY
January 1, 2015 to December 31, 2016

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Brian Bailey Jason Dudich	07-15-13 to 01-08-17 01-09-17 to 01-10-21

There were no issues identified during this review that warranted written comment.

TREASURER OF STATE
January 1, 2016 to December 31, 2016

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kelley M. Mitchell	01-01-15 to 12-31-18

There were no issues identified during this review that warranted written comment.