

STATE OF INDIANA

ORGANIZATIONAL OVERVIEW -- GENERAL GUIDELINES & POLICY

SCOPE

This overview of the organizational structure describes certain duties of administrative agencies in relation to the centralized accounting system and agency accounting responsibilities.

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I. STATE ORGANIZATION AND AUTHORITY

The State of Indiana consists of three branches of government -- Executive, Legislative and Judicial, the basis of which is derived from the Indiana Constitution.

The Executive branch includes the following elected officials: Governor, Lt. Governor, Comptroller, Treasurer of State, Secretary of State, Attorney General, and Superintendent of Public Instruction. The Governor appoints other top executives of state government, generally as agency directors, board members or commission members.

Authority for agency operations may be defined by state laws (statutes), which are published as Indiana Code (IC) or executive orders issued by the Governor. State operational policy may be further defined by the Indiana Administrative Code (IAC), also known as rules or regulations.

II. STATE ACCOUNTING SYSTEM STRUCTURE AND FUNCTION

All branches of state government, Executive, Legislative and Judicial, utilize the centralized state accounting system. As of September 16, 2009, the PeopleSoft financial accounting system, which is used from requisition of purchases to payment of final invoices and all postings to a general ledger, accounts for all financial transactions in the state governmental agencies.

The state accounting system includes features of standardized source documents, uniform transaction identification and classification codes, uniform report formats, an account structure with summarization of activity for business units and funds, and centralized control for revenue deposits and warrant issuance. This structure is designed to identify, analyze, classify, record, and report the State of Indiana financial transactions and to maintain accountability of the related assets and liabilities. This account structure provides for the preparation of the Indiana Annual Comprehensive Financial Report (ACFR) in conformity with generally accepted accounting principles, as prescribed by Governmental Accounting Standards Board (GASB) pronouncements. The GASB is the authoritative accounting and financial reporting standard setting body for governmental entities throughout the United States. The Statewide Schedule of Expenditures of Federal Awards, as required by 2 CFR 200, is also a product of this system.

The centralized accounting system is maintained, operated, and under the oversight of the Enterprise Governance Review Board and Steering Committee, which includes representatives of the Comptroller, Treasurer of State, State Budget Agency, State Personnel Department, Department of Administration, State Board of Accounts, and Office of Technology. Suggested changes are voted on by the Executive Steering Committee, comprised of the Agency Heads of the Governance Review Board agencies. The State Board of Accounts has an advisory role only.

The size and scope of some state agencies necessitates additional internal accounting records for agency management and fiscal control. These are not all specifically described in this manual, the focus of which is the centralized, uniform accounting system.

III. DUTIES AND RESPONSIBILITIES RELATED TO ACCOUNTING SYSTEM STRUCTURE

III.A COMPTROLLER

The function of the Comptroller is that of maintaining the financial accounting for the State and disbursement of funds. All payments from the treasury must be made upon a warrant (check) prepared and signed by the Comptroller or by electronic fund transfer to the bank account of the payee. The Comptroller is responsible for the pre-audit of claims for payment before the disbursement is made, as noted in 6.1.3 in this manual.

The Comptroller is also responsible for the preparation and issuance of the Annual Comprehensive Financial Report (ACFR) for the State of Indiana. Volume I of this report, which is submitted to the Government Finance Officers' Association (GFOA) for review and certification, includes all financial statements and other required information. Volume II includes detailed information of appropriations, cash receipts and cash disbursements by fund and agency.

The State Comptroller is a decision making member of the Executive Steering Committee.

III.B TREASURER OF STATE

The Treasurer of State (TOS) is responsible for the safekeeping and investment of moneys and securities paid into the state treasury. This office acts as a "bank" for state funds: in essence, the receiver and custodian of all state revenue and payment from such funds upon warrants or electronic transfers issued by the Comptroller. The Treasurer has discretionary power to invest state funds in various Indiana financial institutions. All state departments and agencies, with the exception of certain quasi- agencies, make deposits with the Treasurer's office or submit evidence of direct deposits made to the credit of the State treasury.

The Treasurer of State is a decision making member of the Executive Steering Committee.

III.C OFFICE OF MANAGEMENT AND BUDGET

As noted in Indiana Code (IC) 4-3-22-4, the director of the Office of Management and Budget (OMB) is the chief financial officer of the State and reports directly to the Governor. The director has authority over all functions of the State Budget Agency, the Department of Revenue, the Department of Local Government Finance and the Indiana Finance Authority.

The OMB is responsible for all budgeting, accounting and spending functions within the various agencies, departments, and programs of state government, and assists the Governor in all matters related to fiscal management.

The division of government efficiency and financial planning, established within the OMB, shall conduct operational and procedural audits of state government, perform financial planning, design and implement efficiency projects, and carry out such other responsibilities as may be designated by the director.

III.D STATE BUDGET AGENCY

The State Budget Agency (SBA) prepares the state's biennial budget for presentation to the Governor and then to the General Assembly. It is the responsibility of the SBA to examine and analyze all agency budget requests and make recommendations for inclusion in the budget report, as well as projecting estimated state revenue for the biennium in conjunction with economists appointed by the Governor.

The SBA is responsible for the proper administration of the budget as approved by the legislature and approving or modifying the quarterly allotments for each state agency, which controls funds available

for expenditure. The Budget Agency may transfer, assign, or reassign any appropriation between an agency's funds with the approval of that agency. Other functions include, but are not limited to:

- Approving contracts for availability of funds
- Maintaining appropriation and allotment budgets on the PeopleSoft financial accounting system
- Reviewing and approving construction projects (with the exception of highway construction)
- Assisting the Governor in fixing state salary schedules
- Prescribing rules and regulations regarding state employee travel
- Considering and approving expansion of state programs
- Reviewing and making recommendations on Federal grant applications of all state agencies.

Each agency is assigned a budget analyst in the Budget Agency to coordinate its budgetary activity.

The State Budget Director is a decision making member of the Executive Steering Committee.

III.E DEPARTMENT OF STATE PERSONNEL

The Department of State Personnel is led by a Director appointed by the Governor and provides all human resources centralized services and related policies and procedures, including but not limited to:

- Employment opportunities
- Staff training
- Employee recordkeeping
- PeopleSoft HR functional processes, including open enrollment process
- Insurance contracts

This department retains functional ownership over PeopleSoft HR processes, working with IOT on technical issues and the Enterprise Governance Review Board and Steering Committee on implementations and changes.

The State Personnel Director is a decision making member of the Executive Steering Committee.

III.F DEPARTMENT OF ADMINISTRATION

The Department of Administration (IDOA) is led by a Commissioner appointed by the Governor and provides certain centralized services required by state agencies as well as maintaining certain critical records, such as real estate deeds and state vehicle titles.

Provision of centralized services integrates like-functions under a single management team, in order to realize a minimal duplication of effort and overhead, while enabling greater purchasing power and coordination. Central services currently provided by IDOA include:

- Centralized purchasing – supplies, materials, equipment, construction contracts
- Communications
- Mail and printing services
- Operation of the motor vehicle and aviation fleet
- Management of the state and federal surplus property programs
- Management of the state procurement card program

Costs of some of these services are billed to the agencies using the services. Management, maintenance, and security of the Indiana government center buildings is also provided by the IDOA.

Divisions of IDOA, such as the Procurement Division and the Department of Public Works (DPW), exist to ensure that acquisitions are made properly, efficiently, and within the requirements of Indiana law. Each receives agency requests, known as requisitions; issues invitations to bid; receives and evaluates bids or proposals; and determines the selected contractor. In the case of DPW, approvals by the division are necessary for all disbursements throughout the construction process.

The Procurement Division also has responsibility for monitoring inventories. All executive branch agencies, departments, and offices, except the Department of Transportation, are required to utilize the Procurement and Public Works Divisions. The legislative and judicial branches, as well as the Department of Transportation, may utilize the Procurement and Public Works divisions but are not required to do so.

All state contracts and leases, however, must be approved by the Commissioner of IDOA.

The IDOA Commissioner is a decision making member of the Executive Steering Committee.

III.G STATE BOARD OF ACCOUNTS

The State Board of Accounts (SBOA) is led by the State Examiner, who is assisted by two deputies. The State Examiner is appointed by the Governor, with the appointment confirmed by the Legislative Council. The deputies are also Governor appointed. All three must be certified public accountants.

The Board employs field examiners, the majority of whom have a bachelor's degree in accounting; many are also Certified Public Accountants (CPA), Certified Fraud Examiners (CFE), or Certified Government Financial Managers (CGFM).

The primary function of the SBOA is to audit or examine the accounts and records of all state and local departments, institutions, offices, or other agencies, including nonprofit entities which receive public funds. Board of Accounts' audits and reports are accepted by the federal government as the financial and compliance audit of the entity examined and the federal funds it received. Any outside audit costs paid by an agency, department, or office, not authorized by statute, may be considered a duplication of service.

The SBOA reports become public information when officially filed by the State Examiner. Reports generally contain audit results and comments which include description of any overpayments, shortages, noncompliance discovered, or deficiencies in the internal control structure. Shortages of funds are subject to referral to the Attorney General for civil action and to the county prosecutor for criminal proceedings, if so determined by those offices.

All accounting forms, records and systems used by governmental units in the State of Indiana are required to be prescribed or approved by the SBOA. This includes all statements and reports necessary for the internal administration of the office to which they pertain. It also includes electronic, automated or computerized systems.

The State Examiner is represented on the Executive Steering Committee in an advisory role.

III.H INDIANA OFFICE OF TECHNOLOGY

The Indiana Office of Technology (IOT) was established as a state agency in July 2005 to provide cost-effective, secure, consistent, reliable enterprise technology services to other agencies of the state.

Responsibilities of IOT are to:

- *Establish standards for the technology infrastructure of the state,*
- *Focus state information technology services to improve service levels to citizens and lower costs of providing information technology services,*
- *Bring the best and most appropriate technology solutions to bear on state technology applications,*
- *Improve and expand government services provided electronically*
- *Provide the technology and procedures for the state to do business with the greatest security possible.*
- *The Office of Technology is represented on the Executive Steering Committee in a decision making role. This office is responsible for implementing the technical aspects of the HR and financial accounting systems.*

IV. SUMMARY OF AGENCY ACCOUNTING RESPONSIBILITIES

Each agency, department, quasi, institution or office has the following accounting responsibilities:

- *Operate within the confines of the established budget.*
- *Maintain an adequate internal control environment.*
- *Maintain adequate internal control procedures.*
- *Properly utilize the state accounting system as prescribed by the PeopleSoft Steering Committee.*
- *Maintain an effective and accurate accounting system for necessary subsidiary and supplementary records.*
- *Maintain, and make available for audit, documentation supporting the validity and accountability of monies received or disbursed.*
- *Perform duties in accordance with statute, regulations, state policy, contract provisions, and federal requirements as applicable.*

The PeopleSoft financial accounting system provides the basis for budgetary control and prevents transactions from going forward without available allotments. Organizational and project budgets can also be utilized as a comprehensive planning and control device. Each agency must function within its budget limits.

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.

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.

(See Chapter 2 in this manual for additional detail and guidance on internal control.)

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.

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, etc., must be made available for audit to provide supporting information for the validity and accountability of monies received or disbursed. Documents must be filed in such a manner as to be readily retrievable or otherwise reasonably obtainable, upon request, during an audit.

Each agency, department, quasi, institution or office is responsible for compliance with applicable statutes, regulations, contract provisions, state policies, and federal requirements. Compliance is required, as applicable, with generally accepted accounting principles, and standards issued by the Governmental Accounting Standards Board, Financial Accounting Standards Board, and other standard setting bodies and also with various accounting guides, manuals and other publications.

Every governmental unit is required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies. This includes opinions of the Attorney General of the State of Indiana and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance with these requirements may require corrective action by the governmental unit and follow up by a federal or state agency.

Each agency, department, quasi, institution or office also has the responsibility to comply with its own internal policies and guidelines. These internal policies and guidelines cannot conflict with state or federal laws, state policies or procedures (including those in the various chapters of this manual) or other policies established by the Department of Administration, State Personnel, or through the Financial Management Circulars.

Responsibility of performance of duties in accordance with applicable statutes, rules, policies and federal requirements is commonly referred to as compliance. Agency management devotes much time to the study and application of these various requirements. Relevant information should be communicated to staff.

State statutes (Indiana Code – IC) which relate to various transactions are included in the first section of each chapter of this manual. Pertinent state policy has been included throughout the manual. The federal funds chapter provides references to those regulations which are generally applicable to all federal programs.

Agency financial accounting staff will have duties directly related to the performance of the agency accounting responsibilities described above. Specific instructions and recommended procedures are detailed throughout this manual for each transaction type within the state accounting system.

Each quasi-governmental unit with funds outside the state system also has the responsibility to maintain appropriate accounting records, including monthly bank statement reconciliations, and internal controls as described above.