



AUDITOR OF STATE

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September 17, 2010

Adam Horst, Director
State Budget Agency
212 State House
200 W. Washington Street
Indianapolis, IN 46204

RE: Office of the Auditor of State FY 2012 – FY 2013 Biennial Budget Request

Dear Director Horst:

As a separately elected constitutional officeholder, accountable directly to the voters, the Auditor of State must maintain the necessary funding to exercise effective control and authority over those tasks that have been entrusted to me by statute.

I offer this overview of the budget request submitted for the Office of the Auditor of State for the FY 2012 – FY 2013 biennium. The budget I am seeking for the office is in line with the request stated in the operating budget instructions posted to the SBA website on 7/29/10 establishing a base budget for FY 2012 and FY 2013 equal to the FY 2011 appropriation level less the required 15% reversion from the FY 2011 base.

The Auditor of State's office processes nearly every financial transaction for the State of Indiana. As part of the State's payroll system, we process the biweekly payroll warrants for over 32,000 active state employees and another 1,000 on disability. We also process an additional 1,550 biweekly payments for the police pension, spouses of officers killed in the line of duty, and former governors and spouses. Within the State's financial system, we process in excess of 7,500,000 payments annually including distribution of funds to counties, school corporations, cities, and towns. In addition to the payment transactions outlined, the Auditor of State is statutorily charged to maintain the centralized accounting records of the state, which is accomplished through the maintenance of the State's general ledger. The Auditor of State also provides daily data to the State Budget Agency and all other state agencies, as well as prepares the State's Comprehensive Annual Financial Report.

In the past biennium, the Auditor's office improved the efficiency of its functions and the security of its transactions by increasing the number of electronic funds transfers. With the utilization of the State's pay-card program at the end of 2009, all state employee payroll is now processed by electronic funds transfer with 98% receiving payroll through direct deposit. It is also important to note that all 92 counties receive their distributions by electronic funds transfer as do most cities and towns. The amount of transactions processed within the financial system by EFT is now at 80% with a 92% total dollar amount for all EFT

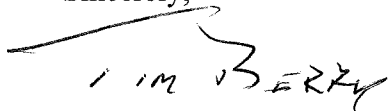
payments. One last payroll savings implementation that occurred this biennium was the utilization of electronic statement notifications in place of paper pay stubs. All together, this increase in electronic processing has saved the State in bank fees, printing costs, postage, and carrier fees. It is also worth noting that the Office has achieved these efficiencies while meeting the requested reversions asked for by the Governor and reducing staff by almost 11%.

On September 16, 2009 the Auditor's Office and the State of Indiana went live with the long anticipated PeopleSoft Encompass Financial System, unifying all financial reporting by State agencies into one fully integrated statewide accounting system, consequently eliminating the multitude of agency accounting systems that previously fed the State's general ledger. The fully integrated Encompass system has provided for more detailed reporting and allows for greater internal controls and fine-tuned data enabling better management decision making. The implementation has also allowed for the creation of a transparency website: a one stop online portal providing Hoosiers with 24/7 access to information about how Indiana is utilizing its resources. The web site includes all state contracts, employees' salaries, an interactive budget section, revenue data, state debt authority overview, financial statements for both local governments and state government, performance information along with American Recovery and Reinvestment Act information.

Lastly, as Plan Administrator for the Hoosier S.T.A.R.T. Deferred Compensation Plan, I would like to report that since coming into office, plan participation has grown to 62% of state employees, up from 50%. We continue to strive to provide financial education to our participants through numerous programs and have recently been honored by winning the National Association of Government Defined Contribution Administrators Special Award of Distinction for Effective Communication and Leadership.

Through careful evaluation of our expenses and assessment of our future needs, the request submitted should sufficiently meet our needs to maintain our current services throughout the biennium. We will continue to maintain our current level of services to the citizens of Indiana, employees of the State of Indiana, legislative bodies, and all others having financial dealings with the State of Indiana.

Sincerely,

A handwritten signature in black ink that reads "TIM BERRY". The signature is written in a cursive style with a long horizontal line extending to the left from the start of the name.

Tim Berry
Auditor of State, Indiana

TB/bam