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August 15, 2016

Brian Bailey, State Budget Director
State Budget Agency
212 Statehouse
200 W. Washington Street
Indianapolis, IN 46204

RE: Office of the Auditor of State FY 2018 – FY 2019 Biennial Budget Request

Dear Director Bailey:

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 from the Office of the Auditor of State for the FY 2018 – FY 2019 biennium.

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 more than 33,000 active state employees and another 500 on disability. We also process an additional 1,600 monthly 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 and prepares the State's Comprehensive Annual Financial Report.

Over the past several years, the Auditor's office has improved the efficiency of its functions and the security of its transactions by continuing to increase the number of electronic funds transfers. With the utilization of the State's pay-card program all state employee payroll is now processed by electronic funds transfer with 98 percent receiving payroll through direct deposit.

It is also important to note that all 92 counties receive their distributions by electronic funds transfer (EFT) as do most cities and towns. About 95 percent of total dollars processed within the financial system are now processed by EFT payments. One last savings implementation has been 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.

The State's current payroll processing system is almost 30 years old and will not be supported much longer. For this reason, a transformation of the current payroll system is planned over the next several years. The modern system will be designed to be efficient, automate paper forms, and protect & secure personally identifiable information, while creating an employee self-service portal.

Lastly, as Plan Administrator for the Hoosier S.T.A.R.T Deferred Compensation Plan, I would like to report that plan participation has grown from 69 percent in 2014 to 72 percent in 2015. We continue striving to improve financial literacy for our participants which will impact their retirement readiness.

Through careful evaluation of our expenses and assessment of our future needs, the request submitted should sufficiently meet our needs to allow us 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,



Suzanne Crouch
Auditor of State, Indiana