

Welcome!

Internal Control Officer Meeting
June 27, 2024



“A strong internal control system yields success.”



State Advisory Services
Team

Our Purpose
Our Team

What is internal control?

A process
executed by officials and employees
designed
to provide reasonable assurance that
objectives will be achieved...



Uniform Compliance Guidelines

Issued April 11, 2024

www.in.gov/sboa



Uniform Compliance Guidelines on Internal Controls for State and Quasi Agencies

Paul D. Joyce, CPA
State Examiner



What is the role of an internal control officer?

Gain understanding of the Uniform Compliance Guidelines on Internal Controls

Facilitate/Support

Agency Risk Assessment – Top Three Risks
Implementation of Internal Controls

Act as the Primary OMB Contact Person

Top Three Risks
OMB Statewide Risk Self Assessments (RSA)
Corrective Action Plans
Other Risk Information



The internal control officer must have the cooperation and commitment of agency leadership to be successful...



Why is this position needed?

Executive Commitment to Internal Controls

- FMCs
- Enterprise Risk Management System
 - Top Three Risks
 - Corrective Action Plans

Consistent application of the Internal Control Framework

- Uniform Compliance Guidelines on Internal Controls for State and Quasi Agencies

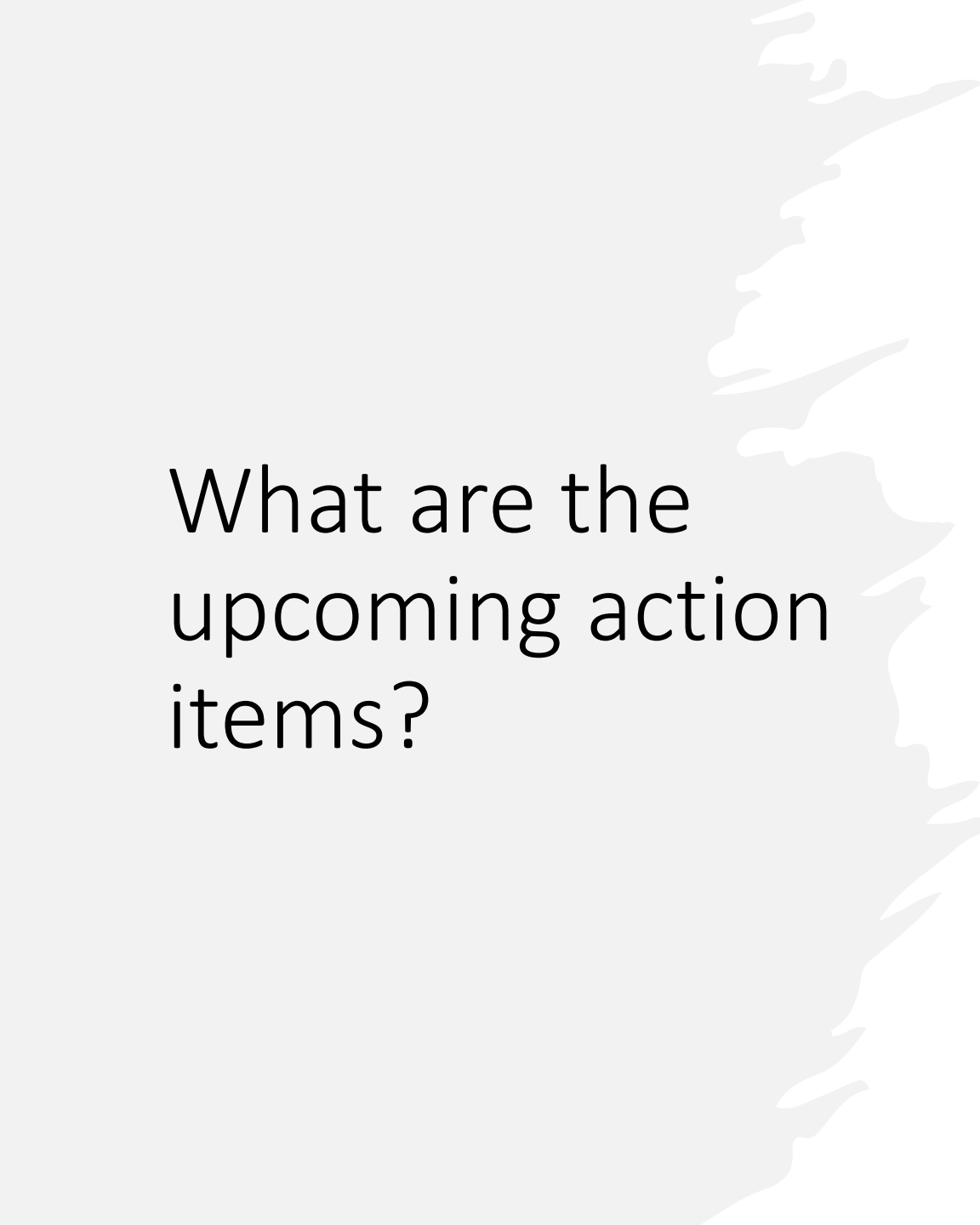
What is the role of agency executive management?

Responsible for establishing, implementing, and maintaining an effective internal control system (FMC 6.1)

Input/support for internal control officer

- a. Top Three Risks and mitigation strategy
- b. Monitoring of Corrective Action Plans
- c. Evaluation and Development of Internal Controls
- d. Implementation of Internal Controls





What are the
upcoming action
items?

July Training and Collaborative Sessions

- Gain an Understanding of the Internal Control Guidelines

Due September 1

- Top Three Risks & Mitigation Plan
- Audit or Review Findings in FY 2024 with proposed plans for resolution
- Progress Report on previously reported corrective action plans



Internal Control Officer Training & Collaborative Sessions

Where do we
begin?

Discuss top agency objectives

Operations
Reporting
Compliance

Discuss status of corrective action
plans and progress with the Internal
Control Officer



How Will SAS Support You?

Chase Lenon, State Advisory Services Director
CPA CIA CGFM CFE

Training and Collaborative Sessions July



Goals:

- Gain understanding of Internal Control Guidelines
- Provide collaborative setting to work through risk assessment process and prepare risk information and mitigation plans due September 1.

Training and Collaborative Sessions July Session One - Topics



- Foundations for Risk Assessment
 - ✓ What is risk?
 - ✓ Importance of finding the root cause
 - ✓ Suggested Steps and Examples
 - ✓ Risk Assessment Template example
 - ✓ Documentation of Risk Assessment

- Corrective Action Plans

July Meetings Session One



July 10 - Harrison Hall, Conference Room 18

- 9:00 to 11:00 AM (Small Agencies)
- 1:00 to 3:00 PM (Medium-sized Agencies)

July 15 – Harrison Hall, Conference Room 19

- 9:00 to 11:00 AM (Large Agencies)

Attend only one session.

Material and collaborative session will be tailored to the agency group listed, but you may attend any session

Training and Collaborative Sessions July Session Two - Topics



- Responding to Identified Risk
 - ✓ Addressing the Root Cause
 - ✓ Addressing all five components
 - ✓ Documenting the Response
 - ✓ Control Development Tools and Examples

- Information for the OMB Portal
 - ✓ How to Use the Portal
 - ✓ What Information is Required

July Meetings Session Two



July 24 - Wabash Hall, Conference Room 2

- 9:00 to 11:00 AM (Small Agencies)
- 1:00 to 3:00 PM (Medium-sized Agencies)

July 31 – Harrison Hall, Conference Room 19

- 9:00 to 11:00 AM (Large Agencies)

Attend only one session.

Material and collaborative session will be tailored to the agency group listed, but you may attend any session

Microsoft Teams



“SBOA State Internal Control Officers’ Channel”



SBOA Website



<https://www.in.gov/sboa/>

Additional Support



August – Walk-in Office Hours (more information to come)

September forward →

Training and Collaborative Meetings
Evaluation & Development of Controls

Contact Us Anytime!

Teams Channel: Send us a chat

Email: stateagencyadvisory@sboa.in.gov

Call: 317-232-2513

Schedule an Appointment



Uniform Compliance Guidelines on Internal Controls for State and Quasi Agencies

Internal Control Officer Training
June 27, 2024



"A strong internal control system yields success."

Uniform Compliance Guidelines on Internal Controls



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Treadway Commission (COSO). All rights reserved.

Based on well-known internal control frameworks:

- COSO Integrated Framework (2013) www.coso.org
- GAO Standards for Internal Control in the Federal Government (Green Book) www.gao.gov/greenbook

Internal Control Guidelines

Part One

The Five Components of Internal Control

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring

Principles and Points of Focus

- Principles are required for a complete component
- Points of Focus provide helpful guidance for implementation



Uniform Compliance Guidelines
on Internal Controls for
State and Quasi Agencies

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Control Environment Principles

1. The agency demonstrates a commitment to integrity and ethical values.
2. Agency leadership oversees the internal control system.
3. Management establishes an organizational structure, assigns responsibility, and delegates authority to achieve agency objectives.
4. The agency demonstrates a commitment to attract, develop, and retain competent individuals.
5. Management evaluates performance and holds individuals accountable for their internal control responsibilities.

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Control Environment – Why It Matters

The control environment...

- encourages employees to adopt agency values and expectations.
- provides employees with a framework to make decisions that align with agency values.
- reduces the likelihood of fraud, errors, and compliance issues by defining proper procedures.
- promotes accountability by documenting processes, responsibilities, and actions.
- provides a method for addressing and resolving issues.



Control Environment



Control Environment Examples

Risk Assessment Principles


6. Management defines objectives clearly to enable the identification of risks and defines risk tolerances.
7. Management identifies, analyzes, and responds to risks related to achieving the defined objectives.
8. Management considers the potential for fraud when identifying, analyzing, and responding to risks.
9. Management identifies, analyzes, and responds to significant changes that could impact the internal control system.

Risk Assessment Example


 Define Objectives *What are we trying to accomplish?*



Operations
Reporting
Compliance

 Identify Risks to Objectives *What can go wrong?*

 Prioritize *Impact and Likelihood*

 Respond *Accept, Avoid, Reduce, Share*

Uniform Compliance Guidelines on Internal Control

Part One: Risk Assessment Principles and Points of Focus – page 20

Part Two: Conducting a Risk Assessment – page 45

Part Three: Risk Assessment Template – in.gov/sboa – resources

Part Three: Example Objectives & Risks – page 123

Risk Assessment - Agency Objectives

“...internal control as a process executed by officials and employees designed to provide reasonable assurance that **objectives** will be achieved.”

*What are we
trying to
accomplish?*

Mission

Operation
Reporting
Compliance



Risk Assessment – Why It Matters

The Risk Assessment Process...

- Improves decision making through sound planning and the systematic setting of objectives.
- Strengthens internal control for high-risk activities.
- Improves services and mitigation of potential disruptions.
- Aligns processes with agency mission and objectives, increasing efficiency and effectiveness.





Risk Assessment Examples

Control Activities -Principles

10. Management designs control activities to achieve objectives and respond to risks.

11. Management designs the information system and related control activities to achieve objectives and respond to risks.

Internal Control Guidelines
Page 65

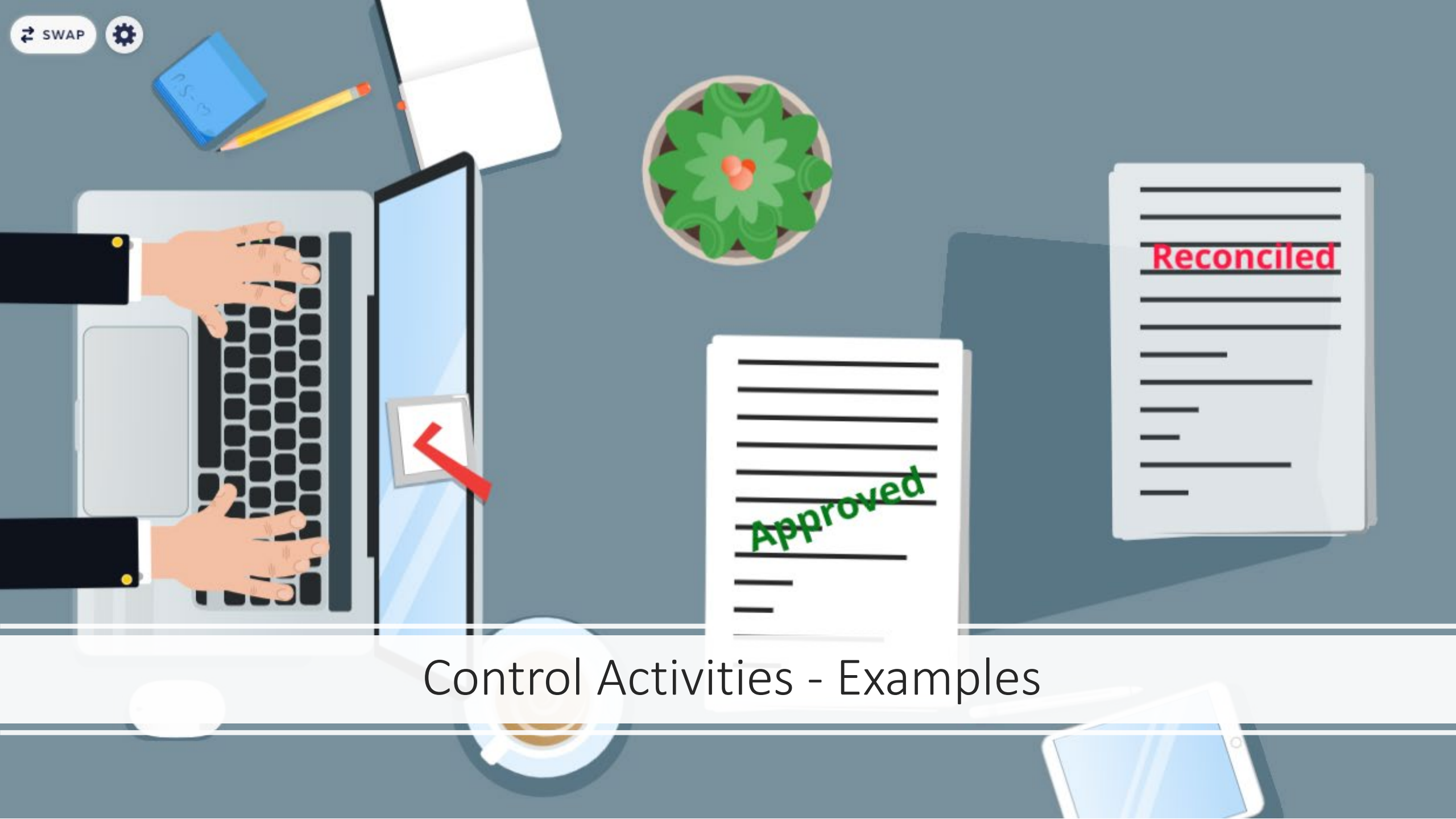
12. Management implements control activities through policies.

Control Activities – Why It Matters

Control activities....

- Promote orderly, economical, efficient, and effective operations.
- Produce quality products and services.
- Safeguard resources against loss due to waste, abuse, mismanagement, errors, and fraud.
- Promote adherence to statutes, uniform compliance guidelines, etc.
- Develop and maintain reliable financial and management data.
- Reduce the risk of mistakes and inappropriate actions through segregation of duties.
- Help personnel perform responsibilities through documented policies and procedures.





Control Activities - Examples

Information & Communication - Principles

13. Management uses quality information to achieve agency objectives.
14. Management internally communicates the necessary quality information to achieve agency objectives.
15. Management externally communicates the necessary quality information to achieve agency objectives.

Information & Communication – Why It Matters



Information and Communication Processes...

- Provide essential data and high-quality information for informed decision making.
- Facilitate efficient operations, cost savings, and improved productivity through streamlined communication processes.
- Promote transparency and confidence in agency operations through readily accessible and trustworthy information.
- Prevent fraud by identifying suspicious activities and restricting sensitive information.
- Support collaboration, knowledge sharing, and the achievement of common goals.
- Identify areas for improvement.



Information & Communication - Examples

Monitoring - Principles

16. Management establishes and operates monitoring activities to monitor the internal control system and evaluate the results.
17. Management remediates identified internal control deficiencies on a timely basis.

Monitoring – Why It Matters

- Provides feedback for ongoing improvements.
- Ensures that an agency adheres to legal and regulatory requirements.
- Maintains the integrity of financial information.
- Addresses weakness or vulnerability in agency operations, reducing risk.
- Assessing the quality of performance over time.
- Resolves audit findings.
- Streamlines the internal control assessment process.





Monitoring - Examples

Uniform Compliance Guidelines on Internal Controls for State and Quasi Agencies

Five Components

Part One

Control Environment

Risk Assessment **Page 20**

Control Activities

Information and Communication

Monitoring

Evaluating and Developing

Part Two

Overview

**Risk Assessment
page 41**

Why It Matters

Where to Start

Developing Controls

Documenting Controls

Optional Tools and Examples

Part Three

Evaluation Tools

Development Tools

Examples **Objectives & Risks
See page 123**

Risk Assessment Template

www.in.gov/sboa

State Agencies - Resources

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State Advisory Services

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