

# STATE BOARD OF ACCOUNTS

## Repeat Comments & Corrective Action Plans

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### ***PAUL D. JOYCE, CPA STATE EXAMINER***

Indiana's State Examiner and the agency head for the State Board of Accounts, Paul Joyce coordinates and manages the post-audits and examinations of over 4,000 state and local governmental entities in Indiana.

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# Internal Controls



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## Definition – Internal Controls

Internal control is the process by which management structures an organization to provide assurance that an entity operates effectively and efficiently, has reliable financial reporting system and complies with applicable laws and regulations.

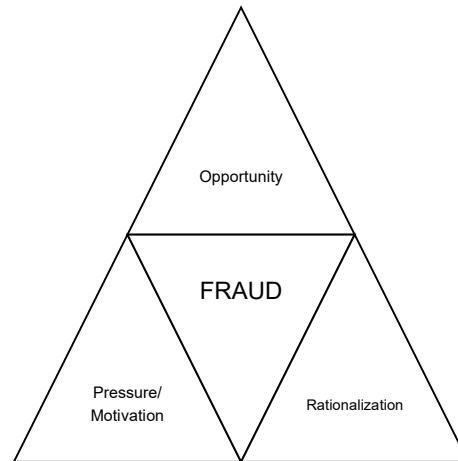


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## Purpose – Internal Controls

To combat fraud and mistakes by preventing opportunity, detecting fraud, errors, and omissions.



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**Control Environment**

- “Tone at the Top”



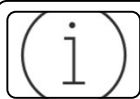
**Risk Assessment**

- Where is the risk?



**Control Activities**

- Policies and Procedures



**Information and Communication**

- Reliable and Relevant; Internal & External



**Monitoring Activities**

- Is it working properly?
- If not communicate timely

## Internal Control – Key Components



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## Segregation of Duties

- Ensures critical tasks within an organization are divided among multiple individuals to **reduce the risk of fraud, errors, and conflicts of interest.**
- Three main categories:
  - Authorization: Approval of transactions or activities.
  - Custody: Handling cash, assets, or records.
  - Recording: Maintaining documentation or financial records.



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## Documentation



- How do you document your internal controls?
- What purpose does the documentation provide?
- Is your documentation consistent?
- Does your internal control detect and correct the errors?



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# Internal Control Takeaways

- Internal Controls are designed and implemented by management
- Internal Controls should always be evolving and never stagnant
- Segregation of Duties
- Document, Document, Document



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# Repeat Comments



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## Corrective Action Plan Statistics

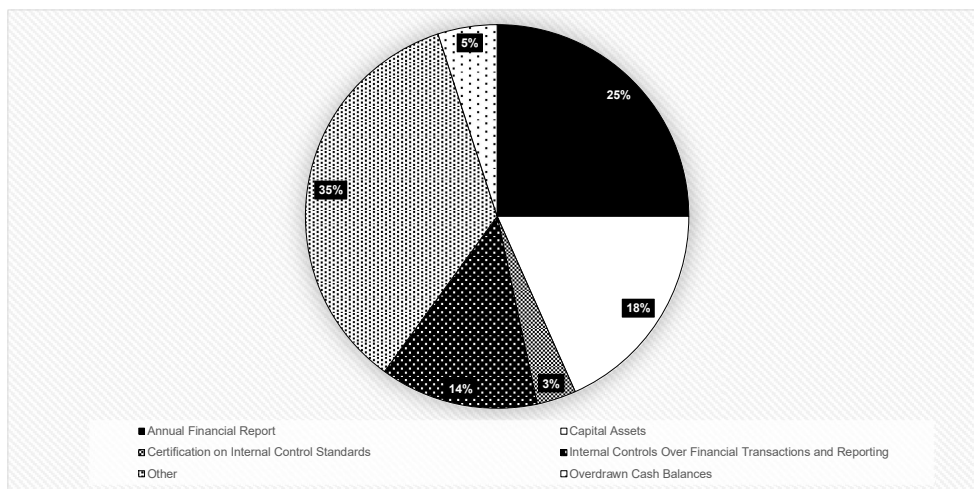
- 220 Total Corrective Action Plans for 2022, 2023, and 2024
  - 2022 – 62 CAPs
  - 2023 – 96 CAPs
  - 2024 – 62 CAPs
- 62% of CAPs have been verified
- 38% of CAPs outstanding
  - 1% is for 2022
  - 27% is for 2023
  - 72% is for 2024



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## Outstanding CAPs



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## Repeat Comments by Area

- Annual Financial Report
- Capital Assets
- Internal Controls over Financial Close and Reporting
- Certification on Internal Control Standards
- Overdrawn Cash Balances
- Other:
  - Annual Uploads
  - Reconciliation of the Monthly Financial Report (Form 61)
  - MVH Restricted Funds
  - Condition of Records
  - Late Submission of AFR
  - Late Submission of 100R
  - Transfers between Funds
  - Board Minutes
  - Credit Cards
  - Compensation & Benefits



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## Annual Financial Report

- No segregation of duties
- Not established effective internal controls over the AFR information entered into Gateway
  - Financial Data
  - Investments
  - Capital Assets
  - Accounts Payable/Accounts Receivable
  - Leases and Debt
  - Grants



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## Capital Assets

- Updated assets listing not provided
- Additions and deletions were not included
- Listing excluded assets
- No capital asset policy
- No evidence of inventory being completed every two years
- Physical assets could not be located



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## Internal Controls

- Financial Close and Reporting
  - No internal controls in place
  - Lack of segregation of duties
  - Controls were not effective and did not detect or allow for correction of errors prior to submission



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## MVH Restricted

- Payroll actives were not construction, reconstruction, and/or preservation
- Not reported in a separate fund
- Omitted fund
- Lack of supporting documentation for purchases of bulk highway materials, equipment, and vehicles



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## Other Repeat Comments

- Annual Engagement Uploads
  - Not all required documents were uploaded
- Condition of Records
  - Duplicate entries of receipts and disbursements
- Certification on Internal Control Standards
  - Incorrectly certified on Gateway all required personnel received training
- Late Submission of AFR
- Late Submission of 100R



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## Other Repeat Comments

- Transfers Between Funds
  - Transfers were made between funds that were not authorized by law and ordinance/resolution and were not approved by the governing board.
  - Correction of error and not a transfer
- Overdrawn Cash Balances
  - Funds had a negative balance as of year end
- Reconciliation of the Monthly Financial Statement (Form 61)
  - Variances between the Auditor and Treasurer were identified.
  - Reconciliation was not being performed correctly.



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## Other Repeat Comments

- Board Minutes
  - Not transcribed during the audit period
  - Were not approved by the governing bodies
- Credit Cards
  - Lack of supporting documentation
  - Penalties and interest were incurred
- Compensation & Benefits
  - Compensation not included on the salary ordinance
  - Rate of pay not in agreement with salary ordinance



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# Corrective Action Plans (CAP)



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## Audit Results and Comments

- Supplemental
  - Compliance Report:
    - This report contains the Audit Results and Comments found and should be read in conjunction with the Financial Audit Report, which could be Federal or Non-Federal.
- Included in the Report:
  - Audit Results and Comments
  - Official Response (optional)



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## What is a Corrective Action Plan?

- Only Repeat Comments require a Corrective Action Plan.
- Repeat Comments are Audit Results and Comments that have appeared in the prior report as well as the current.
- Corrective Action Plans for Repeat Comments are submitted through the SBOA website.
- Audit Results and Comments that require a Corrective Action Plan will be outlined on the Form 4 at Exit.



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## Corrective Action Plan Guidance

- Effective July 1, 2017, IC 5-11-5-1.5 (House Bill 1031) went into effect that requires entities audited by the SBOA to submit a Corrective Action Plan (CAP) for any noncompliance issues that have been repeated from prior reports.
  - 1031 Guidelines: <https://www.in.gov/sboa/files/1031-Guidelines.pdf>
  - CAP Instructions: <https://www.in.gov/sboa/files/CAP-Instructions.pdf>
  - Questions regarding CAPs: [CAP@sboa.in.gov](mailto:CAP@sboa.in.gov)



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## What is included in a CAP?

- Unit Name
- County
- Reporting Period Beginning Date
- Reporting Period Ending Date
- Title of Result and Comment
- Contact Person for CAP
  - First & Last Name
  - Phone Number
  - Email Address
- Views of Responsible Official
- Description of Corrective Action Plan
- Anticipated Completion Date
- If Applicable, reason issue will not be corrected in 6 months.



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## Submitting CAPs

- Go to our website
- Select "Entities We Examine"
- Select "Counties"
- Scroll down to "Corrective Action Plan (CAP) – Repeat Findings"
- Use the link to submit a CAP:  
<https://in.accessgov.com/sboa/Forms/Page/sboa/corrective-action-plan/0>



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# Corrective Action Plan Takeaways



- Is the comment a repeat comment?
- Do I understand the comment and how to correct the problem?
- Did I describe in detail how the comment will be fixed?
- Is the anticipated completion date attainable?
- Did I submit my CAP as directed?

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# THANK YOU

## Government Technical Assistance & Compliance (GTAC) Directors

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