

AUDIT PROCESS AND FINDINGS



2024 Annual Treasurers Conference



The seal of the State Board of Accounts for Indiana is circular. It features a central torch with a flame, surrounded by a ring of stars. The words "STATE BOARD OF ACCOUNTS" are written around the top inner edge, "INDIANA" is at the top center, and "EST. 1909" is at the bottom center.

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AGENDA



The agenda is presented as a vertical flowchart with five dark grey rectangular boxes, each containing a topic. The boxes are arranged in a descending staircase pattern from top-left to bottom-right. Each box is connected to the one below it by a white downward-pointing arrow.

- Audit Process
- Internal Controls
- Common Repeat Findings
- Corrective Action Plans
- Final Tips & Takeaways

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TYPES OF ENGAGEMENTS

- Federal Single Audit
 - Expenditures of Federal assistance exceeds \$750,000
- Audit
 - Performed for all units
- Compliance Reports
 - Performed for units that do not have outstanding debt
 - Have revenues confirmed by outside sources
 - Have a limited amount of funds


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<ul style="list-style-type: none"> ➤ Provide Opinions on Financial Information Presented by Auditee <ul style="list-style-type: none"> • Unmodified, or “clean” opinion, lets readers know the information is materially correct • Modified opinion lets readers know there are issues that need to be taken into consideration when it comes to the information presented ➤ Provide Reader with Noncompliance of Federal Requirements for Major Programs and State Requirements <ul style="list-style-type: none"> • Federal: Section II (Financial Statement Compliance); Section III (Major Program Compliance) • State: Audit Results and Comments (significant or impactful to the unit and/or public) ➤ Provide Management with less Significant Noncompliance of State Requirements <ul style="list-style-type: none"> • Management Letter – General Noncompliance with State Statute or SBOA Compliance Guidelines Manual 	 <h2 style="text-align: center;">GOALS OF AN ENGAGEMENT</h2>
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<h2 style="text-align: center;">THE PROCESS</h2>	 <ul style="list-style-type: none"> ➤ Entrance Conference ➤ Identification of Risks ➤ Internal Controls ➤ Testing <ul style="list-style-type: none"> • Substantive • Compliance ➤ Compile Findings ➤ Determine Opinions ➤ Exit Conference
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➤ Audit Reports are sent to:

- Current and Prior Official(s) examined
- President of governing board
- Other requested officials

➤ Audit Reports are posted to our website:

- <https://secure.in.gov/apps/sboa/audit-reports/#%2F>

AUDIT REPORTS

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INTERNAL CONTROLS



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DEFINITION

- 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:

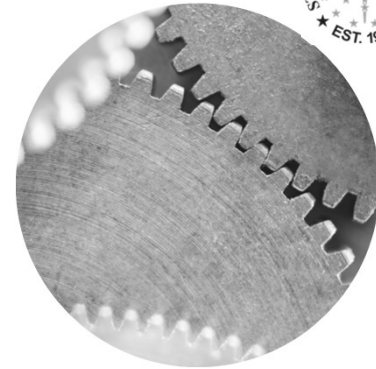
- To combat fraud and mistakes by preventing opportunity, detecting fraud, errors, and omissions



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COMPONENTS:

1. Control Environment
 - "Tone at the Top"
2. Risk Assessment
 - Where is the risk?
3. Control Activities
 - Policies and Procedures
4. Information and communication
 - Reliable and Relevant; Internal & External
5. Monitoring Activities
 - Is it working properly? If not communicate timely.



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ADDITIONAL CONSIDERATIONS:

- 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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**AUDIT
PROCESS
REVIEW**

- Inquire about processes
 - Written procedures
 - Walk-through
 - Observation
- Test Processes
 - Pull samples and review that procedures have been designed and implemented properly

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DOCUMENTATION

- Signature
- Stamp
- Email
- Log
- Checklist
- Initials

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A slide with a white background. The title "RECONCILING FINDINGS" is centered in bold, black capital letters. Below the title is a list of five bullet points, each starting with a right-pointing arrowhead. In the top right corner, there is a circular seal for the "STATE BOARD OF ACCOUNTANTS" with "EST. 1909" at the bottom. A small number "16" is visible in the bottom right corner of the slide frame.

- Not done monthly
- Outstanding ACH payments not included with outstanding checks
- Ledger not agreeing to Cashbook
- Outstanding checks not accurate
- Errors not being corrected

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SUPPLEMENTAL AFR FINDINGS

- Investments not included
- Receipts and Disbursements not accurately reflected
- Beginning Balance doesn't agree to prior year ending balance
- Not submitted

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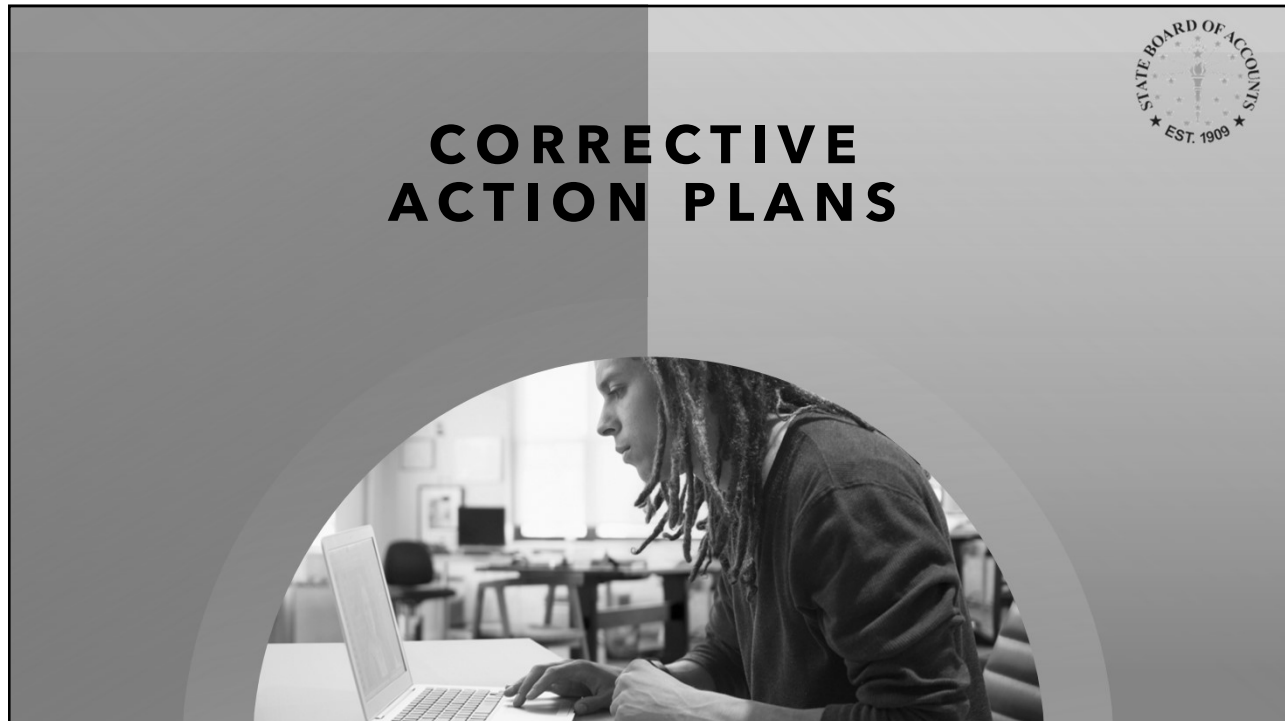
INTERNAL CONTROLS FINDINGS

- Cash and Investments:
 - No review of Bank Reconcilements
 - Individual responsible for depositing also did reconciliation - no oversight
 - No review of Supplemental AFR

NO SEGREGATION OF DUTIES

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CORRECTIVE ACTION PLANS

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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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- 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.



CORRECTIVE ACTION PLANS

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SUBMITTING CORRECTIVE ACTION PLANS

CORRECTIVE ACTION PLAN FOR	
Report period:	
Title of result and comment:	
Contact person Responsible for Corrective Action:	
Contact's Phone Number:	
Contact's Email Address:	
Views of Responsible Official:	
Description of Corrective Action Plan:	
Anticipated Completion Date:	
If applicable: Document reason issue will NOT be corrected within 6 months:	



<https://www.in.gov/sboa/5207.htm>

- Includes:
 - Instructions
 - CAP Template
 - 1031 Guidelines

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FINAL TIPS & TAKEAWAYS



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- Review your internal controls
- Walk through the process - look for weaknesses
- Ask your self questions:
 - What ensures that bank reconcilements are being done timely and are accurate?
 - What ensures that employees have proper segregation of duties?
(Keeping receipting, depositing, and reconciling separate if possible)
 - What ensures that the supplemental AFR has been correctly filled out and submitted timely to the Auditor?

INTERNAL CONTROLS ARE IMPORTANT

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CONTACT US

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