


INTERNAL CONTROLS AND REPEAT COMMENTS

2024 Annual Clerks Conference



1

AGENDA



- Internal Controls Overview
- Auditing Internal Controls
- Common Repeat Comments
- Corrective Action Plans
- Final Tips & Takeaways

2



3

A slide titled "DEFINITION" with a background of orange and green gradients. The title is in bold, black, uppercase letters. In the top right corner is the logo of the State Board of Accountants, featuring a scale of justice and the text "STATE BOARD OF ACCOUNTANTS" and "EST. 1909". The main text is in black, with the words "operates", "reporting", and "complies" highlighted in blue. A small number "4" is in the bottom right corner.

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.

4



PURPOSE:

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



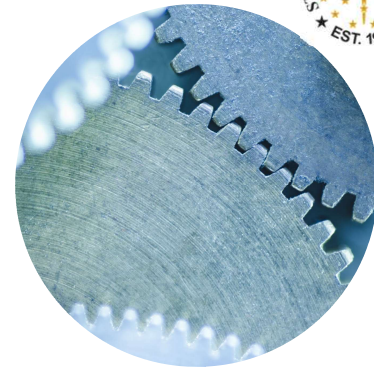
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5



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.



6

6



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


7



AUDITING INTERNAL CONTROLS



8




PROCESS REVIEW

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

9

9



DOCUMENTATION

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

10

10



11

A slide with a white background and a dark brown footer bar. The text "RECONCILING" is written in large, bold, black, sans-serif capital letters. Below it is a list of items starting with a right-pointing arrowhead. In the top right corner, there is a circular logo for the "STATE BOARD OF ACCOUNTANTS" with "EST. 1909" at the bottom.

RECONCILING

- Bank reconciliation including:
 - Unrecorded Interest
 - Deposits not made timely
 - Unidentified Reconciling Items
 - Carrying Reconciling items indefinitely
 - Court ordered investments not included

12



SUPPLEMENTAL AFR

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

13

13



INTERNAL CONTROLS

- 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

14

14



INTERNAL CONTROLS

➤ Receipts:

- One individual collected receipts, posted to the system, prepared deposits, delivered to the bank, and prepared reconciliation
- One cash drawer for all employees

NO SEGREGATION OF DUTIES

15

15



INTERNAL CONTROLS

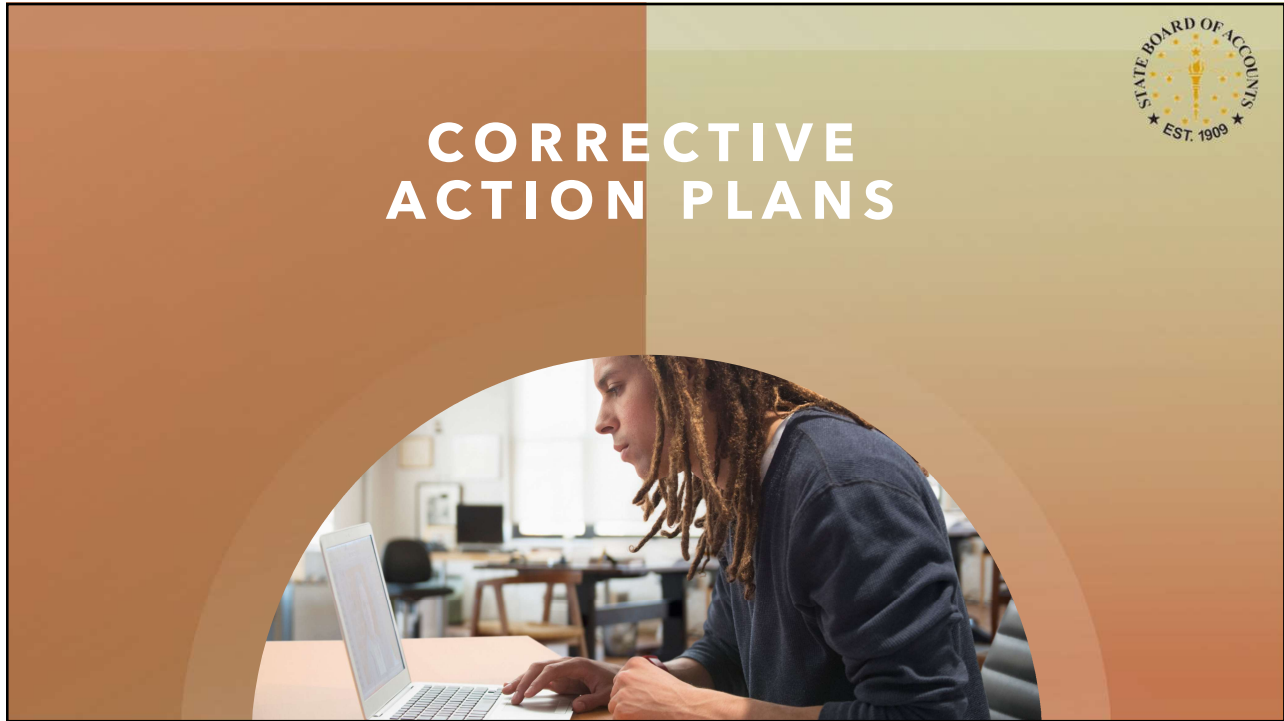
➤ Disbursements:

- All employees have ability to write checks with no oversight
- Only one employee writes checks - no oversight

NO SEGREGATION OF DUTIES

16

16



CORRECTIVE ACTION PLANS




17

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)

18

- 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

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



FINAL TIPS & TAKEAWAYS



21



- 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

22

22



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