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STATE BOARD OF ACCOUNTS



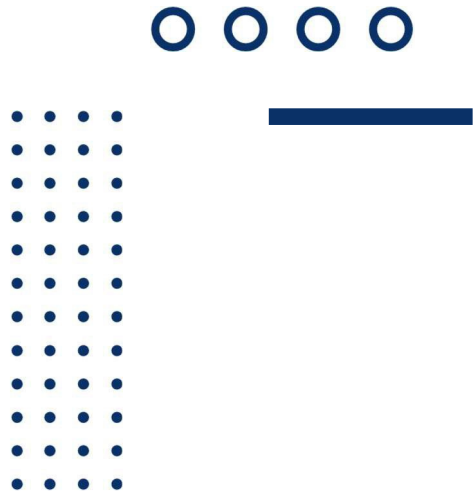
***COLLABORATIVE
TRAINING SESSION***

StateAgencyAdvisory@sboa.in.gov



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.



State Assignments Team





What We Do

- *Our team performs the State Single Audit annually.*
 - *This includes the Annual Comprehensive Financial Report (ACFR) & the Federal Major Program audits*
 - *We start performing procedures during late spring/summer*
 - *The ACFR is due no later than December 31st.*
 - *The Federal is due no later than March 31st.*



How We Audit the ACFR

- *Start with gaining understanding of agency procedures relating to internal controls*
- *The Office of the State Comptroller will request information to compile the various areas of the ACFR*
- *We will randomly select items for each of the areas*
- *Depending on what information is available in PeopleSoft, requests of support will be made*



How We Audit the Federal Major Programs

- *The total State's SEFA amount will determine the Type A threshold*
- *All Type A programs are required to be audited at least every 3 years*
- *Type B programs must be evaluated and the number audited depends on how many low risk Type A programs were identified*



Federal Compliance Supplement

- *Annually updated guide that we use to audit major program*
- *Provides information for which compliance requirements we will be looking at*
- *Can be used by auditees to better prepare for an audit and to know what information we will be requesting*
- *Can be found by searching for “Federal Compliance Supplement”*



How to Prepare for an Audit

- *Maintain all supporting documentation and file it in an easily accessible manner*
- *Make sure controls have tangible support like email approvals or signatures*
- *When using data to compile various items, make sure to keep the original data that ties to the calculated amount*
- *Document the various control processes that can be easily provided to auditors*



ACFR

Carman Bushue, ACFR Audit Manager



Control Deficiency Definition:

When the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

ACFR Fiscal Year 2024 Audit


- *Issued 18 Control Deficiencies.*
- *6 Control Deficiencies were repeats.*
- *Grants Receivable has been repeated for 3 years.*

Grants Receivable – Federal Grants

- *Reimbursable Federal grants.*
- *The State loans funds to agencies which are repaid using the federal draw billing process.*
- *The federal draw billing needs reconciled timely, and action taken on outstanding items.*
- *If the funds are not drawn timely, the State may not receive the Federal funds which results in an expense to the State.*



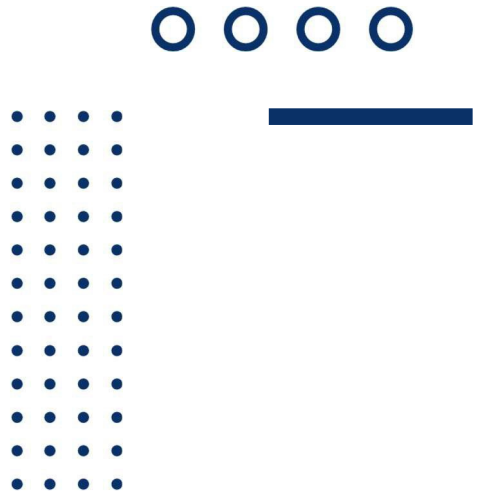
Control Deficiency – Grants Receivable

- *Seven agencies had receivable balances of \$82M for expenses paid prior to the audit period.*
 - *The \$82M contains expenses paid in 2017 through 2023.*
 - *The Federal draw billing module needs to be reconciled, and outstanding items resolved timely.*
- 



Contributing Factors:

- *Timely Reconciliations*
 - *Outstanding Reconciling Items*
 - *Review Process*
 - *Lack of Supporting Documentation*
- 



State Single Audit-Federal Programs

Jenny Wagner, Federal Audit Manager





COMMON SECTION III FINDINGS & EXAMPLES

- *PERIOD OF PERFORMANCE*
 - *REPORTING - FFATA*
 - *SUBRECIPIENT MONITORING*
 - *SPECIAL TESTS AND PROVISIONS*
-
- ***See “SBOA Training_FederalPrograms” PDF for items discussed.***



COMMON CONTROL ACTIVITIES

- *PERIOD OF PERFORMANCE*
- *REPORTING - FFATA*
- *SUBRECIPIENT MONITORING*
- *SPECIAL TESTS AND PROVISIONS*
- ***See “SBOA Training_FederalPrograms” PDF for items discussed.***

State Advisory Services (SAS)

Chase Lenon, CPA




Paul D. Joyce, CPA
State Examiner

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SAS's Mission

We are committed to providing the State of Indiana with objective solutions to enhance the State's risk management, governance, and internal control processes to ensure effective operations, financial accountability, and transparency.

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Introduction to SAS

- Advisory Services
 - Compliance/Accounting assistance
 - Audit positions
- Education
 - In-person or virtual trainings
 - **Topics:** Internal Controls, Best Practices, Process Improvement, Audit Finding Resolutions, Risk Management, Preparing for an Audit etc...

Past Projects

Various Consulting Engagements

Internal Control Officer Education and Outreach

Enterprise Risk Management Assistance

Audit Finding Resolution

Special Reports

Statewide Recommendations

Statewide “Compliance” Audits

Internal Control Manual

- “Uniform Compliance Guidelines on Internal Controls for State and Quasi Agencies” (158 pages!)
- Includes:
 - Internal Control Guidelines
 - Guidelines to Evaluate/Develop Internal Controls
 - Tools to Evaluate/Develop Internal Controls

https://www.in.gov/sboa/files/State-and-Quasi-Agencies_FINAL.pdf

Internal Control (IC) Officers

- *Each agency shall assign a person to the role of internal control officer as the single point of contact to facilitate and support risk management activities, including the agency risk assessment, internal control evaluation and development.*
- *The internal control officer must have the cooperation and commitment of agency leadership (agency/department/division heads) to be successful.*
- *(Uniform Compliance Guidelines on Internal Controls for State and Quasi Agencies, page 11).*

IC Officers – Microsoft Team



- Collaborative space
 - IC Officer Training Announcements
 - Small, Medium, and Large agency channels
 - Prior training materials and resources
- Another avenue to ask the SAS Team questions!

Statewide Receipting Project

Project Scope:

Document each agency's receipting activity and assess risks

Develop Statewide recommendations

Analyze State's use of:

Third-Party Service Providers

Remote Capture Technology

Provide development/evaluation tools to agencies

Segregation of Duties Tool

Response to Risks Template

Map Activity (Flowcharts)


Agency-Specific Receipting 'Reports'

Agency Management Letter Contents:

- Summary of Receipting Activity
- Areas of Concern
- Recommendations
- Control Area Observations
- Segregation of Duties Evaluation Tool
- Response to Risks Template
- Flowcharts of Receipting Activity




Internal Control Recommendation Management Response Template

- Allows agency management to respond to identified risks and **document responses** to risk.
 - <https://www.in.gov/sboa/files/Management-Response-Template.pdf>
- 



Responses to Risks

- **Accept.** Acknowledges risk but makes a deliberate decision to retain the risk.
 - **Avoid.** Management eliminates the risk.
 - **Reduce.** Management decreases the risk by implementing internal controls.
 - **Share.** Management shares the risk by transferring the risk to another party.
- 

Additional Factors to Consider



- Cost vs. Benefit?
- Immaterial amount?
- Low likelihood of occurrence?
- Compensating controls in place?
- Next steps?
- References to related SOPs!



Segregation of Duties Evaluation Tool

- Ideally, employee duties should be separated by:

1. Authorization
2. Custody
3. Record-keeping
4. Reconciliation

- <https://www.in.gov/sboa/files/SOD-Evaluation-Tool.pdf>



			Employee Number							
Duties			<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>
<u>Cash Receipts</u>										
1.	Open mail and write receipt									
2.	Receive money, issue official receipts									
3.	Take off cash register totals									
4.	Balance cash drawer or cash register									
5.	Make up bank deposits									
6.	Take deposits to bank or remit to receiving officer									
7.	Post receipts									
8.	Access to computer system to make adjustments									
9.	Approves adjustments									
10.	Post credits to accounts receivable									
11.	Prepare customer billings									
12.	Mail billings or statements									
13.	Approve bad debt write offs									
14.	Approve accounts receivable adjustments									
15.	Issue permits, licenses, etc.									
16.	Issues receipts for electronic deposits									

<u>Cash Disbursements</u>									
1.	Authorize purchases								
2.	Prepare purchase orders								
3.	Certify receipt of goods or services								
4.	Audit claims								
5.	Approve claims - Disbursing Officer								
6.	Approve electronic transfers								
7.	Write checks								
8.	Initiate electronic transfers								
9.	Post checks								
10.	Sign checks - Control of signature stamp								
11.	Mail or distribute checks								
12.	Custodian of petty cash								
13.	Custodian of investments								
14.	Access to check stock								
15.	Access to computer system to make adjustments								
16.	Approves adjustments								

<u>Payrolls</u>									
1.	Post vacation and sick leave records								
2.	Check and extend time cards								
3.	Prepare payroll claims								
4.	Approve payroll claims for department								
5.	Approve payroll claims for disbursing officer								
6.	Calculate deductions and net pay								
7.	Write payroll checks								
8.	Sign payroll checks								
9.	Distribute payroll checks								
10.	Prepare earnings and deductions reports								
11.	Prepare W-2s and compare to earnings records								
12.	Access to computer system to make adjustments								
13.	Approves adjustments								

<u>Cash</u>									
1.	Receives bank statement in mail and opens it								
2.	Compares checks cleared to disbursements posted								
3.	Compares deposits to receipts posted								
4.	Prepares bank reconciliation								
5.	Approves bank reconciliation								


<u>Statement of Expenditures of Federal Assistance</u>									
1.	Enters grant information into Gateway								
2.	Approves grant information entered in Gateway								
3.	Approves the prepared SEFA								

<u>Financial Close and Reporting</u>									
1.	Closes the financial records								
2.	Enters financial statement information into Gateway								
3.	Approves the Gateway annual report								
4.	Approves the prepared financial statements								

<u>Notes to the Financial Statements</u>									
1.	Enters the required information into Gateway								
2.	Approves the notes to the prepared financial statements								




Receipting Project Management Letters

- We will be sending all agency specific management letters within the next two weeks.
 - If you have questions about the letter or if you want to meet to discuss the letter, please let us know.
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Statewide Compliance Projects

- Performed in lieu of yearly compliance engagements at each agency.
 - Taking a more holistic approach to improve agency accountability and efficiency.
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Records Retention – Updated Guidance

- Generally, **basic accounting records** cannot be transferred to the Records Center until issuance of an SBOA audit report (and satisfaction of any unsettled charges).
- For record retention purposes was a SBOA Compliance Report
 - Now is the SBOA State Single Audit Report.
 - Filed each year (generally 3/31).

Records Retention – Updated Guidance

- State Single Audit reports can be found on the SBOA website, on the State Agencies page, under the Audit Reports area.
- For more information see IARA's website.
 - Retention schedules can be found at www.in.gov/iara/2766.htm.

Current Projects

Reconciliation project

Procurement Compliance


- State Contracts
- Agency System Reviews

SBOA (Accounting) Manual Updates



Reconciliation Project

Reviewing Agency Procedures Over:

1. 'External' Bank Account Reconcilements
 2. 'Financial' System Reconcilements
 3. Offsite Location Reconcilements
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Resources

- Training Videos
- Templates (SOPs, Risk Assessment, Monitoring etc...)
- Best Practices
- Bulletins
- Uniform Compliance Guidelines (Manuals)
- Internal Control Development + Evaluation Tools
- SBOA Resource Library (Website)

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Training Videos

- **SBOA YouTube Channel**
- State Agency Training 'Playlist':
 - Compliance Supplement
 - FFATA Reporting
 - Internal Control Manual
 - Segregation of Duties
 - Fraud Awareness
 - How to create SOPs

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Website Links



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- Subscribe to our email list!
 - <https://www.in.gov/sboa/about-us/sboa-communications-sign-up/>
- State Agency webpage
 - <https://www.in.gov/sboa/political-subdivisions/state-agencies/>



THANK YOU

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