

THE STATE AGENCY BULLETIN

AND UNIFORM COMPLIANCE GUIDELINES
ISSUED BY STATE BOARD OF ACCOUNTS

January 2024

Volume 7

IN THIS ISSUE

Items to Remember.....	1
Federal Grants – Sub-State Agency v. Subrecipients	2
Third-Party Vendors – Payment Processors.....	3
Internal Controls Series – Part 5.....	4

ITEMS TO REMEMBER

If there are certain items or dates that would be beneficial to include in future calendars, please let us know by emailing StateAgencyAdvisory@sboa.IN.gov.

February

- Review State Comptroller ACFR Survey for Deliverables this month.
- Complete accounting information and approvals in PeopleSoft for TOS approved AR/ROC.
- Review requirements for FFATA Reporting; File FFATA reports as applicable.
- Cleanup GL, AP and AR entries prior to month-end.

March

- Review State Comptroller ACFR Survey for Deliverables this month
- Complete accounting information and approvals in PeopleSoft for TOS approved AR/ROC
- Review requirements for FFATA Reporting; File FFATA reports as applicable.
- Cleanup GL, AP and AR entries prior to month-end.

April

- Holiday – Good Friday April 7th
- Review State Comptroller ACFR Survey for Deliverables this month
- Complete accounting information and approvals in PeopleSoft for TOS approved AR/ROC
- Review requirements for FFATA Reporting; File FFATA reports as applicable.
- Cleanup GL, AP and AR entries prior to month-end.

FEDERAL GRANTS – SUB-STATE AGENCY V. SUBRECIPIENTS

The responsibilities of all parties are very similar when a primary agency provides federal funding to either a sub-state agency or subrecipient. The primary agency must have sufficient monitoring processes in both cases. However, especially from the federal perspective, there are significant differences that must be considered.

Federal money transferred from an agency to a sub-state agency is still wholly the responsibility of the State of Indiana. The Federal Government does not distinguish based on different agencies and does not provide specific requirements recognizing such a transfer. It is the expectation that the State has sufficient controls to ensure that all federal requirements are met regardless of which agency is performing the function. It is critical that all MOUs clearly detail responsibilities in such a way that there is no miscommunication as to what each agency's duties are. The primary agency should not make any assumptions and clearly state expectations, such as which agency will be performing federal reporting and what these reports will be. The primary agency must develop and implement processes to monitor sub-state agency compliance. These processes will vary depending on the nature of the program and the primary agency's risk assessment.

If the sub-state agency is responsible for the expenditure process of the federal funds transferred to them, the sub-state agency must ensure that the expenditures are identified properly so that the expenditures will be accurately included on the State's grants schedule. This extends to ensuring that information is sufficient for any processing that may be done by centralized accounting.

Processes and related internal controls may have agency specific variances; consideration must always be given to the flow from one agency to another. There must be processes and controls developed to ensure the proper execution of all elements of the program between the agencies. These controls are no longer agency specific but interagency in nature. An important, relevant component of internal control is communication, and it is necessary to maintain documentation of communications.

Federal dollars are the responsibility of the State, it is incumbent on the State to exert appropriate controls and processes no matter which agency is responsible for certain segments of the federal program.

In contrast, for Federal money expended to a subrecipient, there are specific requirements by the Federal Government placed on both the grantor and grantee that are found in 2CFR200.

The State must make sure that the grantees are properly performing their agreed upon responsibilities.

Before entering into an agreement, the grantor agency must perform their due diligence to determine that the potential grantee is a viable entity. The agreement must be detailed and clear.

A monitoring process must be in place including a process that details the steps to determine when a subrecipient is noncompliant, when funds will be required to be returned, and how recoupment will take place.

THIRD PARTY VENDORS – PAYMENT PROCESSORS

IC 5-27-3-2 states:

- (a) A governmental body may enter into a contract with a provider company to enable the governmental body to accept an electronic payment.
- (b) A governmental body must use the provider company provided or specified by the office of technology established by [IC 4-13.1-2-1](#) to accept an electronic payment submitted to the governmental body as payment for a fee based service, license, or permit or for fee based information obtained through electronic access.

IC 5-27-2-4 defines a “Governmental body” as the state or a state agency.

State agencies accepting electronic payments must use a vendor approved by the Indiana Office of Technology (IOT). Certain agencies may have specific statutory authority to enter into agreements with payment processors. There may also be situations where a specific service provider is required to be used by the federal government. IOT must still be notified of these situations and agencies should work with IOT to ensure compliance with statute and the state’s policies.

IOT maintains a list of provider companies approved for payment processing. All IOT-supported entities, their employees, their contractors, and their vendors must use an approved payment processing company unless granted an exception by IOT.

If you are using a third-party vendor to collect payments and are unsure if your agency is compliant, please reach out to IOT.

Payment processing online through the agency’s website, or on the state network, must adhere to the requirements of IC 5-27-3-2 and IOT’s policies. If an agency has a business need to utilize peer-to-peer payment platforms, such as PayPal, Venmo, Zelle etc... they should contact IOT. These payment platforms are supported by the vendors approved for payment processing. Agencies must not utilize these payment platforms without obtaining approval from IOT.

Agencies should have internal controls in place to ensure that third party payment processors are providing the agreed upon services in a cost-effective, secure, and appropriate manner. When using third party vendors to collect funds, agencies are still be required to meet requirements related to the timely receipting, recording, and depositing of funds as required by statute and the SBOA State and Quasi Agencies Uniform Compliance Guidelines Manual.

Reconciliation and reporting tools are normally accessible through third party payment processing systems. Reports in these systems could be run and saved to assist with established control procedures. For audit purposes, we recommend that all collections be able to be traced from third party payment processing systems to the Receipt of Collections (ROCs) and the bank deposit.

INTERNAL CONTROL SERIES – PART 5

In the October 2023 State Agency Bulletin (Internal Control Series - Part 4), we briefly discussed the Control Activities component of internal controls and principles 10 through 15 from the COSO framework.

In this segment, we are focusing on Monitoring Activities, which includes Principles 16 through 17 from the COSO Framework.

Principle 16. Management establishes and operates monitoring activities to monitor the internal control system and evaluate the results.

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented.

Potential changes to the internal control system are identified. Control and monitoring activities may be the same, but it is the intent of the activity that distinguishes which component the activity is supporting. For example, a review of reconciliation with the intent to detect errors would be a control activity while a review of the same reconciliation with the intent to determine if internal control procedures are in place and functioning properly would be a monitoring activity.

Principle 17. Management remediates identified internal control deficiencies on a timely basis.

Management establishes a mechanism for personnel to report internal control issues identified while performing their responsibilities. These issues are documented and evaluated on a timely basis.

Management remediates identified issues. Corrective actions include resolution of audit findings.