

INTERNAL CONTROLS & COMMON COMMENTS



*2024 Fall Auditors Conference
State Board of Accounts*



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INTERNAL CONTROLS

3

INTERNAL CONTROLS - DEFINITION

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



4

INTERNAL CONTROLS - PURPOSE

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



5

INTERNAL CONTROLS - OBJECTIVES

- Operations
- Reporting
- Compliance



6

FIVE COMPONENTS OF INTERNAL CONTROLS



CONTROL ENVIRONMENT

- Tone at the Top
- Ethics & Values
- Structure

RISK ASSESSMENT

- Goals
- Analyze Risk
- Reduce Risk

CONTROL ACTIVITIES

- Policies
- Procedures

INFORMATION AND COMMUNICATION

- Achieve Objectives
- Internal & External Communication

MONITORING ACTIVITIES

- Assess Quality
- Resolution of Comments

7



COMMON COMMENTS

8

2023 AUDIT REPORT DATA



- How many audit reports did I look through?
 - 55 Audit Reports
- How many of those audit reports had comments?
 - 32 Audit Reports – 58% with reportable comments
- How many comments in total?
 - 96 Comments
- How many comments were repeat comments?
 - 49 Comments – 51% with repeat comments

9

MOST COMMON COMMENTS

- | | |
|---|---|
| ○ Annual Financial Report – Financial Close and Reporting | ○ Capital Assets |
| ○ Financial & Supplemental Data | ○ Monthly and Annual Engagement Uploads |
| ○ Investments | ○ MVH – Restricted Funds |
| ○ Grants | ○ Overdrawn Cash Balances |
| ○ Debt | ○ Certification on Internal Control Standards |
| ○ Capital Assets | |
| ○ Accounts Payable & Accounts Receivable | |



10



ANNUAL FINANCIAL REPORT – FINANCIAL DATA & INVESTMENTS

- Internal controls – no segregation of duties or not effectively implemented
- Leaving off outside offices
- Including investments that were sold
- No controls in place using 3rd parties
- Transactions not posted properly

11



ANNUAL FINANCIAL REPORT – GRANTS

- Internal controls – no segregation of duties or not effectively implemented
- Expenditures were overstated/understated
- Incorrect program names, assistance listing numbers, pass-through entities, identifying numbers

12



ANNUAL FINANCIAL REPORT – OTHER INFORMATION

- Internal controls – no segregation of duties or not effectively implemented
- Capital Assets
 - No supporting documentation
 - No documentation for additions and reductions
- Debt
 - Incorrectly categorized debt
 - Overstated/understated principal and investment amounts
- Accounts Payable/Accounts Receivable
 - No supporting documentation

13



CAPITAL ASSETS

- Internal Controls are not effective
- Detailed Listing maintained, but not adequate
- Additions & Reductions
 - not updated on the Detailed Listing
 - Support not provided
- Physical inventory not taken
- No policy establishing capital asset threshold

14



MONTHLY AND ANNUAL ENGAGEMENT UPLOADS

- Internal Controls are not effective
- Not all uploads were uploaded
- Uploads were missing

15



MVH – RESTRICTED FUNDS

- Internal Controls are not effective
- Transfers from MVH Restricted to MVH during the audit period
- Disbursements were not for construction, reconstruction, or preservation.
- MVH and MVH Restricted not reported separately in the AFR
- Payroll expenses with no support

16



OVERDRAWN CASH BALANCES

- Internal Controls are not effective
- Non-grant funds were overdrawn

17



CERTIFICATION ON INTERNAL CONTROL STANDARDS

- Internal Controls were not effective
- Certified that they received training (on Gateway), but required individuals did not receive training
- Not all required employees received training
- No support provided that individuals received training

18

OTHER COMMENTS

- Credit Cards
- Transfers
- Timely Recording
- Errors on Claims
- Supporting Documentation
- Recording Transactions
- Payroll Errors
- LIT Distributions
- Disbursements Not Approved by Board of Commissioners
- Contracts
- Compensation and Benefits
- Board Minutes
- Auditor and Treasurer Reconciliation
- Advance Payments





19

THANK YOU

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20