



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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Dear Officials,

State Board of Accounts is making significant changes in what you report on your annual financial report (AFR) to us through gateway, the structural audit process we will follow when an audit of federal funds is required, and what your financial statement report will look like, so please read carefully.

These changes are a result of recognizing that your financial statement users' needs have changed and will continue to change. We all must recognize and acknowledge the importance of how financial statements and financial statement opinions are utilized and make sure to provide the needed information in such a way that is immediately identifiable and useful.

Annual Financial Report Submitted Through Gateway

The users' needs of your financial reporting have been changing. These changes are being reflected in recent statutory changes as well as requirements by those who issue debt and those that provide bond credit ratings that impact your unit. Transparency, accountability and comparability are among the factors sought for proper evaluations. The trend is toward the established concepts inherent in Generally Accepted Accounting Principles (GAAP) financial statements.

To be good stewards of our statutory responsibilities, State Board of Accounts has reevaluated reporting requirements that we require of you. Currently, the financial activity reported by you through Gateway for your AFR is on a regulatory basis that SBOA has formulated.

Starting with calendar year 2019 financial activity that is reported in 2020, we are implementing enhancements to these regulatory reporting requirements. These enhancements will provide common GAAP disclosures utilized for evaluation purposes by many users of financial statements. This will have the immediate impact of providing the information that users are requiring. This will also position all units with a basic framework for any further trends in GAAP disclosures.

The current reporting changes may be found on our website under hot topics for your particular unit type webpage at www.in.gov/sboa. You will find a schedule that identifies the specific financial information that you will need to have available for input. Please review carefully. Some of the items will take planned effort to accumulate and/or identify.

We have already begun training on these new requirements and will continue to do so at our conferences as well as on our website.

Audit of Federal Funds

Many of you receive federal funds that require a single audit under the requirements of the Federal Office of Management and Budget. These single audit requirements are commonly called Uniform Guidance. The provision for the performance of this type of audit has not changed and we will continue to perform this audit service for you.

What has changed is how our audit teams are structured and how your audit reports will be formatted as a deliverable.

In the past there would be one audit team assigned to perform all aspects of the audit. The same team would audit financial statement related activity, general compliance requirements, and the federal uniform guidance requirements.

It has been determined that performing all aspects of the audit at one time, with one team is not the most efficient. Both the financial statement related activities and the federal uniform guidance requirements have unique auditing components that are more efficient when performed by persons that have become experts in these respective areas.

To this end, starting with all audits commenced after July 1, 2019, SBOA will have two audit teams assigned when a unit is required to have a federal audit performed in addition to the audit of a unit's financial statement activity.

We will strive to have these two teams' arrival and departure run concurrently, however, there may be some scheduling variation. If this occurs you will be informed of what to expect.

There will also be a separate billing process in place for both stages of the audit. This will enable you to identify the actual costs associated with the federal portion of your audit in order to better assess the total cost of receiving federal grant dollars.

Finally, there will be two separate reports issued. There will be one for financial statements that will include the associated opinion and one for the federal single audit with those associated opinions. This is not a new format for SBOA as we have successfully split and reported these elements separately at the State, Universities, and for certain other audited entities.

Supplemental reports for significant and impactful compliance issues will still be issued separately in the form with which you are currently familiar.

More details regarding the changes and what these changes will mean to you will be forthcoming in the near future.

If you have any questions or concerns please do not hesitate contact us at:

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Sincerely,

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