

The background features a large, faint watermark of the Seal of the State Board of Accountants of Indiana. The seal is circular, with the words "STATE BOARD OF ACCOUNTANTS" around the perimeter and "INDIANA" at the top. It contains a central figure holding a scale and a sword, surrounded by stars.

SBOA UPDATE

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GTAC Directors

Contact Information



- Website – <https://www.in.gov/sboa/4445.htm>
- Phone – (317) 232-2512
- Email – Schools.Townships@sboa.in.gov

School Audit Schedules



- **185 Schools** were on the last audit cycle.
 - Audit Period: July 1, 2020 to June 30, 2022
 - Federal audits were due by **the end of March (2 CFR 200.512)**.
 - Most GAAP schools will remain with CPA firms.
 - Over 80 audits were contracted out last cycle.
 - SBOA took back 11 audits and 10 additional federal schools audits.
- **118 Schools** are on this audit cycle
 - Audit Period: July 1, 2021 to June 30, 2023
 - We have not currently decided to contract out any of these audits.
 - Scheduled to start **in the Fall**.



Hot Topics

Curricular Materials



- Current position on curricular material fees on page 3 of March 2023 Bulletin.
 - <https://www.in.gov/sboa/files/2023-March-School-Bulletin.pdf>
- Proposed **legislation will eliminate curricular material fees** - revisions to manuals/bulletins will be made. Look for more information in the June Bulletin.

ECA – School Lunch Program



- Proposed Legislation will **remove the option to account for the School Lunch Program in an extracurricular account.**
- Look for more information in the June School Bulletin.

Medicaid



- Per CFR § 200.502(i) Medicaid payments are not considered federal awards unless a state requires funds to be treated as federal.
- Confirmed that the State of Indiana considers Medicaid federal awards expended and **should be included on the SEFA**.
- We were notified that a third party contracted to handle Medicaid billing/reimbursement failed to retain necessary documentation. Funds from some schools were returned to the state.

Medicaid – SEFA Reporting



- Individualized Education Program (IEP)
 - We use the payment date from the IDOE Form 54s in the audit period to identify IEP reimbursements.
 - We then apply the Federal Medical Assistance Percentage (FMAP) to determine what portion was federal vs state funding.
- Medicaid Administrative Claiming (MAC)
 - We identify the SFY quarterly reimbursements during the audit period.
 - We apply the percentage withheld to the total MAC Reimbursements in order to tie to the school's ledger.
 - The total MAC reimbursement before the amounts withheld - amount reported on the SEFA.
- <https://www.in.gov/doe/students/special-education/school-medicaid-claiming/>

DUNS to UEI Number



- The federal government **stopped using DUNS** number starting April 4th, 2022 and **started using a Unique Entity Identifier (UEI, or Entity ID)**.
- <https://sam.gov/content/duns-uei>
- This number is collected in the “Schedule of Officials” section of the Gateway Annual Financial Report (AFR).

Education Stabilization Funds – Follow Up



- **Equipment** (assets) not being added to asset listings.
 - “A complete physical inventory must be taken at least every two years...” (Ch. 1 School Manual)
 - If using a third party for inventory/capital assets – **still required to update asset records!**
- **Wage requirement** (Davis Bacon) – applies to construction contracts over \$2,000.
 - **Must include provision that contractor comply with wage rate requirements.**
- **Reporting** - several ESSER and GEER reports required.
 - Must have controls and keep supporting documentation for ALL of the data entered.

CFR§ 200.302 Financial management.



(a) Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. See also § 200.450.

(b) The financial management system of each non-Federal entity must provide for the following (see also §§ 200.334, 200.335, 200.336, and 200.337):

(1) Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include, as applicable, the Assistance Listings title and number, Federal award identification number and year, name of the Federal agency, and name of the pass-through entity, if any.

(2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.328 and 200.329. If a Federal awarding agency requires reporting on an accrual basis from a recipient that maintains its records on other than an accrual basis, the recipient must not be required to establish an accrual accounting system. This recipient may develop accrual data for its reports on the basis of an analysis of the documentation on hand. Similarly, a pass-through entity must not require a subrecipient to establish an accrual accounting system and must allow the subrecipient to develop accrual data for its reports on the basis of an analysis of the documentation on hand.

(3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, financial obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.

(4) Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes. See § 200.303.

(5) Comparison of expenditures with budget amounts for each Federal award.

(6) Written procedures to implement the requirements of § 200.305.

(7) Written procedures for determining the allowability of costs in accordance with subpart E of this part and the terms and conditions of the Federal award.

Annual Financial Report (AFR) - Tips



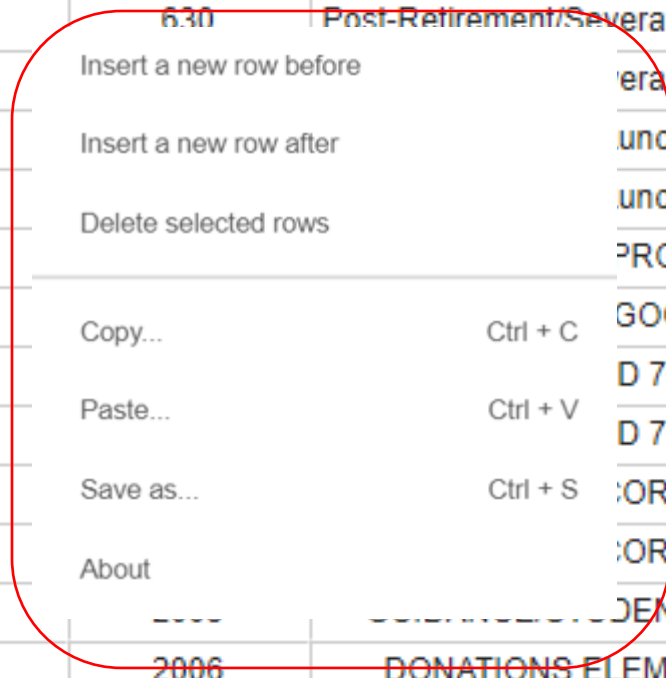
- Once the AFR is submitted – **REVIEW IT!**
 - Documentation of a 2nd reviewer is a “recommended” control.
- If incomplete – there will be a finding or multiple findings.
- Since requiring Trust and Clearing account (8000 and 9000 series) funds – we have noticed submissions are incomplete.
 - **Investment Funds should not be added if accounted for in another fund.**
- You are able to manually edit the “Financial Data by Fund” section.
 - **Right-click inside the data entry table** to add or delete lines. Will need to know the IDOE Form 9 “section” number.
- Payroll Clearing Funds – Usually see uploaded for each fund
 - We have not taken exception to payroll activity being rolled into one fund.

Financial Data by Fund - AFR

Data Entry Error Summary is Below Table

Save Changes Form 9 Data Saved

	Section	Fund	Fund Name	Account	Amount	Fund Type
118	2	610	Local Rainy Day	22130	2250.00	Special Revenue Fund
119	2	610	Local Rainy Day	23290	30345.10	Special Revenue Fund
120	2	610	Local Rainy Day	45100	110887.48	Special Revenue Fund
121	2	630	Post-Retirement/Severance Future Be	11100	20414.00	Pension Trust
122	2	630	Post-Retirement/Severance Future Be	11200	20000.00	Pension Trust
123	2		erance Future Be	11300	13456.59	Pension Trust
124	2		unch	31200	50224.33	Special Revenue Fund
125	2		unch	31900	376984.30	Special Revenue Fund
126	2		PROGRAM	33930	25155.03	Special Revenue Fund
127	2		GOOTEE ELEM	11025	16415.30	Special Revenue Fund
128	2		D 7002	25860	51000.00	Special Revenue Fund
129	2		D 7002	27400	57525.00	Special Revenue Fund
130	2		ORP MISC	11300	5350.00	Special Revenue Fund
131	2		ORP MISC	23210	3236.99	Special Revenue Fund
132	2		STUDENT NEEDS	21990	41.47	Special Revenue Fund
133	2	2006	DONATIONS ELEMENTARY	11100	320.00	Special Revenue Fund
134	2	2007	GRADUATION/CAREER COACH	21220	0.00	Special Revenue Fund
135	2	2008	LILLY COUNSELING II GRANT	21220	24838.56	Special Revenue Fund
136	2	2008	LILLY COUNSELING II GRANT	22120	522.68	Special Revenue Fund



Data Errors

Generally Accepted Accounting Principles (GAAP) School Resources



- Memorandums and State Examiner Directives related to GAAP have been added to the SBOA Schools webpage under “Resources”.
 - IC 5-1-11.5 requires schools with ADM > 15,000 to have GAAP financials
- Statement on Auditing Standards (SAS) 143 - Auditing Accounting Estimates and Related Disclosures
 - <https://us.aicpa.org/content/dam/aicpa/research/standards/auditattest/downloadabledocuments/sas-143.pdf>
 - Effective for audits of financial statements for periods ending on or after December 15, 2023. SBOA will implement early for annual 2022 audits.



Internal Control

Internal Audit Department?



- *Internal auditing is an independent, objective **assurance and consulting** activity designed to **add value and improve an organization's operations**. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of **risk management, control, and governance processes**.*
- Promotes continuous improvement.
- Perform engagements where perceived Costs < Benefits.

Recent Control Deficiencies



- Recent audits have shown a **lack of consideration** related to the Risk Assessment and Monitoring Components of Internal Control.

Components of Internal Control



- **C**ontrol Activities
 - Actual procedures performed
- **R**isk Assessment
 - Where could things go wrong?
- **I**nformation and Communication
 - If things go wrong, do you know?
- **M**onitoring
 - It needs to be continuous process
- Control **E**nvironment
 - ‘Tone at the top’

C.R.I.M.E!

Risky Areas to Assess - Schools



• Corporation Level:

- Receipt/Payment Transactions
- Financial Reporting
- Federal Grants
- Security of Assets
- Payroll

• Extracurricular Accounts:

- Vendor Payments
- Athletic Events
- Concessions
- Fundraisers
- School Lunch/Textbook Rental

Risk and Control Matrix



May be useful to:

1. Identify objectives and related risks
2. Determine the significance of risks (impact and likelihood)
3. Determine responses to the significant risks (for example, accept, pursue, share, avoid, or reduce)
4. Determine key management controls
5. Evaluate the adequacy of control design
6. Test adequately designed controls to ascertain whether they have been implemented and are operating effectively

Risk and Control Matrix for Accounts Payable

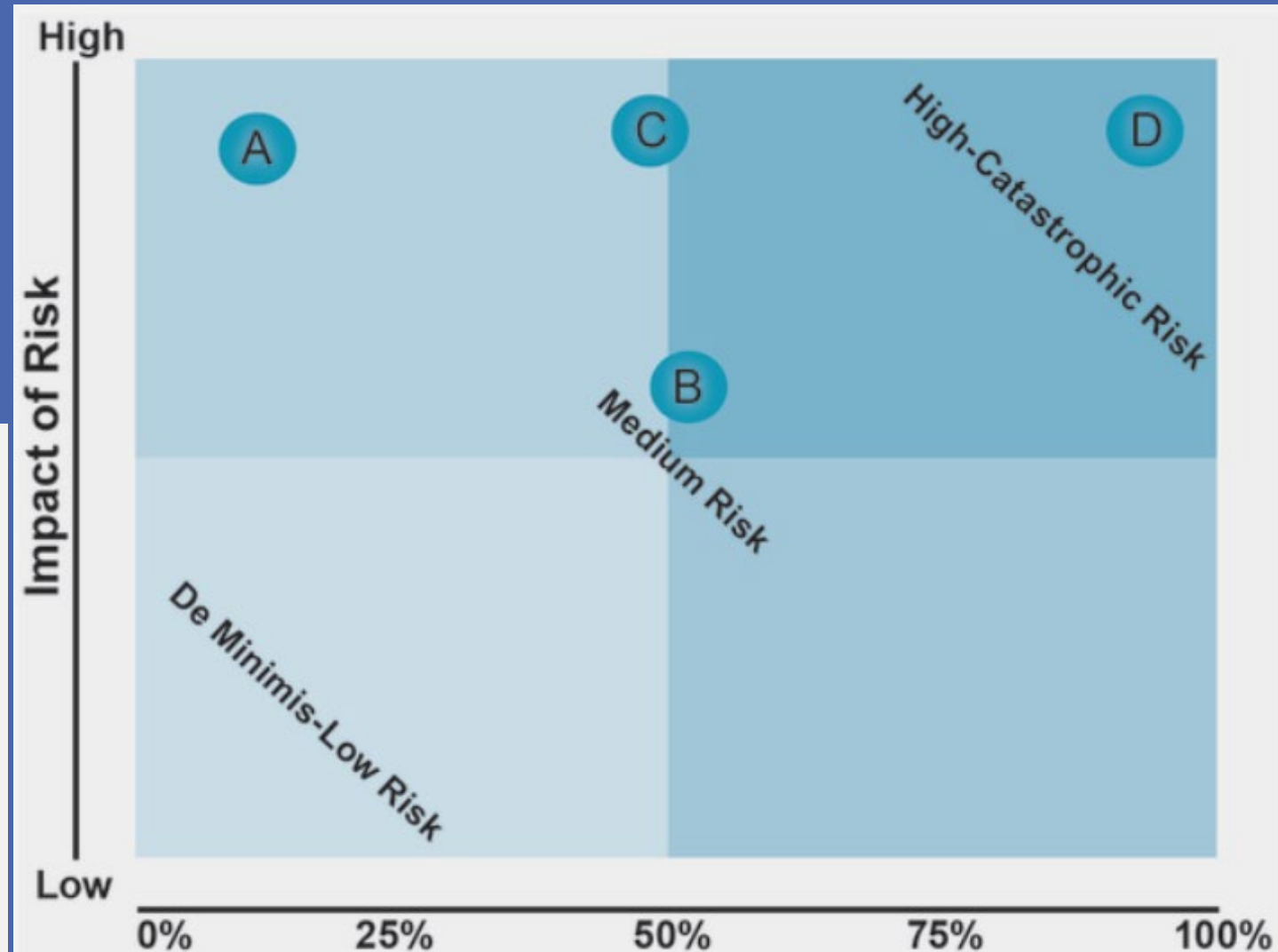
Business Objectives	Inherent Risk	Impact (L, M, H)*	Likelihood (L, M, H)*	Control
A. Personnel expenses are appropriate and authorized.	A.1 Corporate cards are issued inappropriately, resulting in fraudulent expenses.	M	M	Duties are segregated.
	A.2 Personnel are not provided guidance on corporate card usage and expense policies, resulting in inappropriate expenses.	L	M	Expense policy is communicated to personnel authorized to incur organizational expenses.
	A.3 Expense reports are not submitted/reviewed timely, resulting in inappropriate expenses.	H	H	No control is in place.
	A.4 Expense reports with receipts are not reviewed and approved by appropriate personnel, resulting in inappropriate expenses.	H	M	Approvals are based on management hierarchy. Expense reports cannot be submitted until a manager approves them. Expense team conducts monthly reviews.

Risk Priority:

1. Risk D
2. Risk C
3. Risk A or B?

		LIKELIHOOD		
		Remote	Possible	Likely
I M P A C T	Critical	Risk A	Risk C	Risk D
	Major		Risk B	
	Minor			

Risk and Control Matrix



Monitoring



- Evaluations should be performed and documented whether each component of internal control is present and functioning.
- COSO Principles:
 - 1. Management establishes and operates monitoring activities to monitor the internal control system and evaluate the results.
 - 2. Management remediates identified internal control deficiencies on a timely basis.

Types of Controls



- **Preventative controls** are those such as requiring dual signatures on checks or having password-protected files. This type of control protects and limits access to assets.
- **Detective controls** include reconciling the bank or inventory counts. Typically, these internal controls are performed periodically to see if any need to be corrected. They will often turn up internal errors or problems, as well as any external errors (such as bank errors).

Detective Controls



- Avenue to report:
 - Hotlines, email, online form etc....
- Internal “Audits”
- Management Review of periodic processes
 - Bank reconcilements
 - Physical inventory checks
 - Cash change and sales reports (such as ticket sales on the SA-4)
- Proactive Data Monitoring
 - Analytical reviews, Reasonableness testing etc...
- Review equipment usage



Preventive Controls



- Employee Training
 - Policies (code of conduct)
 - Segregation of Duties
 - Safeguarding Assets
 - Verify Vendor Legitimacy
-
- Monitor if policies and procedures are being followed
 - Determine if sufficient to address risk
 - Determine if changes in environment (or individuals) require changes

Trust is not a control!



- Do you have someone at your school who is very knowledgeable about processes and no one else knows how certain things work?
- Someone else should understand and review!

Segregation of Duties



- Duties that “should” be separated:
- Receipt roles - Collecting, Depositing, Recording and Reconciling functions.
- Purchasing roles – Ordering, Receiving, Claim Creation/Approval, Payment, and Reconciling functions.
- Inventory roles - Requisition, Receipt, Disbursement, Conversion to scrap and Receipt of scrap proceeds functions.

		Employee Number							
Duties		1	2	3	4	5	6	7	8
<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								

Internal Controls



- “The School Corporation had **not established effective internal controls** over the federal award Information entered in the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA).”
- If you disagree with a finding → If you have **documented controls**, you can refute it!



Corrective Action Plans, Trends, and Common Findings

Repeat Findings



- CAPS are required for Repeat Findings
- *A finding in a subsequent examination or supplemental report that is the **same as or substantially similar to** the finding contained in a previous examination or supplemental report.*

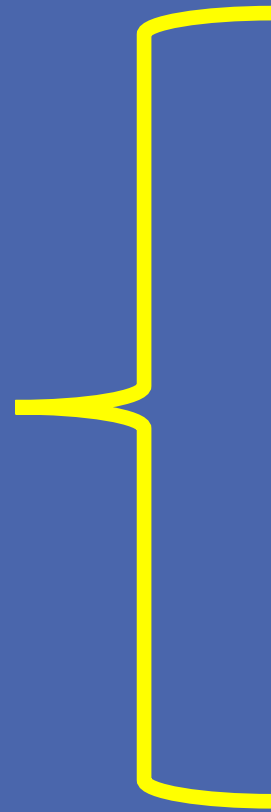
IC 5-11-5-1.5 (f)



- If the audit committee determines that further action should be taken, the **audit committee may do any of the following**:
 - (1) Request a written statement from the public officer of the audited entity.
 - (2) Request the personal attendance of the public officer of the audited entity at the next audit committee meeting.
 - (3) Request that the public officer of the audited entity take corrective action.
 - (4) Notify Unit's management, DLGF.
 - (5) Refer facts for an investigation inspector general or prosecuting attorney
 - (6) Recommend legislation changes
 - (7) Recommend SBOA examine entity within the calendar year

CAP Template

Three core
sections.
Be detailed!



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:	

Views of Responsible Officials



- Two Options:

1. “We Agree”

Or,

2. “We do not agree because...”

Description of Corrective Action Plan



- Restate the issue identified in the repeat finding.
- Is the Who/What/When/Where/How addressed?
- **IN YOUR OWN WORDS!**

Description of Corrective Action Plan



- How will the items outlined in the CAP prevent this issue?
- If can't 100% ensure, detail controls to prevent, detect, and timely correct the issue

Description of Corrective Action Plan



- **Identify the Root Cause**
 - Do not focus on the effect!

- What created this issue, or what led to the noncompliance?

- Why do you continue to have this issue?

- 5 whys – problem solving technique

Anticipated Completion Date



- Timeline – focus on **when the action takes place**, not after (or the outcome).
 - Example: Timeline of when you put your new policy in place. NOT when the next reporting requirement occurs.

CAP writing - an Opportunity



- This should be your plan to fix the issue.
- Take advantage of us!
- Should stand on its own.

Misc. CAP items



- After Exit Conference – 10 (calendar) days to submit plan
- If you need an extension – email CAP@sboa.in.gov
- 6-month corrective window does not start until we “accept” the CAP.

Audit - Exit Conference



- Information on CAPs should be provided at the exit conference.
- Template
 - <https://www.in.gov/sboa/files/CAP.pdf>
- Guidelines
 - <https://www.in.gov/sboa/files/1031-Guidelines.pdf>
- Instructions
 - <https://www.in.gov/sboa/files/CAP-Instructions.pdf>

Where to submit CAPs?

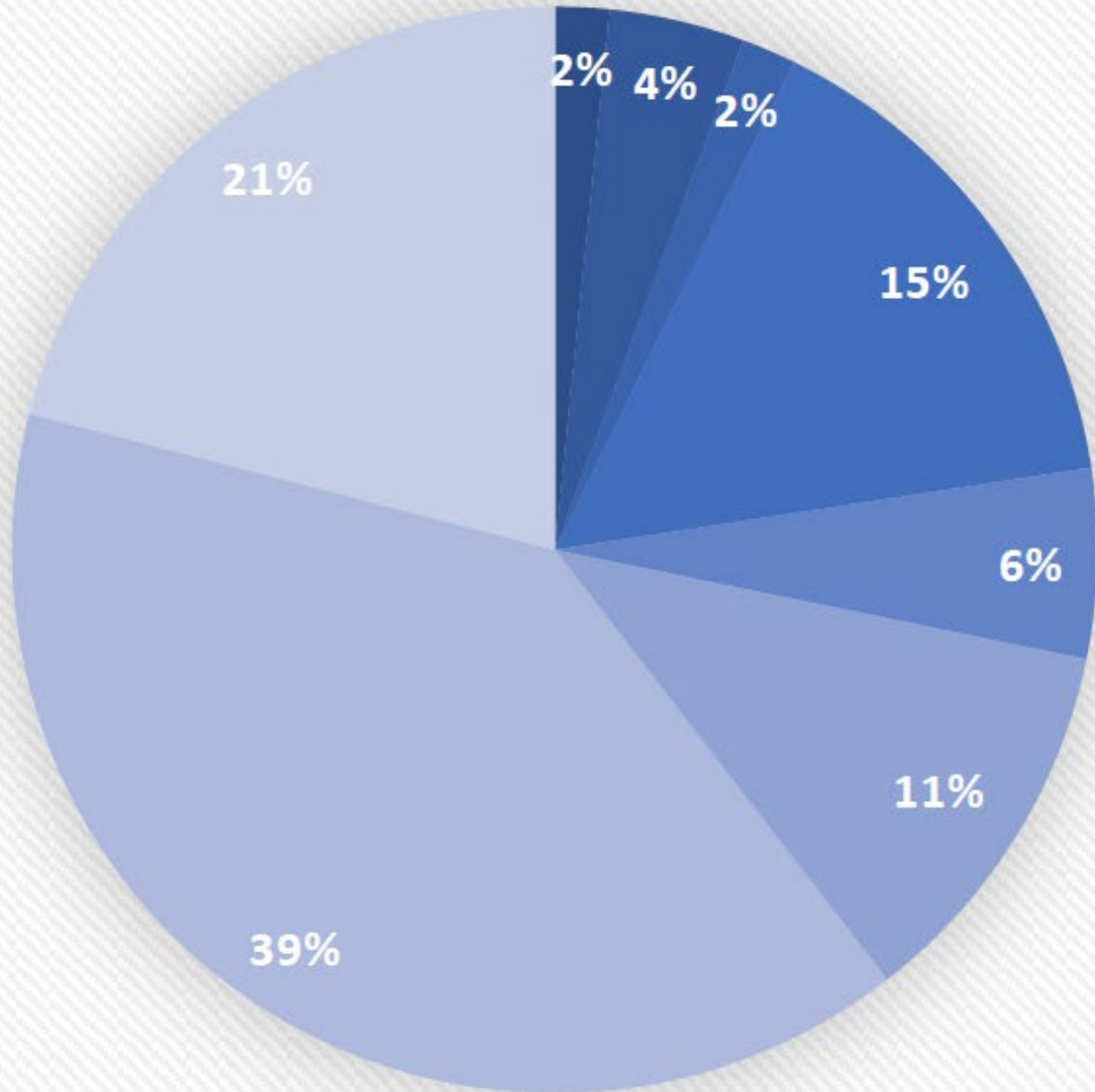


- On our website:

- <https://www.in.gov/sboa/political-subdivisions/general-overview/corrective-action-plan-cap-for-repeat-findings/>

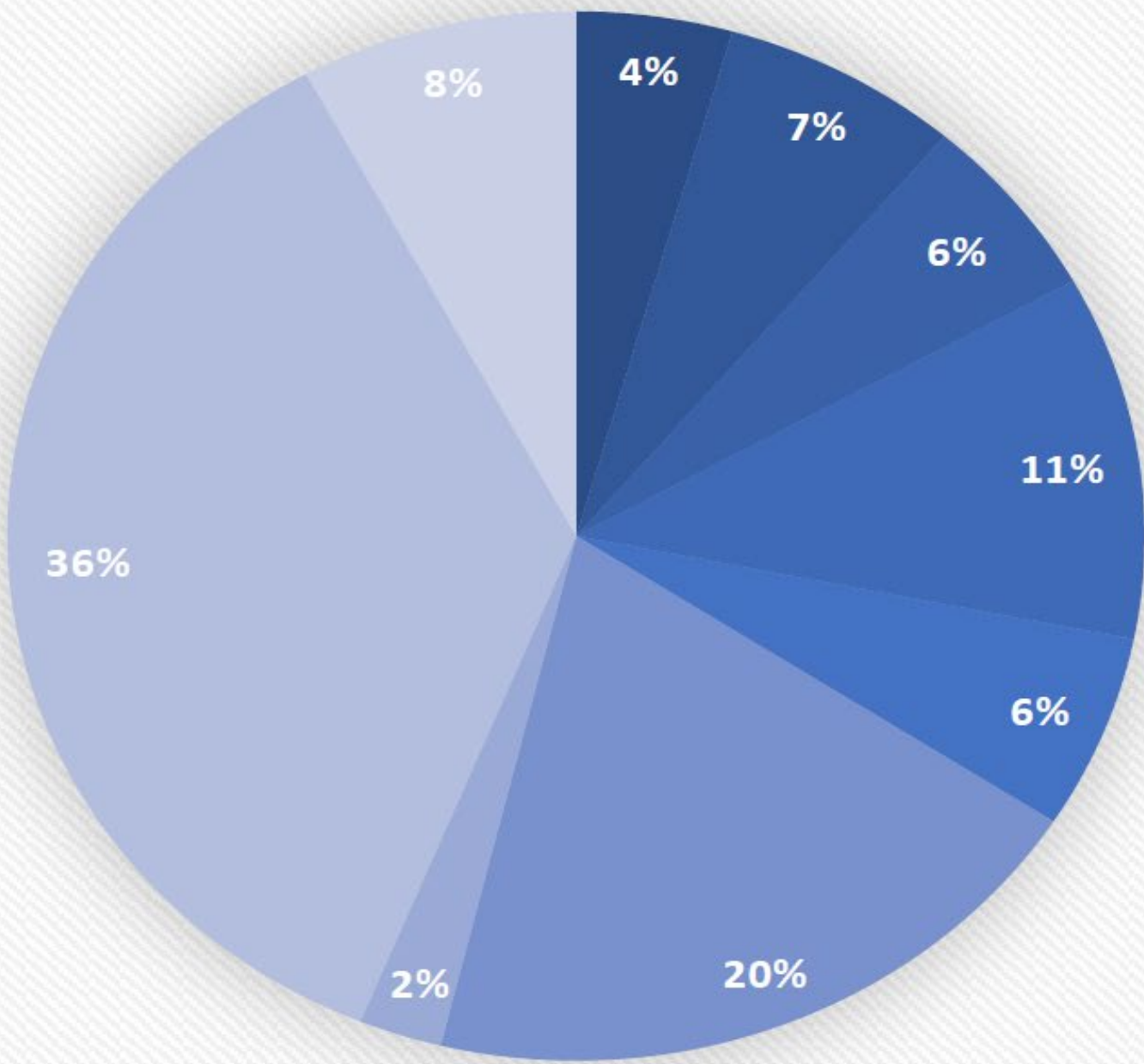
- If you have any questions, please email CAP@sboa.in.gov.

Repeat Comment Trends for Schools



- Annual Financial Report
- Bank Account Reconciliations
- Capital Assets
- Certification/Adoption/Training on IC
- Financial Transactions and Reporting
- Internal Controls Over Financial Transactions and Reporting
- Other
- Overdrawn Cash Balances

Repeat Comment Trends - All Unit Types



- Annual Financial Report
- Bank Account Reconciliations
- Capital Assets
- Certification/Adoption/Training on IC
- Financial Transactions and Reporting
- Internal Controls Over Financial Transactions and Reporting
- MMH Restricted
- other
- Overdrawn Cash Balances

Common Repeats



- Preparation of the SEFA
- Prepaid School Lunch Funds
- Internal controls over “_____”

Best Practices



- Available on SBOA website.
 - <https://www.in.gov/sboa/library/best-practices/>
- Topics:
 - AFR
 - Bank Account Reconcilements
 - Credit Card Purchases
 - Overdrawn Cash Balances
 - Payroll Activities
 - Prepaid Meals
 - Receipting
 - SEFA

CPA Firm Recommendations



- Save reports used to prepare AFR
- Grant Schedule controls
- Food Service Management Companies
- CNC Monthly Reimbursement Claims
- Medicaid Reporting
- Cooperative controls
- Suspension and Debarment checks

Payroll Testing



- Allowable Cost – testing that “Costs did not consist of improper payments”.
- For vendors – we verify the invoice to the cleared check amount/payee.
- Payroll is more involved – inspecting personnel files, supporting documentation for time charged, rates of pay, salary schedules, contracts, payroll accounts etc....
- **Seeing issues with retention of direct deposit information.** The bank account the funds went to should match the account in personnel file.
 - Indiana Archives and Records Administration (IARA) Record Retention Schedule – must retain ‘General Files’ for 3 years and ‘Accounting Records’ for 6 years + AFTER SBOA audit.
 - https://www.in.gov/iara/files/county_general.pdf

Common Fraud Scheme Direct Deposits



- Payroll Diversion (Third-party payroll fraud)
- *Scammer sends an email, that looks like it is coming from an employee's account, requesting that their direct deposit information be changed.*
- You can mitigate the risk of this type of fraud by **verifying that the request came from the employee** (in-person or telephone confirmation).

Resource Library



SBOA Resource Library



The State Board of Accounts (SBOA) is pleased to present an online resource library for our clients and the citizens of Indiana. The following information can be now searched in the resource library.

- SBOA Uniform Compliance Guidelines (including previously issued bulletin articles)
- State Examiner Directives
- Best Practice Documents
- Indiana Code Section Summaries
- Frequently Asked Questions
- Other Miscellaneous Materials

Resource Library - Tutorial Video



<https://www.youtube.com/watch?v=bf82lq6pQZk>

Resource Library



<https://www.in.gov/sboa/library/>

SBOA Email List



**Subscribe for
e-mail updates >**

<https://www.in.gov/sboa/about-us/sboa-communications-sign-up/>

Website Overview



<https://www.in.gov/sboa/>

IASBO Region Meetings



- If you would like training on specific topics, we would be happy to do so.
- In-person or virtual attendance – whatever is best for your region!



Questions?