

# THE STATE AGENCY BULLETIN

AND UNIFORM COMPLIANCE GUIDELINES  
ISSUED BY STATE BOARD OF ACCOUNTS

July 2023

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## STATE AGENCY CALENDAR

The State Board of Accounts (SBOA) will be providing important dates and items to remember for state agencies on a quarterly basis as part of the State Agency Bulletin. We have presented below important items to remember for the next three months. ***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](mailto:stateagencyadvisory@sboa.in.gov).***

## ITEMS TO REMEMBER

### August

- 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

### September

- 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

### October

- Holiday – Columbus Day October 9
- 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

### AUDIT TIMELINE

*Why is it important to have audit information ready for the State Board of Accounts?* It is important because we are obligated to provide a timely audit report to the federal government and to the citizens of Indiana. The federal government requires an annual audit, called a Single Audit, which includes an audit of the state's financial statements and a compliance audit of the state's major federal award programs. The Single Audit has a strict deadline to be filed by **March 31**. If we do not provide a timely audit report to the federal government by March 31 it could result in a loss of federal funds to the State of Indiana.

The audited financial statements are presented in the Annual Comprehensive Financial Report (ACFR) in accordance with the accounting requirements established by the Governmental Accounting Standards Board. Financial statements must be completed by **December 31**.

We work on the audits of the state's financial statements and the major federal award programs simultaneously. Your ***cooperation is key*** to the completion of our audit work and the filing of the Single Audit and the ACFR.

The ***most helpful*** thing you can do is meet the State Comptroller deadlines for both ACFR and Federal audit. If deadlines are not met, it creates a compounding effect that pushes our audit timeframe back significantly. For example, if SEFA information is not available by the deadline, we may not find out until much later that certain programs must be audited. This results in a time crunch for us ***and for you*** in trying to gather information for the audit.

Please contact David Parker, State Audits Coordinator, if you have any questions.

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Here are some key dates for you to be aware of as we go through the audit process this year.

<u>Audit Timeline</u>			
<u>Description</u>	<u>Federal Single Audit</u>	<u>ACFR Financial Statements</u>	<u>Both Reports</u>
Audit Work Beginning	June 2023	May 2023	
Audit Work Completion	January 2024	December 31, 2023	
Agency Exit Conferences			February 2024
OMB/AOS Exit Conference			March 2024
Report Issuance			March 31, 2024

## MAJOR PROGRAMS

*Do you wonder what the major programs will be for the audit period of July 1, 2023 to June 30, 2024?* Those listed in this article will be Type A programs – **there may be others** depending on the SEFA information so stay tuned for more information in the future. If you have any questions, please contact David Parker, State Audits Coordinator at [dparker1@sboa.in.gov](mailto:dparker1@sboa.in.gov).

**Remember**, you can be prepared by reviewing specific audit requirements related to your grants in the Federal OMB Compliance Supplement. The Compliance Supplements can be found on the [State Agencies' page](#) of our website under “Compliance Supplements” or at the link below.

### [2023 Compliance Supplement](#)

For more information about the Federal OMB Compliance Supplement and how to use it, see our video and bulletin article:

[Video Link](#)

[Slides PDF](#)

[Bulletin Article](#) (July 2022 page 3)

<u>ALN</u>	<u>Program Name</u>
10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster (CNC)
10.565, 10.568, 10.569	Food Distribution Cluster
16.575	Crime Victim Assistance
17.225	Unemployment Insurance (UI)
17.258, 17.259, 17.278	WIOA Cluster
21.027	Coronavirus State and Local Fiscal Recovery Funds (SLFRF)
84.010	Title I
84.027, 84.173	Special Education Cluster
84.048	Career and Technical Education (CTE)_Basic Grants to States
84.367	Supporting Effective Instruction (Title II)
84.425	Education Stabilization Fund
93.044, 93.045, 93.053	Aging Cluster
93.323	Epidemiology & Laboratory Capacity for Infectious Diseases (ELC)
93.489, 93.575, 93.596	Child Care Development Fund (CCDF Cluster)
93.558	Temporary Assistance for Needy Families (TANF)
93.658	Foster Care Title IV-E
93.767	Children’s Health Insurance Program (CHIP)
93.775, 93.777, 93.778	Medicaid Cluster
93.959	Block Grants for Prevention and Treatment of Substance Abuse
96.001	DI/SSI
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

### **INTERNAL CONTROL SERIES – PART 3**

In the April 2023 State Agency Bulletin (Internal Control Series - Part 2), we briefly discussed the Control Environment component of internal controls and the first five principles developed by COSO.

In this segment, we are focusing on Risk Assessment, which includes Principles 6 through 9 from the COSO Framework

Risk assessment is the process used to identify, analyze, and manage potential risks to the governmental entity's objective. When performing a risk assessment, management considers the effects of change and inherent risk.

During times of change, events can occur that expose the government to increased risk, such as change in management or responsibilities of management; rapid growth; new technology or information systems; or new programs or services. Certain activities have a greater potential for loss from fraud, waste, unauthorized use, or misappropriation. For example, the handling of cash has a much higher inherent risk for theft than data entry activities. When evaluating inherent risk, some items to consider include:

- The complexity of the activity itself or the calculations for the activity.
- The susceptibility of the activity to fraud or misappropriations.
- The extent of judgment involved for the activity.
- The size and volume of individual items comprising the activity.

Once identified, risks should be analyzed for likelihood and impact. Many risks are accepted or avoided by implementing effective controls.

#### **Principle 6. Management defines objectives clearly to enable the identification of risks and risk tolerances.**

Objectives falls within three major categories:

Operations - Effectiveness and efficiency of operations.

Reporting - Reliability of reporting for internal and external use.

Compliance - Compliance with applicable laws and regulations.

As part of this process the oversight body may consider the following:

- Defining objectives in specific measurable terms in order to enable the design of internal control for related risks, to increase understanding at all levels, and to assess performance.
- Identifying what is to be achieved, who is to achieve it, how it will be achieved, and when it will be achieved.
- Incorporating external requirements, such as state statutes and Uniform Compliance Guidelines.
- Including a subset for the three categories which addresses the safeguarding of assets.

**Principle 7. Management identifies, analyzes, and responds to risks related to achieving the defined objectives.**

In the identification process, management recognizes the various types of risks at the entity and transaction levels for each objective. For example, risk factors may include the organizational structure, new technology, complexity of a program or transaction, new or amended laws, or economic instability.

Management analyzes identified risk to estimate the effect of the risk on achieving the defined objectives at the entity level and transaction level. For example,

- How likely is the risk to occur?
- How will it impact the objective?
- Is the risk based on complex or unusual transactions?
- Is the risk based on fraud?

Risks may be analyzed individually or collectively. Once the risks have been identified and analyzed, management determines how to respond to each risk and design specific actions accordingly. For example, management may accept the risk and take no action in response; choose to eliminate certain processes to avoid the risk; reduce the risk by instituting controls; or transfer the risk.

**Principle 8. Management considers the potential for fraud when identifying, analyzing, and responding to risks.**

Management considers the types of fraud which can occur, such as fraudulent financial reporting, misappropriation of assets, and illegal acts. In addition to fraud, management assesses the likelihood of other types of misconduct such as waste or abuse. Various risk factors may need to be evaluated as well as allegations from internal or external parties.

**Principle 9. Management identifies, analyzes, and responds to significant changes that could impact the internal control system.**

Internal control procedures require evaluation and adjustment on a regular basis to accommodate the impact of future changes; for example, personnel changes, new programs, new technology, new laws, and financial fluctuations. For example,

- New employees receive training on internal controls and employee policies.
- New software requires a reevaluation of policies and procedures to determine if existing controls will continue to be effective and if new controls need to be designed and implemented. (Procedures that worked well under a manual or a previous software system may no longer be applicable under the new system).
- A change in reporting requires a review of internal controls over the compilation of the report.

### **STATE AGENCY ADVISORY SERVICE**

As you know, State Advisory Services provides guidance from a State Board of Accounts perspective on accounting and compliance guideline requirements, best practices on internal controls, advice on the resolution of audit issues and more. We are pleased to announce the addition of two people to our team! We are all here to serve you. The best way to contact us is through our shared inbox and phone number:

[stateagencyadvisory@sboa.in.gov](mailto:stateagencyadvisory@sboa.in.gov); 317-232-2513

However, if you prefer, feel free to contact us at our personal email addresses below.

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We look forward to working with you!

### **FUTURE STATE AGENCY BULLETINS**

We are upgrading our method of communicating with State Agencies. Future SBOA bulletins will be sent via GovDelivery. Please whitelist the email addresses [stateagencyadvisory@subscriptions.IN.gov](mailto:stateagencyadvisory@subscriptions.IN.gov) and [Indiana@subscriptions.IN.gov](mailto:Indiana@subscriptions.IN.gov) to ensure you continue receiving communications from our agency. We will also have a tool on the SBOA website where you can sign up for our email lists. We will provide links to this tool in the next bulletin and encourage that you share this information with anyone you believe would benefit from our communications.