

# INDIANA STATE BOARD of ACCOUNTS

## City and Town Court Judge Orientation

January 30, 2020

**Indianapolis**

Introduction – SBOA Contact Information



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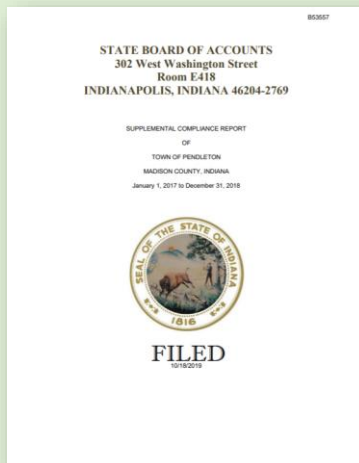


# www.in.gov/sboa

Indiana State Board of Accounts

2020

SBOA – An Overview



## What is the State Board of Accounts?

- **Audits the records & accounts of all state and local governmental units**
- **Prepares reports indicating the financial condition of these units & noting any noncompliance with laws.**
- **Prescribed uniform system of accounting**

Indiana State Board of Accounts

2020



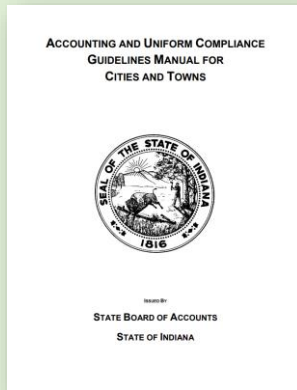
### SBOA – Mission Statement

**“We are dedicated to providing the citizens of the State of Indiana with complete confidence in the integrity and financial accountability of state and local government.”**

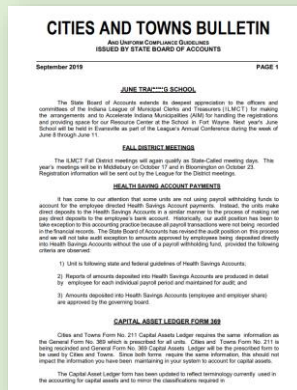


### SBOA – An Overview

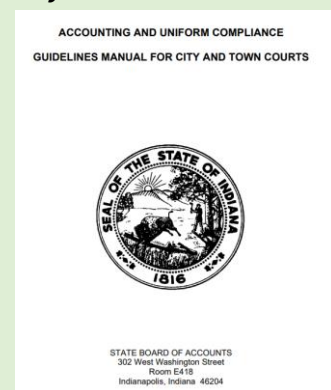
#### **Accounting & Uniform Compliance Guidelines Manual for Cities and Towns**



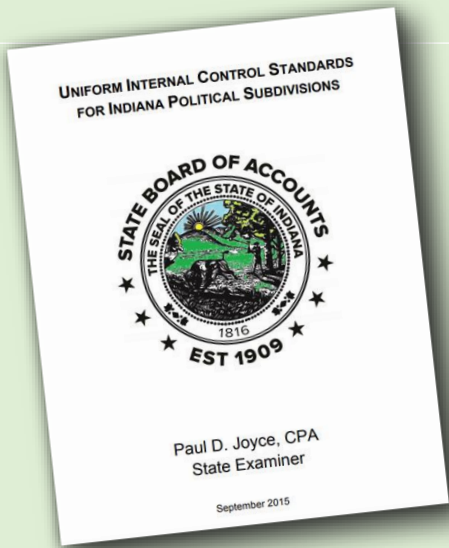
#### **Cities & Towns Bulletin and Uniform Compliance Guidelines**



#### **Accounting & Uniform Compliance Guidelines for City and Town Courts**



# Internal Controls



[www.uspsig.gov/document/internal-controls-over-stamp-stock-shipments](http://www.uspsig.gov/document/internal-controls-over-stamp-stock-shipments)

# Internal Controls



## Why internal controls?

## What are internal controls?



[www.cleanpng.com/png-question-mark-clip-art-business-villain-answer-que-215307/preview.html](http://www.cleanpng.com/png-question-mark-clip-art-business-villain-answer-que-215307/preview.html)

## Internal Controls

**Indiana Code 5-11-1-27(e):**

“ . . . the state board of accounts shall define . . . the acceptable minimum level of internal control standards and internal control procedures for internal control systems of political subdivisions, including the following:

- (1) Control environment.
- (2) Risk assessment.
- (3) Control activities.
- (4) Information and communication.
- (5) Monitoring.

The internal control standards and procedures shall be developed to promote government accountability and transparency.”

## Internal Controls Standards



UNIFORM INTERNAL CONTROL STANDARDS  
FOR INDIANA POLITICAL SUBDIVISIONS



Paul D. Joyce, CPA  
State Examiner

September 2015

**SECTION ONE**

Minimum Level of Internal Control Standards

- Five Components
- Seventeen Principles

**SECTION TWO**

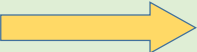
Approved Training Materials

- Video Presentation
- Examples
- Case Studies

[www.in.gov/sboa/files/UniformInternalControlStandards.pdf](http://www.in.gov/sboa/files/UniformInternalControlStandards.pdf)

## Internal Control Training



- [www.in.gov/sboa](http://www.in.gov/sboa)
- Navigate to 'cities' or 'towns'
- Scroll down to **Internal Control Standards** ▼
- Then **Training**
- Find this 



## Internal Controls – What Are They?



- Internal control is a process executed by officials and employees that is designed to provide reasonable assurance that the objectives of the political subdivision will be achieved.
- It is a basic element fundamental to the organization, rather than a list of added on tasks;
- It is an adaptable process that is a means to an end, not an end in itself;
- It is focused on the achievement of objectives; and
- It is dependent on officials and employees for effective implementation.

## Internal Controls – What Are They?



- Organizational roles are important
- All members of a city or town, including elected officials, board members, and employees full fill a role in the internal control system
- Leadership is key – the tone is set at the top
- Clear support from leadership engages a successful, effective internal control system

## Internal Control Objectives



### Operations Objectives

Operational & performance goals; best use of resources

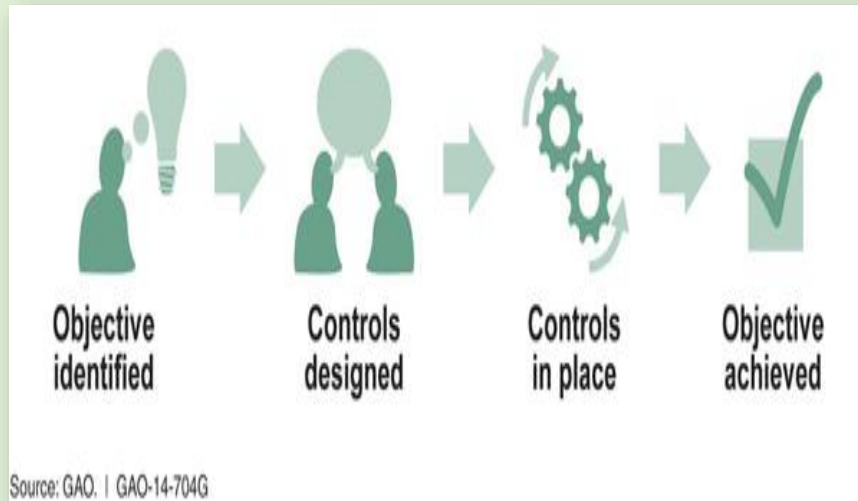
### Reporting Objectives

### Compliance Objectives

Adherence to laws & regulations



## Internal Controls – What Are They?



## Components of Internal Control

- Control Environment
- Risk Assessment
- Control Activities
- Information & Communication
- Monitoring







## Creating Internal Controls – Getting Started

### Don't reinvent the wheel

- Identify existing controls

### Document, document, document

- Write down assigned tasks
- Make lists



## Creating Internal Controls – Getting Started (continued)

### Establish Control Environment

- “Tone at the top”
- Missions, goals, and objectives
- Structure, organization, reporting chains

### Review & Analyze Current Controls

- Look for weak areas
- Assess risk & take appropriate actions

## Creating Internal Controls – Getting Started (continued)



### Evaluate Resources

- Staffing levels, other assets

### Assign Duties/Tasks/Activities

- Control activities

### Communicate

- Handbooks, training sessions, etc.

## Creating Internal Controls – Getting Started (*continued*)



### Monitoring

- Implement controls to ensure everything you've established is being completed
- Obtaining goals & objectives?
  - If not – modify existing controls

## Segregation of Duties v. Compensating Controls



### Splitting duties between individuals

- Preventative controls – segregated duties can prevent errors & irregularities
- No single person authorizing, recording, custody of transactions
- More difficult with fewer employees
  - Compensating controls may be necessary

## Segregation of Duties v. Compensating Controls



### Compensating for lack of segregation of duties

- One employee
- Control should prevent or detect errors or misstatements
- One person performs – another reviews/approves
  - Bank Reconciliation
  - Revenue reports



## Internal Controls – What Do They Do / Don't Do

### What Do They Do:

- Preventative
  - Designed to prevent errors/irregularities
- Detective
  - Designed to detect undesirable occurrences
- Promote effective operations
- Safeguard resources
  - Loss due to waste, misuse, fraud, etc.
- Develop reliable data for accurately reporting



## Internal Controls – What Do They Do / Don't Do

### What Don't They Do:

- Catch everything
  - Reduces risk / doesn't 100% eliminate it
- Result from strong policies & procedures
- They don't always work
  - If not effective, re-assess and make changes

Case Studies



*Do internal controls really matter?*

??????

Objective – Timely and Accurate Bank Reconcilements



## Bank Reconcilements – Why?

**IC 5-13-6-1(e)**

- Requires reconciliation at least monthly the balance disclosed in your records with the bank statements provided by your financial institutions.

**Without such a reconciliation, you won't truly be able to know how much money your city/town has available.**

- Necessary in order to make good financial decisions.

## Bank Reconciliation Process – Internal Controls



- **Segregate Duties**
- **Have multiple people involved in the process**
- **No one person should be able to**
  - ✓ Receive money
  - ✓ Make deposits
  - ✓ Post Records
  - ✓ Write Checks
  - ✓ And Perform the Reconciliation
- **Controls should include review of reconciliation**

## Internal Controls Case Study – Bank Reconciliation



## Monthly Bank Reconciliation

- Ind. Code 5-13-6-1

## Unidentified Transactions

## Communication

- Notified bank – loss timely reimbursed

## Receipts – Process for Receipting Money



## Receipt Process



**“Receipts shall be issued and recorded at the time of the transaction.”**

*(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)*

### IC 5-13-6-1(d)

- Requires deposit of funds not later than the next business day following receipt of the funds into one of the city or town’s depositories.

*Exception:* IC 5-13-6-1(g)

- A city/town is not required to deposit funds by the next business day if the funds on hand do not exceed \$500.

## Court Collections



- Court Costs
- Other Fees
- Fines
- Judgments

ACCOUNTING AND UNIFORM COMPLIANCE  
GUIDELINES MANUAL FOR CITY AND TOWN COURTS



STATE BOARD OF ACCOUNTS  
302 West Washington Street  
Room E418  
Indianapolis, Indiana 46204



## Receipt Process – Internal Controls



- **Segregate Duties**
- **Have multiple people involved in the process**
- **No one person should be able to**
  - ✓ Receive money
  - ✓ Make deposits
  - ✓ Post Records
- **Reviews – fees collected, deposits match receipts issued, etc.**

## Internal Controls Case Study – Receipts



### Historical Comparison

- Reviewed receipts over a certain period

### Unexplained Variances

- Significant decline noticed

### Communication

- Notified SBOA and law enforcement

### Court Audit Reports

## Disbursement Process



## Court Distributions



- State
- County
- City or Town Fiscal Officer

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## Unclaimed Money



- All items that can be legally disbursed should be paid immediately to the person or persons entitled thereto.
- All fees and funds five or more years old, including old outstanding checks, should be scheduled on forms provided by the Attorney General and paid over to the Attorney General as required by IC 32-34-1-20(c).
- Items should not be allowed to accumulate beyond the five year anniversary date.

## Clerk's Record Perpetuation Fund – Sources IC 33-37-5-2



- Revenue received by the clerk for transmitting documents by facsimile machine to a person under IC 5-14-3.
- Document storage fees required under section 20 of this chapter.
- Fees for preparing a transcript or copy of any record under section 1 of this chapter.

Clerk's Record Perpetuation Fund – Uses  
IC 33-37-5-2



- The preservation of records.
- The improvement of record keeping systems and equipment.
- Case management system.

Take Action



- ✓ Review Internal Control Manual
- ✓ Establish and Document Procedures
- ✓ Address all Five Internal Control Components
- ✓ Update Procedures as Needed

## Other Items



## Reporting Losses, Variances, and Thefts

- IC 5-11-1-27(j)
- "Material" variances, losses, shortages, or thefts to be reported to SBOA
- City/town council must determine a materiality amount [*State Examiner Directive 2015-6*]  
*in.gov/sboa* → *About Us* → *State Examiner Directives*

## Other Items



## Reporting Losses, Variances, and Thefts

- IC 5-11-1-27(l)
- Misappropriation of public funds (loss or theft by public official) is to immediately be reported in writing to:
  - ✓ SBOA
  - ✓ County Prosecuting Attorney
- No materiality threshold for misappropriation of public funds [*State Examiner Directive 2015-6*]

## Reporting to SBOA – IC 5-11-1-27



# www.in.gov/sboa - Responsibilities under IC 5-11-1-27

### Responsibilities under IC 5-11-1-27 ▼

Pursuant to [IC 5-11-1-27\(j\)](#), all political subdivisions are required to report to us all erroneous or irregular material variances, losses, shortages, or thefts of local funds or property. For the purposes of this IC section, material is defined by the State Examiner in [State Examiner Directive 2015.6](#). Please use the following form to report this information to us. All fields are required.

Name: \*

First Name

Last Name

Email: \*

## Questions



Contact Information



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Directors of Audit Services



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