



ISSUING AUTHORITY: INDIANA DEPARTMENT OF CORRECTION EFFECTIVE DATE: 1/1/2023

3.5 Financial Compliance & Audits

APPLICABLE TO:

Entities who receive Community Corrections & Justice Reinvestment Grant Funding or Juvenile Community Corrections Grant Funding:

1. Adult Community Corrections;
2. Juvenile Community Corrections;
3. Probation;
4. Pretrial Services;
5. Court Recidivism Reduction Programs;
6. Prosecutor’s Diversion Programs; and
7. Jail Treatment;

Summary

This Bulletin is intended to establish minimum standards, requirements and expectations from the recipients of the Indiana Department of Correction (IDOC) State grant funds and/or funds supported by IDOC State grant funds in relation to financial and compliance audit of the grant funds.

Contents

3.4 Financial Compliance & Audits	1
Summary	1
Financial Audits Overview.....	2
Financial Audits Objectives	2
Audit Planning and Field Work	3
Planning.....	3
Field Work.....	3
Exit Conference and Audit Results Documentation.....	4
Corrective Action	4



Financial Audits Overview

The Department's staff or designees are mandated to perform annual financial audits, or ad hoc audits, of financial books and statements of entities funded by these grants to determine whether the overall financial transactions are carried out in accordance with the current Procedural Manual, IDOC's policies and procedures, and any other State or Federal regulations that apply. Financial Audits are conducted primarily as virtual desk audits unless otherwise noted.

Financial Audits Objectives

The objectives of the Audits are to ascertain:

- Proper maintenance of accounting records with clear audit trails
- The mathematical accuracy of the accounting records
- Proper authorization and approval of expenditures
- Allowability of expenditures
- Physical existence of assets
- Timeliness of processing of transactions to avoid increasing costs such as interest
- Adherence to policies and procedures and contractual agreements including by subcontractors
- Existence of internal controls to minimize losses and improve efficiencies and effectiveness
- Separation of fund accounts (non-commingling) for accountability
- Financial Audits Procedures and Processes
- Minimum Documents Needed (Additional documents may be requested by IDOC auditors to complete the audit)
- Copy of approved Grant & Budget
- Records of quietuses
- Records of claims submitted to the auditor
- Copies of financial reports sent to the IDOC
- County auditor's cash fund ledger (Grant, Project Income, and CTP accounts)
- Community Corrections ledgers and journals (Grant and cash)
- County auditor's expenditure records by line item
- Monthly reconciliation statements.
- Copies of approved transfers.
- Copies of contracts and Memoranda of Understanding (MOU's) for outside services paid from Grant or Project Income Funds.
- Records of receipts for money received from clients.
- Supporting documents for any adjusting entries

If applicable,

- Vehicle mileage logs.
- Fixed asset inventory records.
- Gift Card logs and policy



Audit Planning and Field Work

Planning

- The entity will be notified about the impending virtual desk audit at least two weeks from the planned start of the audit (unless it's an ad hoc audit).
- IDOC auditors will request the reports necessary for preliminary audit.
- IDOC auditors will review entity's Grant Budget and correspondence (transfer requests, etc.) to prepare for audit.
- IDOC auditors will request a list of sampled physical documents that the auditor plans to review prior to the desk or on site audit and the entity should have these documents ready by the date the audit is scheduled.
- IDOC Auditors will agree with the entity on timing and duration of the audit before scheduling on-site visits

Field Work

- Review of expenditures for proper authorization, accuracy and allowability, and adherence to budget limits
- Review of time and attendance reports and supporting documents for proper authorization and accuracy
- Review of paid invoices for sales tax paid, unallowable expenditures, and proper approvals
- Comparing of budgeted line items against expense line item or prior approval of any modifications to budget
- Review of documents and, in the case of on-site audits, inspection of property and equipment acquisitions and dispositions for: existence, valuation, and proper authorization.
- Verify the existence, use, and accuracy of a Fixed Asset Inventory Log and security of assets.
- Review travel records (including vehicle mileage logs) for compliance with travel rules, regulations, and policies
- Review bonding and/or liability insurance coverage for coverage and adequate protection
- Verify that financial records are retained in compliance with IDOC and/or County requirements to confirm for audit trail
- Review Project Income fund and expenditures for accuracy, completeness, authorization and compliance with policies and procedures
- Review Community Transition Program (CTP) fund
- Review monthly Financial Statements for accuracy, timeliness, and completeness of the accounting information
- Determine carryover at the conclusion of the the grant period being audited by reconciling the determined carryover with the balance shown in the County Auditor's Fund Ledger.
- Discuss the results of the field audit with the Entity Head and other staff members as desired
- Prepare a written report disclosing the results, findings, and recommendations



Exit Conference and Audit Results Documentation

Upon completion of an IDOC audit:

- Upon completion of the audit, the auditor(s) will conduct an Exit Conference with the grant director and/or designee to discuss results of the audit.
- At the end of the Exit Conference, the grant director or designee will sign the Exit Letter acknowledging receipt of the audit results and return to the auditor.
- The Financial and Compliance Audit Supervisor will review the audit report.
- Within two weeks of completion of the audit, IDOC will issue an audit report and invoice for any unspent grant funds. Confirmed unspent grant funds should remain in the fund and will be deducted from future grant payments. In the event that the program will not receive future funding, the county (entity) has thirty (30) days, from invoice date, to pay the invoice.
- In case of financial or non-compliance, IDOC will issue findings that will require a response from the entity's grant director.
- The finalized written audit report will be distributed to the grant director, the county's Advisory Board Chair, as well as to the County Auditor.

Corrective Action

If there are findings on the audit report:

- Grant director shall forward, within two (2) weeks from date of the audit report, a written and signed Corrective Action Plan to the IDOC Community Corrections Director and IDOC Audit Supervisor.
- The Corrective Action Plan must be reviewed approved by the Community Corrections Advisory Board to fulfill their oversight role.

Corrective Action Plans should include:

- A demonstration of a clear understanding of the problem that needs to be resolved though defining the problem, identifying its root cause, and clearly laying out a way of correcting the issue
- Specific actions to be taken by relevant entity staff
- Time frame and deadlines for making changes not to exceed an accounting cycle (one month) or start of a new grant cycle, whichever is shorter. An exception may be granted if the resolution involves issues such as staffing.
- A description of deliverables to demonstrate corrections have been made
- A description of how the changes will be maintained for current and future grant cycles

IDOC financial and compliance audit will:

- IDOC Community Corrections Financial and Compliance Audit Supervisor will review the Corrective Action Plan to assess the effectiveness and efficiency of the proposed resolution in resolving the issues.
- IDOC Community Corrections Financial and Compliance Audit Supervisor will advise the grant director within 48 Hours from receipt of the corrective action plan on the results of the assessment of the corrective action plan.
- Make the necessary follow up to ensure the Corrective Action Plan is implemented in a timely manner
- Review the implemented corrective action to ascertain if the issue is resolved
- Test in future audits to ensure resolution continues working as intended and designed