Internal Controls

Control Environment
Risk Assessment
Control Activities
Information and Communication
Monitoring

www.in.gov/sboa
Common Internal Control Findings

Did not separate incompatible activities related to receipts, disbursements, and payroll.

Did not have a review or approval process over bank reconciliation or over financial close and reporting.

Collections Not Deposited

Receipts

Fundraisers Proceeds

Fees / Accountable Items

Asset Sales

“Uncleared” Deposits
Collections Not Deposited

What procedures can you put in place to protect your library?

Control Activities
- Reconciliations
- Authorizations
- Approval Processes
- Verification Processes

Segregation of Duties and Compensating Controls

Payroll

Overpayment of Compensation

Adjustments to Withholdings

Payroll Service Providers
Payroll

What procedures can you put in place to protect your library?

Control Activities
Reconciliations
Authorizations
Approval Processes
Verification Processes

Segregation of Duties and Compensating Controls

Unauthorized Withdrawals, EFTs, Checks

Cash Withdrawals
Checks Payable to Cash
Counter Checks
EFTs
Duplicate Payments
Supporting Documentation
Unauthorized Withdrawals, EFTs, Checks

What procedures can you put in place to protect your library?

Control Activities
- Reconciliations
- Authorizations
- Approval Processes
- Verification Processes

Segregation of Duties and Compensating Controls

Personal Expenses

• Adjustments

• Personal Expenses

• Debit Card Purchases

• Electronic Funds Transfers
Personal Expenses

What procedures can you put in place to protect your library against the payment of personal expenses?

Control Activities
- Reconciliations
- Authorizations
- Approval Processes
- Verification Processes

Segregation of Duties and Compensating Controls

Internal Controls

Review the Internal Control Manual

Continue to Establish Procedures

Address All Five components

Update Procedures as Needed
Indiana Code 5-11-1-27

Report of Misappropriation

• **Actual or Reasonable Cause**
  • to believe a misappropriation has occurred

• **Shall immediately** send **written** notice to
  • State Board of Accounts
  • County Prosecutor

Indiana Code 5-11-1-27

Report of Variance / Loss

• Materiality Threshold

• **Shall be reported immediately**
  to the State Board of Accounts
Corrective Action Plans

- Progress

- Internal Controls
  - Receipting, Disbursing, Payroll
  - AFR
  - SEFA

- Overdrawn Cash Balances
- Bank Reconciliation
- Errors on Claims
- Supporting Documentation
- Penalties and Interest

Todd Caldwell and Susan Gordon
Directors of Audit Services

317-232-2513
Libraries@sboa.in.gov