REQUIRED AUDIT ENGAGEMENTS

**Indiana Code 5-11-1-9**
Requires the State Examiner to examine all accounts and all financials affairs of every public entity.

**Debt Covenants & Bond Rating Agencies**
Most financial institutions and bond rating agencies accept the SBOA audit report for their purposes

**Federal Grant Agreements**
Federal grant agreements commonly call for an annual audit
**ENGAGEMENT GOALS**

**Provide Opinions on Financial Information Presented by Auditee**
- Unmodified, or “clean, opinion – lets readers know the information presented is materially correct.
- Modified opinion lets reader know there are issues that need to be taken into consideration when it comes to the information presented.

**Provide Reader with Substantial and Impactive Noncompliance**
- Results and Comments – noncompliance that is “written up”

**Provide Management with less Significant Noncompliance of State Requirements**
AUDIT REPORTS

• Audit Report
  ○ possible Supplemental Audit Report
• Review Report
• Compliance Report
• Management Letter

PRE-AUDIT FORMS

INDIANA STATE BOARD OF ACCOUNTS - 2020
Who is invited?
- Those charged with governance – Board President
- Management – Fiscal Officer (Treasurer), Director, Bookkeeper

What is discussed?
- Introduction to the Field Examiners that will be working on the audit
- General overview of:
  - Audit Objectives
  - Management Responsibilities
  - Audit Procedures (general, internal control, compliance)
  - Informing Management of general records that will be requested
  - Start date & expected issuance date
Continuing Expectations

- Provide and inform attendees with a method to allow for continued communication throughout the audit process

Field Examiners will:

- Explain the objectives of the engagement
- Explain what responsibilities management has
- Inform management of audit fees
- Answer any questions regarding the audit process
Entrance Conference Form 14
- Will be emailed to you
- Signed copy required
- You can print, sign, and return to FE

THE AUDIT PROCESS

- Preliminary Work
- Entrance Conference
- Virtual/Remote Audit
- Auditing Procedures
- Exit Conference
- Reports
WHAT IS A VIRTUAL / REMOTE AUDIT

Email, Telephone, Video Conferences
COVID -19 Protocol
Forms Prior to Audit
Gateway Direct Request email
Monthly & Annual Uploads
Computer webcam/microphone or telephone

COMMUNICATION

Weekly Contact
  • Teams Video Calls
  • Telephone Calls
  • Emails

Items to be discussed
  • Records or Information needed
  • Questions related to audit work
  • Progress of the audit
    • Schedule
  • Any concerns you may have

Direct Requests for Uploads
DIRECT REQUESTS

How do I know a request has been made?
Email from no-reply-gateway@sboa.in.gov
Request for specific file or item with detailed description
Instructions on how to upload
  • through Monthly and Annual Engagement Uploads

What do I do?
Acknowledge request
Provide time-frame
Email field examiner when item has been uploaded
DIRECT REQUESTS

Scroll down passed monthly and annual uploads to see -

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<th>Contact Email</th>
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WHAT DOCUMENTS ARE NORMALLY REQUESTED

- Written policies and procedures (Internal Controls, Travel, Employee Benefits, etc.)
- Internal Control Training Certifications
- Board Minutes (include to current date)
- Ordinances and Resolutions
- Contracts
- Financial Records (ledger)
- Bank Reconciliations and Bank Statements
- Grant Awards and Agreements (Federal and State)
- Debt Documents
- Capital Assets Schedule
- Receipts
- Accounts Payable Vouchers with supporting documentation
- Payroll records
- Financial Reports filed with other State or Federal Agencies (withholdings)
### HOW DO I PREPARE FOR AN AUDIT

- File AFR, 100R, Monthly and Annual Uploads on time.
- Document Internal Control Procedures and Evidence of Procedures.
- Maintain a file of all policies (travel, benefits, credit cards, etc.)
- Reconcile bank accounts monthly.
- Post records timely (ledger, capital assets, debt, investments, etc).
- File supporting documentation for expenses in an orderly fashion.
- Issue receipts and deposit money on a timely basis.
- Keep explanations for unusual items (attorney opinions, etc.)
- Keep a list of questions or items you want to tell the field examiner.
- Call Todd and Susan!

### WHAT ARE FIELD EXAMINERS LOOKING FOR?

**Understanding of Internal Controls**

**Prior Period Follow Up**
- Audit Results and Comments
- Management Letter Comments
- Verbal Comments
- Significant or Unusual subsequent events

**Financial Statement Information**

**Receipts**

**Disbursements**

**Compliance**
WHAT ARE SOME EXAMPLES OF COMPLIANCE PROCEDURES

- Internal Controls (procedures and evidence of procedures)
- Comparisons of AFR to Ledger
- Disbursements not exceeding appropriations
- Monthly bank reconciliements
- Compensation in accordance with Salary schedule
- Payroll remittance to IDOR + IRS
- Proper use of funds
- Capital Assets
- Supporting Documentation
- Prior comments resolved

DO I HAVE ANY OTHER RESPONSIBILITIES DURING THE AUDIT

Request Attorney Representation Letter

Sign Management Representation Letter
Audit Result and Comment (ARC)

Management Letters

Verbal Comments

Federal findings

Adoption of Internal Control Standards

Condition and Context

The Library certified on the Indiana Gateway for Government Units financial reporting system that it had adopted the minimum internal control standards as required by Indiana Code 5-11-1-27(e); however, during the engagement, the Director indicated that the Library had not adopted the minimum internal control standards.

Criteria

Indiana Code 5-11-1-27(g) states: "After June 30, 2016, the legislative body of a political subdivision shall ensure that: (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."
WHAT IS A REPEAT COMMENT?

HB 1031 (2017) – repeat comments have consequences.

*Make sure to get an idea on how to fix problems before the field examiner leaves.*

If you still need help after the Exit Conference, call Todd and Susan.

File Corrective Action Plan using SBOA Template

Implement fixes immediately

THE AUDIT PROCESS

- Preliminary Work
- Entrance Conference
- Virtual/Remote Audit
- Auditing Procedures
- Exit Conference
- Reports
Draft report

Opportunity to respond to comments (Form 4) – 10 days
  • electronic responses shall be sent to officialresponse@sboa.in.gov

Corrective Action Plan discussed if repeat comments in report

Official’s email and physical addresses verified

Results of Audit are Confidential until report is filed
AUDIT COSTS

Statement of Engagement Cost

1. Number of days spent on the audit.
2. Daily/hourly rate.
3. Report processing fees.

NOT an invoice that is to be paid

An invoice of these audit costs will be sent to your County for payment out of your next distribution

INDIANA STATE BOARD OF ACCOUNTS - 2020

31

FEDERAL AUDITS

- Schedule of Expenditures of Federal Awards (SEFA)
- Selection of Major Programs
- Audit of Major Programs

INDIANA STATE BOARD OF ACCOUNTS - 2020

32
FEDERAL AUDITS

- Schedule of Expenditures of Federal Awards (SEFA)
- Selection of Major Programs
- Audit of Major Programs
THE AUDIT PROCESS

- Preliminary Work
- Entrance Conference
- Virtual/Remote Audit
- Auditing Procedures
- Exit Conference

☐ Reports

INDIANA STATE BOARD OF ACCOUNTS - 2020

FINANCIAL STATEMENT REPORT

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E-418
INDIANAPOLIS, INDIANA 46204-2769

FINANCIAL STATEMENT AUDIT REPORT
OF
TOWN OF PINNACLE
MADISON COUNTY, INDIANA
January 1, 2017 to December 31, 2018

FILED
19/10/2019

INDIANA STATE BOARD OF ACCOUNTS - 2020
MANAGEMENT LETTER COMMUNICATING NONCOMPLIANCE

TO: THE OFFICIALS OF THE CITY OF GOSHEN, JOYCE COUNTY, INDIANA.

The Indiana State Board of Accounts is providing this letter to communicate certain matters noted during our audit related to noncompliance with applicable laws and/or uniform compliance guidelines established by the Indiana State Board of Accounts. Our audit covered the period January 1, 2018 to December 31, 2018.

The matters noted below describe identified instances of noncompliance found during our audit that did not result in a financial impact. We recommend our office and the City take actions as necessary to ensure compliance with applicable laws and/or uniform compliance guidelines established by the Indiana State Board of Accounts.

ACCOUNTS PAYABLE VOUCHERS

One Accounts Payable Voucher totaling $2,035 did not have supporting documentation available for audit.

Criteria

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, and other public records must be available for examination to provide information for the legality and accountability of money disbursed. Payments issued without supporting documentation may be the personal obligation of the responsible official or employee.

The compliance is intended to provide the information and use of management, government, and other public agencies, and is not intended to be and should not be used by anyone other than those specified parties.

Respectfully,

Fredric Field Examiner

September 22, 2020