Internal Controls During the Public Health Emergency

May 7, 2020

State Board of Accounts

AIM Webinar

Internal Control Processes

Bank Reconciliation
Receipting Process
Disbursing Process
Payroll
Credit Cards
Financial Reporting
Internal Controls - Federal Funds – COVID-19

SBOA Memorandum dated April 29, 2020
COVID Grant Accounting & Appropriations

www.in.gov/sboa

Internal Controls – Ongoing Process

Ongoing Process
Evaluate
Modify
Address all Five Components
Internal Controls

Best Practices

- Annual Financial Report
- Bank Account Reconciliations
- Credit Card Purchases

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Long Version

Snapshot

Internal Controls – Best Practices

- Annual Financial Report
- Bank Account Reconciliation
- Credit Card Purchases
- Disbursing Activities
- Payroll
- Receipting Activities
- Schedule of Expenditures of Federal Awards
Do internal controls really matter?

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.

There was no evidence of an oversight, review, or approval process.
Deposit of Collections

City/Town Receipts
Utility Receipts
Fundraisers Proceeds
Fees / Accountable Items

Payroll

Compensation Paid
Withholdings
Payroll Service Providers
Bank Transactions

Cash Withdrawals

Checks Payable to Cash

Counter Checks

EFTs

Duplicate Payments

Unauthorized Transactions

• Utility Bill Adjustments

• Credit Card Purchases

• Debit Card Purchases

• Electronic Funds Transfers
Internal Controls – Other Important Items

- Computer Security
- Offsite Storage
- Scams

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Internal Controls

Review the Internal Control Manual
Use the Best Practice Documents
Evaluate Procedures
Address All Five components
Update Procedures as Needed

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Review Prior Audit Report

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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

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, 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: *

Indiana State Board of Accounts
Reporting under IC 5-11-1-27

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