

STATE BOARD OF ACCOUNTS

Internal Controls, Repeat Comments, & Corrective Action Plans

2025 Clerk's Annual Conference

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PAUL D. JOYCE, CPA STATE EXAMINER

Indiana's State Examiner and the agency head for the State Board of Accounts, Paul Joyce coordinates and manages the post-audits and examinations of over 4,000 state and local governmental entities in Indiana.

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Internal Controls



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Definition – Internal Controls

Internal control is the process by which management structures an organization to provide assurance that an entity operates effectively and efficiently, has reliable financial reporting system and complies with applicable laws and regulations.



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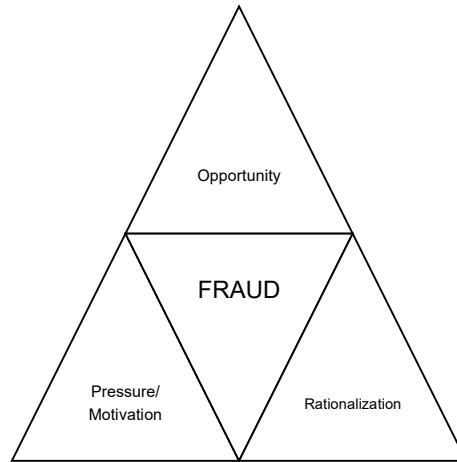
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Purpose – Internal Controls

To combat fraud and mistakes by preventing opportunity, detecting fraud, errors, and omissions.



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Internal Control – Key Components



Control Environment

- “Tone at the Top”



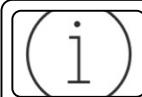
Risk Assessment

- Where is the risk?



Control Activities

- Policies and Procedures



Information and Communication

- Reliable and Relevant; Internal & External



Monitoring Activities

- Is it working properly?
- If not communicate timely



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Segregation of Duties

- Ensures critical tasks within an organization are divided among multiple individuals to **reduce the risk of fraud, errors, and conflicts of interest.**
- Three main categories:
 - Authorization: Approval of transactions or activities.
 - Custody: Handling cash, assets, or records.
 - Recording: Maintaining documentation or financial records.



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Auditing Internal Controls

- Inquire about processes
 - Written procedures
 - Walk-through
 - Observation
- Test Processes
 - Pull samples and review that procedures have been designed and implemented properly



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Documentation

- How do you document your internal controls?
- What purpose does the documentation provide?
- Is your documentation consistent?
- Does your internal control detect and correct the errors?



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Internal Control Takeaways

- Internal Controls are designed and implemented by management
- Internal Controls should always be evolving and never stagnant
- Segregation of Duties
- Document, Document, Document



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Repeat Comments



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Internal Controls

- Cash and Investments
 - No review of Bank Reconcilements
 - Reconcilement were not completed for all bank accounts
- Disbursements
 - Checks written by one individual and disbursed, no oversight
- Monthly and Annual Engagement Uploads
 - No controls in place to ensure documents were uploaded



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Bank Reconcilements

- Not all depository accounts were reconciled.



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Monthly and Annual Engagement Uploads

- No reports were uploaded for the year



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Old Outstanding Checks

- Checks outstanding over 3 years old
- Not remitted to Indiana Unclaimed



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Corrective Action Plans (CAP)



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Audit Results and Comments

- Supplemental
- Compliance Report:
 - This report contains the Audit Results and Comments found and should be read in conjunction with the Financial Audit Report, which could be Federal or Non-Federal.
- Included in the Report:
 - Audit Results and Comments
 - Official Response (optional)



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What is a Corrective Action Plan?

- Only Repeat Comments require a Corrective Action Plan.
- Repeat Comments are Audit Results and Comments that have appeared in the prior report as well as the current.
- Corrective Action Plans for Repeat Comments are submitted through the SBOA website.
- Audit Results and Comments that require a Corrective Action Plan will be outlined on the Form 4 at Exit.



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Corrective Action Plan Guidance

- Effective July 1, 2017, IC 5-11-5-1.5 (House Bill 1031) went into effect that requires entities audited by the SBOA to submit a Corrective Action Plan (CAP) for any noncompliance issues that have been repeated from prior reports.
 - 1031 Guidelines: <https://www.in.gov/sboa/files/1031-Guidelines.pdf>
 - CAP Instructions: <https://www.in.gov/sboa/files/CAP-Instructions.pdf>
 - Questions regarding CAPs: CAP@sboa.in.gov



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What is included in a CAP?

- Unit Name
- County
- Reporting Period Beginning Date
- Reporting Period Ending Date
- Title of Result and Comment
- Contact Person for CAP
 - First & Last Name
 - Phone Number
 - Email Address
- Views of Responsible Official
- Description of Corrective Action Plan
- Anticipated Completion Date
- If Applicable, reason issue will not be corrected in 6 months.



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Submitting CAPs

- Go to our website
- Select “Entities We Examine”
- Select “Counties”
- Scroll down to “Corrective Action Plan (CAP) – Repeat Findings”
- Use the link to submit a CAP:
<https://in.accessgov.com/sboa/Forms/Page/sboa/corrective-action-plan/0>



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Corrective Action Plan Takeaways



- Is the comment a repeat comment?
- Do I understand the comment and how to correct the problem?
- Did I describe in detail how the comment will be fixed?
- Is the anticipated completion date attainable?
- Did I submit my CAP as directed?

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THANK YOU

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