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

Federal Grant Agreements
Federal grant agreements commonly call for an annual audit.

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

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

Provide Reader with Noncompliance of Federal Requirements for Major Programs and State Requirements
- Federal: Section II (Financial Statement Compliance); Section III (Major Program Compliance)
- State: Audit Results and Comments (significant or impactful to the unit and/or public)
ENGAGEMENT GOALS

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

PART I - TO BE COMPLETED BY UNIT OFFICIAL

Questionnaire completed by:

Name | Title | Code
--- | --- | ---

CONTROL ENVIRONMENT

1. Communication and enforcement of integrity and ethical values:
   a. What action is taken to address departures from approved policies or unacceptable conduct that might create errors on the accounting records?

2. If fraud is alleged, what does management or the governing body (board) do to investigate the allegation, take appropriate action, and prevent similar actions against violators, and assess how relevant controls could be improved?

3. Commitment to competence:
   a. What background, education, and experience do accounting personnel have that assist them with their duties?

4. What business, financial, or security concerns by both the internal and external auditor interest if any are being communicated?
PRE-AUDIT FORMS

As the management designee, I have reviewed the financial statement and notes to the financial statement for each of the aforementioned items. These items were prepared by use of our books and records. Our books and records adequately support the financial statement and notes to the financial statement prepared, and accordingly, I approve these items as compiled by the State Board of Accounts. I understand that slight modifications such as spelling, grammatical and formatting errors may be corrected during the processing of our report by the State Board of Accounts. I acknowledge that the financial statement, including the notes to the financial statement, are our responsibility. I have determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation.

<table>
<thead>
<tr>
<th>Name of Designee</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Title</td>
<td></td>
</tr>
<tr>
<td>Date</td>
<td></td>
</tr>
</tbody>
</table>

Statement of Receipts, Disbursements, and Cash and Investment Balances:
- Beginning cash and investments agree with prior year ending balances for each fund and for the total of all funds.
- Ending balances are reported correctly for each fund and the total of all funds.
- Titles of funds are reported correctly for each fund.

Notes to the Financial Statement:
- Notes to the financial statement as compiled accurately reflect the governmental unit.

Comparing Schedule of Receipts, Disbursements, and Cash and Investment Balances:
- Beginning cash and investments agree with prior year ending balances for each fund.
- Ending balances are reported correctly for each fund.
- Titles of funds are reported correctly for each fund.

Other Supplementary Schedules (Schedule of Payables and Receivables, Schedule of Leases and Debt, Schedule of Capital Assets):
- All information is correct and presented as management intended.

All Statements, Schedules and Notes:
- Fund names are correct. (Fund names will appear as shown in the report.)
- Unit name is correct throughout report.

ENTRANCE CONFERENCE

greyhoundfriends.com
ENTRANCE CONFERENCE

Who is invited?

- Those charged with governance – Council President
- Management – Fiscal Officer: Clerk-Treasurer or Controller

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

Monthly and Annual Engagement Uploads

Use the form below to find and upload documents required for audit support. Note: This information is for the State Board of Accounts internal use only and will not be made available on the Gateway Public site.

File Upload Status: The current upload status is viewable in the table below. Any objects with a red X need to be uploaded. To view a previous upload, click on the download icon in the table. To delete a previous upload, click on the delete icon for that record in the status table.

To upload new files: Select which set of files need to be uploaded using the Select Upload Group dropdown. Next, select the specific file from the Select File Type dropdown on the right. The user will be able to upload files using the Browse and Upload buttons in the Provide File section. In some cases, an option will appear in the Provide File section allowing a user to provide a link instead of uploading a file. To do this, select the Web Link option and paste the link in the textbox labeled Provide Link.

To complete the entry: Click on the button marked Submit. The status table will be updated. Multiple files may be uploaded for each Upload Group and File Type. If a file needs to be reloaded, the user should delete that file from the status table first.

<table>
<thead>
<tr>
<th>Select Upload Group</th>
<th>Select File Type</th>
<th>Provide File</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Request</td>
<td>Audit Request</td>
<td>Please upload the requested audit files.</td>
</tr>
</tbody>
</table>

Uploaded file (xls, xlsx, doc, docx, jpg, pdf, gif, tif, png) Choose File No file chosen
Direct Requests

Scroll down passed monthly and annual uploads to see -

<table>
<thead>
<tr>
<th>Direct Request</th>
<th>Date</th>
<th>Time</th>
<th>From</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Request</td>
<td>3/17/2020</td>
<td>2:41 PM</td>
<td><a href="mailto:akarti@sboa.in.gov">akarti@sboa.in.gov</a></td>
<td></td>
</tr>
<tr>
<td>GAAP FILES</td>
<td>3/17/2020</td>
<td>2:42 PM</td>
<td><a href="mailto:akarti@sboa.in.gov">akarti@sboa.in.gov</a></td>
<td></td>
</tr>
<tr>
<td>Audit Request</td>
<td>3/19/2020</td>
<td>2:20 PM</td>
<td><a href="mailto:akarti@sboa.in.gov">akarti@sboa.in.gov</a></td>
<td></td>
</tr>
<tr>
<td>GAAP FILES</td>
<td>3/19/2020</td>
<td>2:20 PM</td>
<td><a href="mailto:akarti@sboa.in.gov">akarti@sboa.in.gov</a></td>
<td></td>
</tr>
<tr>
<td>Audit Request</td>
<td>6/21/2020</td>
<td>8:36 AM</td>
<td><a href="mailto:agirnab@sboa.in.gov">agirnab@sboa.in.gov</a></td>
<td></td>
</tr>
</tbody>
</table>

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 the 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 Ordinance
- Payroll remittance to IDOR + IRS
- Fund Sources and Uses
- Capital Assets
- Supporting Documentation
- MVH Restricted
- Prior comments resolved

Do I have any other responsibilities during the audit?

Request Attorney Representation Letter

Sign Management
Representation Letter
How are the audit findings communicated?

Audit Result and Comment (ARC)

Management Letters

Verbal Comments

Federal findings

Audit Result and Comment Example

ADOPTION OF AND TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

As of December 31, 2019, the Town Council had not adopted internal control standards and procedures as required by state statute. In addition, there was no training of Town personnel concerning internal control standards and procedures during the review period.

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

Exit Conference

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 term, email and physical addresses verified

Results of Audit are Confidential until report is filed
EXIT CONFERENCE

Audit Costs

Statement of Engagement Cost for city and town engagements other than utility departments

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.
Audit Costs

Statement of Engagement Costs and Invoice for city and town engagements *with utility departments*.

- 1. Number of days spent on the audit.

The invoice for the utility audit costs should be paid to the State Board of Accounts within 30 days.

FEDERAL AUDITS

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

• Selection of Major Programs

• Audit of Major Programs
CAPITAL ASSETS

Condition and Context

The Town did not provide a formal capital asset policy, a detailed listing of capital assets, or evidence that a capital asset inventory had been completed at least every two years.

Capital asset cumulative grand totals are captured within the Town’s accounting software and a listing of 2019 capital asset additions and deletions was provided; however, a detailed listing was not accessible. The Town provided a purchasing and procurement policy; however, the policy did not establish a specific dollar value threshold for capitalizing assets.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflect their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)
COMPLIANCE REPORT

INDIANA STATE BOARD OF ACCOUNTS

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

COMPLIANCE REPORT
OF
BEVERLY TOWNSHIP
DAVENPORT COUNTY, INDIANA
January 1, 2018 to December 31, 2018

FILED
8/14/2018

INDIANA STATE BOARD OF ACCOUNTS - 2020

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

MANAGEMENT LETTER

COMMUNICATING NONCOMPLIANCE

TO: THE OFFICIALS OF THE CITY OF GORDONVILLE, JOYCE COUNTY, INDIANA

The Indiana State Board of Accounts is providing this letter to communicate certain matters noted during our audit related to compliance 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 in our opinion, warrant commencing our official report at this time, but should be considered for inclusion in the City’s Management Letter for the next audit year.

ACCOUNTS PAYABLE VOUCHERS

Condition and Context
One Accounts Payable Voucher totaling $2,55 did not have supporting documentation available for audit.

Criteria
Supporting documentation such as receipts, canceled checks, tickets, invoices, etc. contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of invoices, charges, payments, without supporting documentation may be the personal obligation of the responsible official or employee.

This communication is intended solely for the information and use of management, governance, and others within the organization, and is not intended to be and should not be used by anyone other than those specified parties.

Respectfully,
Freddie Field Examiner

September 30, 2020

INDIANA STATE BOARD OF ACCOUNTS - 2020
Cities.towns@sboa.in.gov
317-232-2513