Soil & Water Conservation Districts

December 2018

Special Investigation Case Studies
Internal Controls

Control Environment
Risk Assessment
Control Activities
Information and Communication
Monitoring

www.in.gov/sboa

Department of Justice

United States Attorney Josh J. Minkler
Southern District of Indiana

FOR IMMEDIATE RELEASE
Thursday, October 11, 2018
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FEDERAL AND STATE PROSECUTORS JOIN THE INDIANA STATE BOARD OF ACCOUNTS TO HOLD PUBLIC OFFICIALS ACCOUNTABLE

15 individuals charged with over $1 million in losses

PRESS RELEASE
Press Conference

OPERATION PUBLIC ACCOUNTABILITY

15 Indiana public officials face charges for corruption

LOCAL NEWS

Your Tax Money Stolen: 15 People Charged With Corruption

U.S. attorney announces 15 officials charged in public corruption crackdown
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

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

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 District?

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

https://en.wikipedia.org/wiki/Cash

Unauthorized Withdrawals, EFTs, Checks

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

Control Activities
Reconciliations
Authorizations
Approval Processes
Verification Processes

Segregation of Duties and Compensating Controls

http://www.rhr-irsc.gc.ca/e/47382.html
Personal Expenses

- Adjustments
- Personal Expenses
- Debit Card Purchases
- Electronic Funds Transfers

What procedures can you put in place to protect your District 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

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