
INTERNAL CONTROLS - CERTIFICATIONS

2021 FALL AUDITORS ANNUAL CONFERENCE



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INTERNAL CONTROLS

What are they?

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Definition:

- ❖ 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.

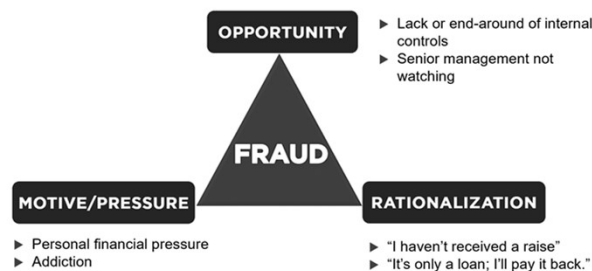
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Purpose:

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



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Components:

1. **Control Environment**
- “Tone at the Top”
2. **Risk Assessment**
- Where is the risk?
3. **Control Activities**
- Policies and Procedures
4. **Information and communication**
- Reliable and Relevant; Internal & External
5. **Monitoring Activities**
- Is it working properly? If not communicate timely.



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Keep in Mind

- ❖ 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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IC 5-11-1-27

Local Government Internal Controls

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IC 5-11-1-27 (e):

In the compliance guidelines authorized under section 24 of this chapter, the state board of accounts shall define and the audit committee shall approve not later than November 1, 2015, the acceptable minimum level of internal control standards and internal control procedures for internal control systems of political subdivisions, including the following:

- (1) Control environment.
- (2) Risk assessment.
- (3) Control activities.
- (4) Information and communication.
- (5) Monitoring.

The internal control standards and procedures shall be developed to promote government accountability and transparency.

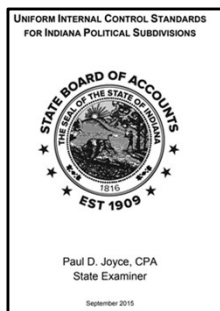
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❖ Uniform Internal Control Standards for Indiana Public Subdivisions

- Contains the acceptable minimum level of internal control standards
- <https://www.in.gov/sboa/files/UniformInternalControlStandards.pdf>



The manual provides examples and case studies to demonstrate implementation strategies.

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IC 5-11-1-27 (f):

Not later than November 1, 2015, the state board of accounts shall develop or designate approved personnel training materials as approved by the audit committee, to implement this section.

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- ❖ Trainings provided at annual conferences
 - ❖ Internal Control Webinar
 - <https://www.youtube.com/watch?v=L0N80PBbPHQ>
 - ❖ Committee of Sponsoring Organizations of the Treadway Commission (COSO) – Internal Control Guidance
 - <https://www.coso.org/Pages/ic.aspx>
 - ❖ GAO – Standards for Internal Control in the Federal Government
 - <https://www.gao.gov/assets/gao-14-704g.pdf>

**** All material above are located on the SBOA website: <https://www.in.gov/sboa/political-subdivisions/counties/> ****

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IC 5-11-1-27(g):

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.

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IC 5-11-1-27(h):

After June 30, 2016, the fiscal officer of a political subdivision shall certify in writing that:

- (1) the minimum internal control standards and procedures defined under subsection (e) have been adopted by the political subdivision; and
- (2) personnel, who are not otherwise on leave status, have received training as required by subsection (g)(2).

The certification shall be filed with the state board of accounts at the same time as the annual financial report required by section 4(a) of this chapter is filed. The certification shall be filed electronically in the manner prescribed under IC 5-14-3.8-7.

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❖ At the time of submission of the Annual Financial Report (AFR) through Gateway, the fiscal officer must certify that the **minimum internal control standards have been adopted** and **that personnel** who are not otherwise on leave status **have received training** regarding these standards and procedures.

The following must be filed with the Annual Report per IC 5-11-1-27 (h).	
I certify that my unit has adopted the minimum internal control standards as required per IC 5-11-1-27(e).	<input checked="" type="radio"/> Yes <input type="radio"/> No
If yes, I certify that all personnel defined by IC 5-11-1-27(c) received training concerning the internal control standards adopted by my unit.	<input checked="" type="radio"/> Yes <input type="radio"/> No

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Internal Control Certifications

Who requires training?

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IC 5-11-1-27 (c):

As used in this section, "personnel" means an officer or employee of a political subdivision whose official duties include **receiving, processing, depositing, disbursing, or otherwise having access to funds** that belong to the federal government, state government, a political subdivision, or another governmental entity.

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**INTERNAL CONTROL TRAINING CERTIFICATION
FOR ELECTED OFFICIALS, APPOINTEES, AND EMPLOYEES**

I, _____, the duly elected, appointed, or employed
(print name)

_____ for _____ certify that I
(position or title) (political subdivision)

received the following training concerning internal controls standards and procedures as required
by Ind. Code § 5-11-1-27(g)(2):

Title of Training	Time Spent

Date: _____ Signature: _____

* This certification may be printed, signed, and retained in paper form or electronically. If signed electronically, the elected official, appointee, or employee must designate his or her signature by typing the last four (4) digits of their Social Security number in the signature line.

- ❖ Certification forms must be filled out for each elected official, appointee, and employee that meets the definition of personnel.
 - https://www.in.gov/sboa/files/I_C_Certification.pdf
- ❖ All certifications are maintained on site by the county
- ❖ Reviewed during audit.

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Audit Results

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IC 5-11-1-27 (i) states in part:

“After June 30, 2016, if the state board of accounts finds during an audit of a political subdivision that:

- (1) the political subdivision has not adopted the internal control standards and procedures required under subsection (g)(1); or
- (2) personnel of the political subdivision have not received the training required under subsection (g)(2);

the state board of accounts shall issue a comment in its examination report for the political subdivision.”

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Additional
Information

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Things to Consider

- ❖ One person responsible for any process and no one else knowing how to perform
- ❖ Remote Working
- ❖ Taking Records Home
 - Confidential Records
 - Policy



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Fraud Attempts Increasing

- ❖ Be suspicious of emails from those you do not know and Read thoroughly before clicking on anything
- ❖ Fraudulent Checks
- ❖ Giving any confidential information over the phone

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Resources

- ❖ Best Practices Check Lists:
 - Bank Account Reconciliations
 - Receipting Activities
 - Disbursing Activities
 - Annual Financial Reports

<https://www.in.gov/sboa/political-subdivisions/counties/>

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