INTERNAL CONTROLS - CERTIFICATIONS
2021 FALL AUDITORS ANNUAL CONFERENCE

INTERNAL CONTROLS

What are they?
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.

Purpose:

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

- **Opportunity**
  - Lack or end-around of internal controls
  - Senior management not watching

- **Motive/Pressure**
  - Personal financial pressure
  - Addiction

- **Rationalization**
  - “I haven’t received a raise”
  - “It’s only a loan; I’ll pay it back.”
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.

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
IC 5-11-1-27
Local Government Internal Controls

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.
Uniform Internal Control Standards for Indiana Public Subdivisions

- Contains the acceptable minimum level of internal control standards

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

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.
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

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

❖ 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.
Internal Control Certifications

Who requires training?

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.
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/IC_Certification.pdf](https://www.in.gov/sboa/files/IC_Certification.pdf)

All certifications are maintained on site by the county.

Reviewed during audit.
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.”
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

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
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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