


Section II & III Findings and Corrective Action Plans

2025 Auditors Fall Annual Conference

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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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Agenda

- ☐ Single Audit vs. Financial Audit
- ☐ Internal Controls
- ☐ Common Section II
- ☐ Common Section III
- ☐ Federal Corrective Action Plans



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Single Audit vs. Financial Audit



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Single Audit – Audit of non-federal entities that expend more than \$1,000,000 in federal awards in a year. Partners with the Financial Audit but focuses on the giving assurance about all federal awards received.

Financial Audit – An audit of the organization’s overall financial statements to provide assurance that they accurately represent the financial data of the organization. (Includes compliance with state laws and regulations)



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	Single Audit	Financial Audit
Primary Purpose	To ensure financial accuracy and compliance with federal funding rules.	To provide assurance on the fairness and accuracy of financial statements.
Scope	Examines financial records, federal award transactions, & compliance with federal program requirements.	Primarily reviews the overall financial statements and internal controls for financial reporting.
Requirements	Required for entities that meet a certain threshold of federal financial assistance spending.	Typically required by lenders or for regulatory reasons, and the threshold varies.
Complexity	More complex and time-consuming, with higher costs and more testing.	Less complex and generally less expensive than a single audit.
Audience	Primarily the federal government, to ensure accountability for federal funds.	Lenders and other stakeholders who rely on the accuracy of the statements.



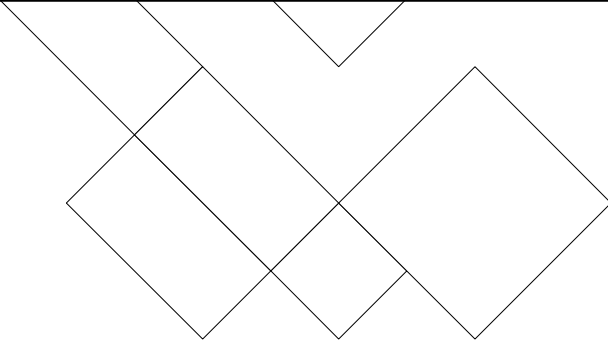
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Internal Controls




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- ☐ Establish, document, and maintain effective internal controls over federal awards
- ☐ Comply with laws, regulations, and terms of agreement
- ☐ Evaluate & monitor compliance
- ☐ Take prompt action when noncompliance is identified
- ☐ Take reasonable cybersecurity and other measures to safeguard information

2 CFR 200.303



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Internal Controls Tested

- ☐ Preparation of the SEFA
- ☐ Compliance Requirements:
 - Allowable Activities / Costs
 - Cash Management
 - Eligibility
 - Equipment / Real Property Management
 - Matching, Level of Effort, Earmarking
 - Period of Performance
 - Procurement, Suspension & Debarment
 - Program Income
 - Reporting
 - Subrecipient Monitoring
 - Special Tests & Provisions



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- ☐ Local Policies
 - Allowable Costs
 - Procurement
- ☐ Internal Control Policy
 - Ideal if Written
 - Communicated to Employees
 - Documentation Required

Local Policies



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Internal Control Objectives

- ☐ Operations
 - Working Effectively and Efficiently
- ☐ Reporting
 - Reliable, Timely, & Transparent
- ☐ Compliance
 - Adhere with laws and regulations



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Common Section II



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What is a Section II Finding?

A single audit report includes a Schedule of Expenditures of Federal Awards (SEFA) and an audit of the entity's financial statements and compliance with federal program requirements. **Section II of the report specifically details findings related to the financial statements**, which could include issues with internal controls, accounting practices or other aspects of the financial reporting process.



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- ☐ These look similar to any Audit Results and Comments in the Supplemental Report
- ☐ Encompass issues with the financial Statement

Financial Transactions & Reporting



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Internal Control Issues

- ☐ Annual Financial Report
 - Segregation of Duties – A review should be performed of the information entered before submission
 - Timely Submission
- ☐ Receipting and Disbursing
 - Timeliness
 - Process for Recording,
 - Reviewing
 - Maintaining Integrity
 - Supporting Documentation



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Compliance & Reporting Issues

- ☐ Financial Report is incomplete
 - Supplemental AFR's left off
 - Funds not included
- ☐ Amounts are not accurately reported causing an understatement or overstatement of Receipts, Disbursements, and Balances
- ☐ Supporting Documentation
 - Transfer vs. Correction of Error
- ☐ Reconcilements
 - Auditor to Treasurer
 - Financial Statements to Bank



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- ☐ Encompass issues with the preparation of the SEFA, including internal controls and reporting federal expenditures per assisted listing number.

Preparation of the SEFA



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Internal Control Issues

- ☐ Schedule of Expenditures of Federal Awards
 - Segregation of Duties – A review should be performed of the information entered before submission
 - Timely Submission



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Compliance & Reporting Issues

- ☐ Amounts are not accurately reported causing an understatement or overstatement of expenditures
- ☐ Information not reported accurately
 - Direct vs Pass through
 - Reporting non-federal grants
 - Subrecipient expenditures
 - Program Names, Assisted Listing Numbers, Pass throughs
- ☐ Information not complete
 - Federal Assistance not included



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- ☐ Capital Assets included in the financial statements are typically a material part of a county's assets. Issues would be reported here if material in nature.

Capital Assets



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Internal Control Issues

- ☐ Capital Asset Tracking
 - Departmental Items included
 - Additions and Deletions
 - Inventories taken



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Compliance & Reporting Issues

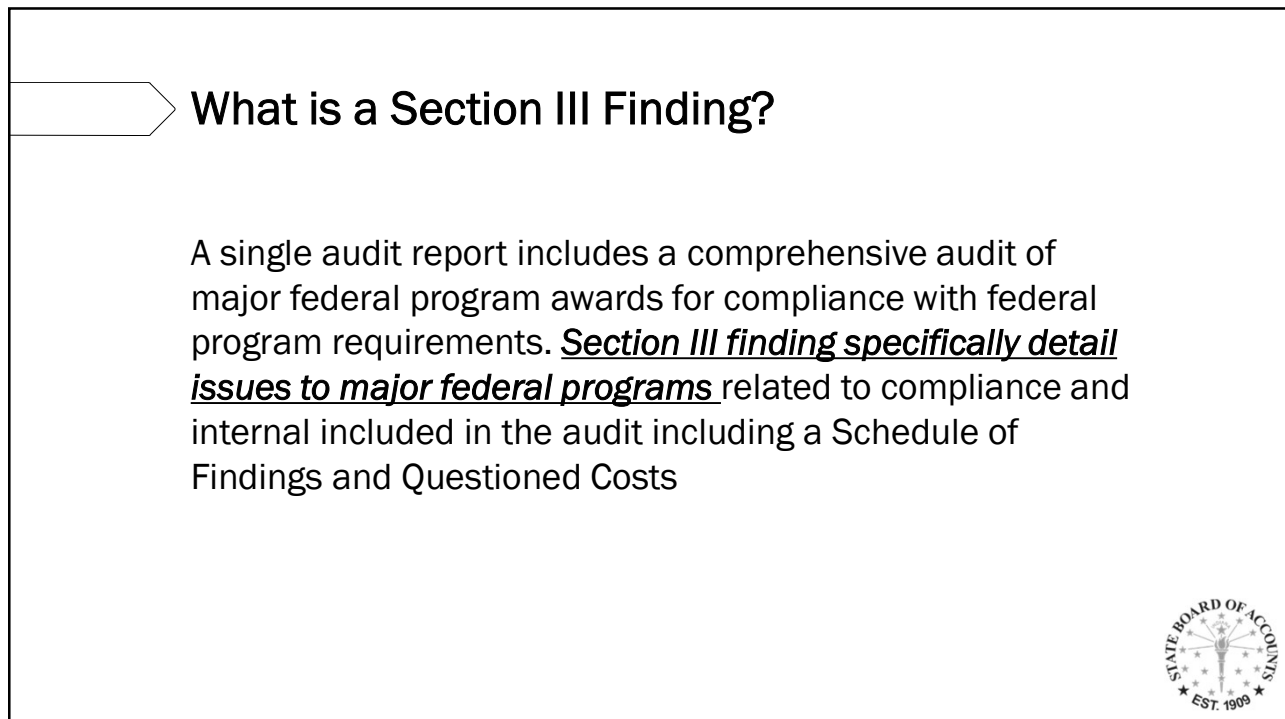
- ☐ Tracking Assets
 - Proper Category
 - Historical Cost
 - Location
 - Useful life



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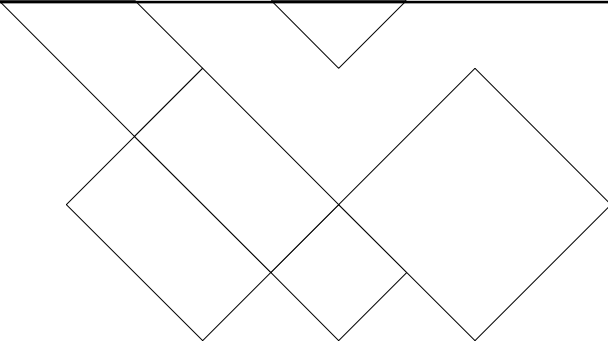


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- ☐ Internal Controls
- ☐ Purchasing items or participating in activities that are not allowable
- ☐ Supporting Documentation missing
 - Allocations
 - Contracts
 - Invoices

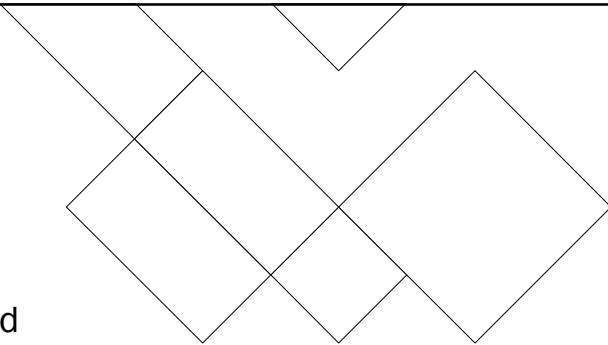


Activities Allowed And Allowable Costs




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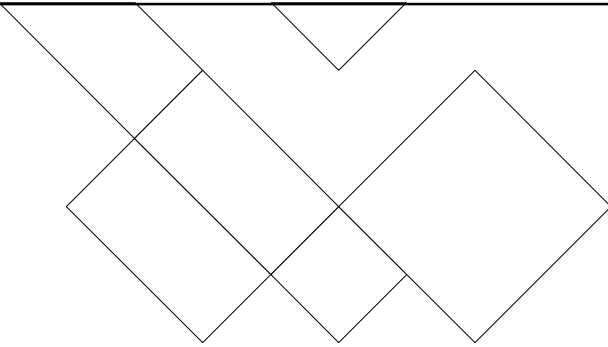
- ☐ Internal Controls
- ☐ Paying for items outside of the period of availability
 - Prior to the beginning
 - After the end



Period Of Performance



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☐ Internal Controls

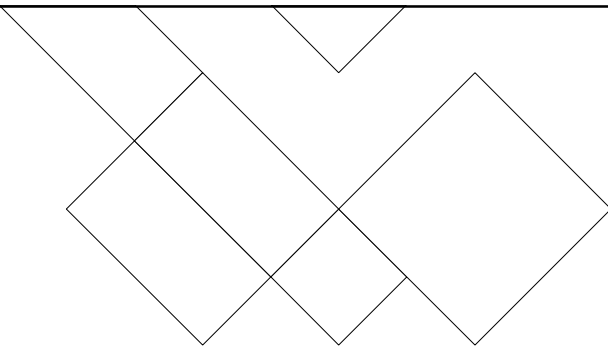
☐ No Agreement

☐ No Supporting Documentation

Subrecipient Monitoring



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☐ Internal Controls

☐ Overstatement and/or Understatement of amounts

☐ Timeliness

Reporting



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- ☐ Internal Controls
- ☐ No Procurement Policy
- ☐ Suspension & Debarment
 - Emphasis on Covered Transactions that Exceed \$25,000

Procurement



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Federal Corrective Action Plans



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- ☐ **Corrective action plan.** At the completion of the audit, a corrective action plan must be prepared to address each audit finding included in the auditor's report for the current year.

- ☐ The corrective action plan must provide:
 - Contact person(s) responsible
 - Corrective action to be taken
 - Anticipated completion date

2 CFR 200.511



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Federal CAPs

- ☐ Due Before Exit Conference
- ☐ Work with Field Examiners
(NOT our CAP team)
- ☐ Included in the Reporting Package
- ☐ Review in next audit



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- ☐ If you disagree with a finding or believe corrective action isn't required, your CAP must include a detailed explanation of your reasoning.

**What is you
Disagree?**



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