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STATE BOARD OF ACCOUNTS
EST. 1909

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THE STATE AGENCY BULLETIN

July 2026

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ITEMS TO REMEMBER

If there are certain items or dates that would be beneficial to include in future calendars, please let us know by emailing StateAgencyAdvisory@sboa.IN.gov.

August

- Review State Comptroller ACFR survey for deliverables this month.
- Complete accounting information and approvals in PeopleSoft for TOS approved AR/ROCs.
- Review requirements for FFATA Reporting; File FFATA reports as applicable.
- Cleanup GL, AP, and AR entries prior to month-end.
- Review PS Requisition/PO Deadlines from the Comptroller’s Office.

September

- Holiday – Labor Day September 7th.
- Review State Comptroller ACFR survey for deliverables this month.
- Complete accounting information and approvals in PeopleSoft for TOS approved AR/ROCs.
- Review requirements for FFATA Reporting; File FFATA reports as applicable.
- Cleanup GL, AP, and AR entries prior to month-end.
- Review Requirements for Federal Financial Report (SF 425) Filing.

October

- Holiday – Columbus Day October 12th.
- Review State Comptroller ACFR survey for deliverables this month.
- Complete accounting information and approvals in PeopleSoft for TOS approved AR/ROCs.
- Review requirements for FFATA Reporting; File FFATA reports as applicable.
- Cleanup GL, AP, and AR entries prior to month-end.

AI IS RESHAPING FRAUD-IS PUBLIC SECTOR READY

In April 2026, the Association of Certified Fraud Examiners (ACFE) released their annual report on anti-fraud programs and technologies being deployed by major organizations across the world. The report focused on data analytics techniques used to power these anti-fraud programs being used to combat the rise of computer assisted frauds. Major data analytics procedures used included performing data cleaning and creating data visualizations, application of predictive analytics and modeling, and leveraging artificial intelligence models.

Today's modern world is flush with data. Unstructured data, information without meaning or context, can hide fraudulent activities. This data needs to be filtered, sorted, and structured in a form, such as a spreadsheet, for the data to become actionable. The most popular software program in use for this purpose remains Microsoft Excel as it is standard as part of the Microsoft Office suite to create visualizations such as charts, graphs, and PivotTables. Newer applications, Microsoft BI and Tableau, are emerging to simplify and make data visualizations easier to create.

Once data has been structured into a form that can be evaluated, fraud departments can then use that data to perform scenario or "what if" analyses to predict areas where fraud is likely to occur. According to the ACFE report, procurement and fraudulent disbursements remain the top risk areas where data analytics are conducted. Microsoft Excel remains the primary software to conduct these analyses because of the general availability of the software. However, as computing power has increased, the computing power of artificial intelligence models increases the accuracy of predictive fraud models to stop fraud before it occurs.

The rise of artificial intelligence models has powered new anti-fraud models to be created and represents the future of fraud detection. Advances in artificial intelligence models, such as Microsoft Copilot, Google Gemini, OpenAI ChatGPT, and Anthropic Claude allow computing intensive analyses that were once deemed implausible to conduct to become routine and standard to conduct. Artificial intelligence models can assist fraud examiners with finding new types of fraud, such as deepfake content, generative AI document forgeries, and digital false identity schemes for phishing or other social engineering attacks.

While the existence of frauds and scams will continue to exist in the far foreseeable future, so are the tools that fraud examiners use to catch new types of frauds that appear. Tools such as data visualizations, predictive analytics, and the processing power of artificial intelligence models assist fraud examiners in identifying modern frauds. The ACFE hopes that as artificial intelligence technologies continue to improve, that future frauds will be easier to identify and prevent from occurring.

Reference:

Association of Certified Fraud Examiners & SAS. (2026). *2026 Anti-Fraud Technology Benchmarking Report* [White paper]. SAS. https://www.sas.com/en/whitepapers/acfe-anti-fraud-technology-benchmarking-report-2026.html

COPILOT AND ITS IMPACT ON COSO -STRENGTHENING INTERNAL CONTROLS THROUGH RESPONSIBLE AI INTEGRATION

The adoption of Copilot has significant implications for the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework. Copilot's capabilities meaningfully influence all five COSO components and their associated principles, offering both opportunities and new responsibilities for agencies, oversight bodies, and internal control owners across state government.

While Copilot is not a control by itself, its introduction changes how controls operate, how risks emerge, and how internal controls must adapt. The following analysis highlights the most substantial impacts within the State of Indiana environment.

1. Control Environment

The Control Environment sets the foundation for internal control through ethics, accountability, competence, and structure. Copilot influences this in several ways:

- Enhanced expectations for digital competency: Staff at all levels increasingly require AI literacy. Agencies must incorporate AI expectations into job descriptions, training programs, and supervision models.

- Strengthened ethical considerations: Because Copilot can generate content, summarize statutes, and analyze data, agencies must reinforce ethical guidelines on responsible use, data handling, and confidentiality.
- Shift in roles and accountability: Copilot can draft documents, interpret regulations, and generate analytical output, but ultimate responsibility remains with people. Leaders must clearly define where AI support ends and human accountability begins.

Overall, Copilot encourages a more modern, technologically enabled environment while simultaneously raising the ethical bar for internal control.

2. Risk Assessment

AI significantly reshapes how risk is identified, analyzed, and responded to.

New and increased risks:

- Model hallucination risk: Copilot may produce plausible but incorrect information if not checked.
- Data exposure risk: Avoid any sensitive or confidential data into Copilot.
- Automation risk: Over-reliance on AI drafts or analysis could weaken professional skepticism.

Reduced risks and improved mitigation:

- Faster identification of statutory, regulatory, and policy conflicts: Copilot can help highlight inconsistencies or outdated references in real time.
- Improved risk assessments: Agencies can use Copilot to synthesize large volumes of audit findings, procurement data, or compliance issues to identify emerging risks.
- Scenario modeling: Copilot can support risk scenario creation, strengthening annual risk-assessment exercises.

Copilot enhances risk intelligence, but only if AI-specific risks are incorporated into enterprise risk assessment processes.

3. Control Activities

Control Activities are where Copilot delivers some of the most immediate value.

Enhanced control execution:

- Automated documentation and workflow support: Copilot can draft procedures, summarize contracts, and support reconciliations, reducing human error.
- Improved review controls: Copilot can highlight anomalies, missing data, or inconsistencies in spreadsheets, policies, or financial records.
- Greater standardization: AI-generated templates and drafts promote consistency across agencies.

New considerations:

- AI-assisted outputs must remain review-controlled. Staff must document how they verified Copilot's results.
- AI cannot replace segregation of duties. Agencies must ensure AI use does not inadvertently concentrate decision-making authority with one individual.
- Copilot strengthens control activities when paired with human oversight; it does not eliminate the need for review or approvals.

4. Information and Communication

Copilot transforms how information flows across agencies and to oversight entities.

Improvements:

- Faster communication clarity: Copilot helps draft policies, summaries, and guidance in plain language.
- More accurate information retrieval: Copilot can extract key points from statutes, budget bills, audit reports, and financial documents.
- Better dissemination of control expectations: Agencies can use Copilot to assist in producing standardized internal control communications.

Considerations:

- Accuracy controls: All AI-generated summaries must be validated before distribution
- Information classification: Users must avoid providing sensitive or restricted data unless approved for Copilot use.

Overall, Copilot enhances information quality and availability if human validation steps remain in place.

5. Monitoring Activities

Monitoring is strengthened significantly through AI.

Benefits:

- Automated detection of anomalies: Copilot can analyze patterns in financial data, procurement activity, or audit results to flag irregularities.
- Continuous monitoring: Agencies can use Copilot for routine reviews instead of periodic spot checks.
- Enhanced documentation: Copilot can assist in tracking corrective actions, compiling evidence, and generating monitoring reports.

Oversight responsibilities: AI-assisted monitoring must be auditable. Agencies must know how Copilot was used, what data informed its results, and what steps staff took to verify the output. Human evaluators must remain central. Copilot highlights issues; staff assess their significance.

With proper structure, Copilot strengthens the ability to identify control weaknesses early and consistently.

Conclusion: Copilot as a Multiplier for COSO

Implementation of Copilot has the potential to:

- Improve efficiency across control activities
- Reduce manual workload and error rates
- Strengthen monitoring and risk processes
- Enhance communication and documentation quality

However, these improvements rely on:

- Clear ethical and responsible-use guidance
- Strong validation controls
- Updated policies that integrate AI considerations
- Training to develop staff AI literacy
- Continued human oversight and accountability

Copilot does not replace internal control—it amplifies it. When used responsibly, it becomes a powerful tool that helps modernize operations, improve compliance, and strengthen each component of the COSO framework.

Sources:

COSO's *Achieving Effective Internal Control Over Generative AI*

Deloitte's *Heads Up — COSO Releases Publication on Internal Controls Related to Generative AI*

Microsoft's *Responsible AI in Microsoft 365—Copilot Principles and Practical Governance*

Copilot Prompts

LIST OF MAJOR PROGRAMS TO BE AUDITED

Here is the current known list of FY 26 major programs to be audited. This list could change after the State Board of Accounts receives a complete SEFA. A few additional programs will be added. The additional programs will be determined at a later date.

Agency	ALN	ALN	ALN	ALN	ALN	Program Name
IDOE	10.553	10.555	10.556	10.559	10.582	Child Nutrition Cluster
IDOH	10.557					Sp.Supp Nutr. Prog. (WIC)
IDOE	84.010					Title I Grants to Local Educational Agencies
FSSA	93.044	93.045	93.053			Aging Cluster
FSSA	93.489	93.575	93.596			Child Care and Development Block Grant
FSSA	93.558					Temporary Assistance for Needy Families
DCS	93.658					Foster Care Title IV-E
DCS	93.667					Social Services Block Grant
FSSA	93.767					Children's Health Insurance Program
FSSA	93.775	93.777	93.778			Medicaid Cluster
IDOH	93.917					HIV Care Formula Grants
FSSA	93.959					Block Grants-Prevention/Treatment Sub.Abuse
FSSA	96.001	96.006				Disability Insurance/SSI Cluster

Source:

SBOA State Assignments

FEDERAL FUNDING ACCCOUNTABILITY AND TRANSPARENCY ACT (FFATA)

[FFATA Video]