Internal Controls
2.0
Ryan Preston and Chase Lenon
State Board of Accounts
Review of Requirements

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.

(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.
Why are internal controls a good idea?

- Financial information reliability
- Achievement of goals
- Compliance with laws and regulations
- Detection of fraud
What will the SBOA expect in future engagements?

Show that School has gone through the process of identifying risks and establishing control activities for significant areas.

SBOA will consider a comment in report if the School cannot provide information that they are moving towards instituting an Internal Control system.
• Control Environment

• Risk Assessment
  • Review and Evaluate areas that have the potential for material error, fraud, theft, etc.

  Corporation Records Examples:
  Receipt and Payment Transactions, Financial Reporting, Federal Grants, Security of assets, etc.

  ECA Records Examples:
  Vendor payments, Athletic Events, Concessions, Fundraisers, School Lunch, Textbook Rental, etc.

State Board of Accounts
• Control Activities
  • Design and implement policies and procedures to mitigate areas identified as having risk

Segregation of Duties or Mitigating Controls

State Board of Accounts
• Control Activities

Corporation Records examples:
Financial Reporting/SEFA – Grant administrators provide receipt and spending information to Treasurer, Treasurer compiles the report, Superintendent compares report information with transaction history report, Treasurer sends draft report to Grant administrator for review, Treasurer submits financial report.

Vendor Payment - A/P clerk collects supporting documentation and compiles claim, Treasurer reviews claim and documentation prior to posting in records, School Board approves claims, Treasurer reviews claims docket and cuts the check, Treasurer reconciles bank statement
• Control Activities
  • Design and implement policies and procedures to mitigate areas identified as having risk

ECA Records Examples:
Fundraising – Sponsor submits fundraising proposal to School Board, Board establishes control activities to be carried out, (such as how long the fundraiser will last, who will collect money, require use of SA-8 and how often it will be turned over to the ECA Treasurer, the ECA Treasurer will provide a fund history report to the Sponsor, Sponsor approves report) Club members determine use of fundraiser proceeds, ECA Treasurer compiles AP voucher, Principal approves AP voucher, ECA Treasurer makes the payment

Athletic Event – ECA Treasurer completes the initial information on a SA-4, provides Athletic Director with cash change and tickets, Athletic Director provides instructions to ticket taker, Athletic Director randomly observes ticket takers, ticket taker completes remainder of SA-4, Athletic Director verifies tickets returned, sold, and collections on SA-4, Athletic Director remits SA-4, ticket stubs, and collections to ECA Treasurer; ECA Treasurer recounts ticket stubs and money remitted, ECA Treasurer provides the Athletic Director with a receipt (SA-3)
• Information and Communication

• Monitoring
  • Determine if policies and procedures are being followed
  • Determine if policies and procedures are sufficient to address the risk that was identified
  • Determine if changes in environment or individuals involved require further assessment of new risk areas
• Write it down:

Write a narrative to document the Risk Assessment process and the results

Write down the policies and procedures adopted as control activities

Include “proof” that all individuals involved in the policies and procedures completed their tasks
• SBOA Workpaper Form 7

• Understanding the Design and Implementation of Internal Controls – Entity Level

• http://www.in.gov/sboa/files/Form%207.pdf
CONTACT INFORMATION

• Ryan Preston
• Chase Lenon
• Schools.Townships@sboa.in.gov
• (317) 232-2513
• www.in.gov/sboa/4449.htm

State Board of Accounts