

LIBRARY BULLETIN

AND UNIFORM COMPLIANCE GUIDELINES
ISSUED BY STATE BOARD OF ACCOUNTS

June 2020

IN THIS ISSUE

2020 Laws Affecting Cities and Towns	1-2
Articles	
Governor Executive Orders Regarding Public Health Emergency	2
SBOA Memorandums	2-3
Spring Library Workshop.....	3
Appropriations of Federal and State Funds	3-6
Appropriations Not to Exceed Budget	5
Appropriations When Not Required.....	5
Appropriations Carried Forward (Encumbrances)	5
Transfer of Appropriations.....	6
Appropriation of Insurance Proceeds	6
Appropriations of Federal and State Grants	6
Establishing the Estimated Cost of Capital Assets	6-7

2020 LAWS AFFECTING LIBRARIES

The following list of laws enacted by the General Assembly is related to libraries. This is not intended to be an expression of a legal opinion nor is it intended to provide a complete summary of every addition or amendment contained in the public law. If you have any questions regarding legal interpretation, please consult your library attorney. We have listed the laws in public law order sequence. Additional information regarding the 2020 public laws may be found on the General Assembly website at www.iga.in.gov. The "Session" tab contains a Table of Citations for all Indiana Code citations affected by new legislation, a complete Digest of Enactments summarizing each new public law, an Enrolled Act Summary showing the effective dates of each public law section, and other cross references between public law number and bill number. The "Legislation" tab contains each new public law.

House Enrolled Act (HEA) 1113

Public Law 159-2020 Local Government Finance.

Local government finance. Changes the deadline for reporting bonds issued or leases executed after September 30. Changes the defined term "assessed value growth quotient" to the term "maximum levy growth quotient" without changing the definition. Allows the department of local government finance (department) to amend certain rules to conform with statutory changes. Changes the debt service obligation reporting date. Provides that a political subdivision shall submit the date, time, and place of the final adoption of the budget, tax rate, and levy through the department's computer gateway. Requires a political subdivision to indicate on its budget ordinance whether the political subdivision intends to issue debt after December 1 or file a shortfall appeal. Requires a political subdivision that makes an additional unbudgeted appropriation to submit the additional appropriation to the department within 15 days after the additional appropriation is adopted. Provides that if an adopting body under the local income tax law wishes to submit a proposed notice, ordinance, or resolution to the department for preliminary review,

LIBRARY BULLETIN

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June 2020

the adopting body shall submit the notice, ordinance, or resolution on the prescribed forms. Transfers responsibility for reporting by political subdivisions of other post-employment benefits from the department to the state board of accounts. Aligns the deadline for public libraries to adopt a budget with the general deadline to adopt a budget. Rephrases and reorganizes various provisions.

Senate Enrolled Act (SEA) 410 **Public Law 88-2020 Libraries.**

Makes changes to statutes applicable to the review of budgets of certain public libraries. Establishes a procedure for public libraries to identify the applicable city, town, or county fiscal body to receive a public library's proposed budget. Includes public libraries in the definition of "qualified entities" for purposes of criminal background checks. Requires, before December 31, 2020, a public library to adopt a policy regarding conducting criminal background checks for individuals who are more than 18 years of age and who: (1) apply to the public library for employment or volunteer work; or (2) are currently employed by or perform volunteer work for the public library. Provides that a library board may issue a local library card without charge or for a reduced fee to an individual who is not a resident of the library district and who is a child receiving foster care services.

GOVERNOR EXECUTIVE ORDERS **Regarding the Public Health Emergency**

The Governor has issued several Executive Orders related to the Public Health Emergency which affect the operations of local government, including the Public Meetings, Public Records, and Deposit of Public Funds. All Executive Orders may be viewed at www.in.gov/gov by selecting "Executive Orders."

SBOA MEMORANDUMS

The State Board of Accounts has issued the following memorandums which are attached to this Bulletin and are also available on our website at www.in.gov/sboa.

1. Policy Regarding Coronavirus, March 12, 2020
2. Coronavirus Items to Consider, March 16, 2020
3. State Examiner Directive 2020-1, March 19, 2020
4. Assistance During COVID, March 31, 2020
5. Continuity of Essential Operations, April 3, 2020
6. Temporary Transfer of Funds, April 9, 2020
7. Electronic Signatures, April 14, 2020

LIBRARY BULLETIN
AND UNIFORM COMPLIANCE GUIDELINES
ISSUED BY STATE BOARD OF ACCOUNTS

June 2020

8. CARES Act Fund Numbers, April 20, 2020
9. Enhanced Regulatory – Delayed Implementation, April 27, 2020
10. COVID Grant Accounting and Appropriations, April 29, 2020
11. Fraud Schemes, May 11, 2020

SPRING LIBRARY WORKSHOP

The State Board of Accounts participated in the Spring Library Workshop hosted by the Indiana State Library in June. Materials for this presentation are available on our website at www.in.gov/sboa on the Libraries page under Presentations and Training Materials.

APPROPRIATIONS OF FEDERAL AND STATE FUNDS

When funds are provided by the federal government either directly to a library or through a state agency for any program or project, the following procedures should be followed:

A separate Fund for each grant is required.

Advance Grants. Advance grants should be handled as follows:

1. Where funds are “advanced” directly to a library by the federal government for a specific purpose prior to making any disbursements by the library, the money should be placed in a separate project fund and disbursements subsequently made from that fund. No appropriation of the federal funds is required.
2. Where federal funds are “advanced” to a library through a state agency or department with no state funds added thereto prior to making any distributions, the money should be placed in a separate project fund and subsequent disbursements made from that fund. No appropriation of the federal funds is required.
3. Where federal funds are “advanced” to a library by a state agency or department and state funds are included along with the federal funds in one check or voucher and the funds are for a specific purpose, the money should be placed in a separate project fund and disbursements made from that fund. Appropriation(s) must be obtained for the combined total (i.e., federal and state) prior to any disbursement being made from that project fund.

LIBRARY BULLETIN
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June 2020

APPROPRIATIONS OF FEDERAL AND STATE FUNDS - Continued

Reimbursement Grants. Reimbursement grants should be handled as follows:

Where a federal or state grant provides for payments to be made directly to a library on a “reimbursement” basis after payment of expenses by the library, the entire amount of the federal or state reimbursement may be appropriated by the library board without using the additional appropriation procedures under IC 6-1.1-18-5, if the funds are provided or designated by the state or the federal government as a reimbursement of expenditures. [IC 6-1.1-18-7.5].

Matching Grants. Matching Grants should be handled as follows:

When a federal grant or program requires expenditures or “matching” funds to be provided from library funds, an appropriation must be obtained for the amount of such expenditures or local matching funds. Individual program requirements will dictate whether the appropriation should be obtained within the applicable library fund for expenditures there from or whether an appropriation should be obtained within the applicable library fund for a transfer to a required separate fund. This matter should be set out in the terms and conditions entered into between the library and officials of the federal agency.

Summary. To summarize,

A separate fund is required for each grant.

Also, no appropriations of federal funds are necessary:

1. When advanced directly from the federal government for a specific purpose prior to making disbursements, and the money is placed in a separate project fund with disbursements made from that fund; or
2. When federal funds are received in advance through a state agency for a specific purpose prior to making disbursements and the money is placed in a separate project fund with disbursements made from that fund and there is no state match.

Please keep in mind, if a library wishes to obtain an appropriation for all funds to be spent (i.e., federal, state, and local), there is certainly no prohibition in state statutes.

LIBRARY BULLETIN
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APPROPRIATIONS NOT TO EXCEED BUDGET

Except as otherwise provided in IC 6-1.1-18, the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article. [IC 6-1.1-18-4]

APPROPRIATIONS – WHEN NOT REQUIRED

In some instances statutory authority is given to libraries to make disbursements without an appropriation having been previously made for the specific purpose. Examples are as follows:

1. Grant, gift, donation, endowment, bequest, trust set aside in separate restricted fund (IC 36-12-3-11)
2. Earnings from permanent endowment (IC 36-12-3-11)
3. Money expended from Contractual Services Fund (IC 36-12-3-11)
4. Refund of money erroneously received. (IC 6-1.1-18-9)
5. Correction of errors in posting. (IC 6-1.1-18-9)
6. Investment of funds.
7. Repayment of temporary loans.
8. Establishment of a cash change fund. (IC 36-1-8-2)
9. Establishment of a petty cash fund. (IC 36-1-8-3)

APPROPRIATIONS CARRIED FORWARD (ENCUMBRANCES)

It is our audit position that appropriations may be carried forward to the following year if any of the following conditions exist:

1. A lawful contract has been entered into with a vendor or contractor on or before December 31 and all or a part of the contract has not been paid.
2. A purchase order has been issued on or before December 31, entered as an encumbrance against an existing appropriation, and isn't paid as of December 31.
3. Proceeds of a bond issue that have been duly appropriated and remain unexpended as of December 31.
4. Appropriations which are obligated by a contract or a agreement executed on or before December 31, between a library and any federal or state agency, such as a federal grant requiring local matching funds.

Only the amount required to meet the balance due on a contract or purchase order may be carried forward. The amount remaining in the appropriation account shall revert to the fund from which appropriated.

LIBRARY BULLETIN
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TRANSFER OF APPROPRIATIONS

A library board may approve the transfer of money from one major budget classification to another within a department of office if the transfer is determined to be necessary, does not require the expenditure of more money than the total amount set out in the budget as finally determined and the transfer is approved at a regular public meeting and by proper ordinance or resolution. The transfer may be made without notice and without the approval of the Department of Local Government Finance. (IC 6-1.1-18-6)

APPROPRIATION OF INSURANCE CLAIM PROCEEDS

The fiscal officer of a political subdivision may appropriate funds received from a person if : (1) the funds are received as a result of damage to property of the political subdivision; and (2) the funds are appropriated for the purpose of repairing or replacing the damage property. However, the funds must be expended to repair or replace the property within the twelve month period after they are received. (IC 6-1.1-18-7)

APPROPRIATION OF FEDERAL AND STATE GRANTS

Notwithstanding any other law, the appropriating body of a political subdivision may appropriate any funds received as a grant from the state or the federal government without using the additional appropriation procedures under IC 6-1.1-18-5, if the funds are provided or designated by the state or the federal government as a reimbursement of an expenditure made by the political subdivision. (IC 6-1.1-18-7.5)

ESTABLISHING THE ESTIMATED COST OF CAPITAL ASSETS

When it is not possible to determine the historical cost of capital assets owned by a governmental unit, the following procedure should be followed. Develop an inventory of all capital assets which are significant for which records of the historical costs are not available. Obtain an estimate of the replacement costs of these assets. Through inquiry determine the year or approximate year of acquisition. Then multiply the estimated replacement cost by the factor for the year of acquisition from the Table of Cost Indexes. The resulting amount will be the estimated cost of the asset. In some cases estimated replacement cost can be obtained from insurance policies; however, if estimated replacement costs are not available from insurance policies, you should obtain or make an estimate of the replacement costs.

LIBRARY BULLETIN

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ESTABLISHING THE ESTIMATED COST OF CAPITAL ASSETS - Continued

As an example, if the replacement cost is estimated to be \$76,000.00 and the asset was constructed about 1946, then the estimated cost of the asset should be reported as \$6,080.00 (\$76,000.00 X .08 = \$6,080.00).

<u>Year</u>	<u>Index</u>	<u>Year</u>	<u>Index</u>	<u>Year</u>	<u>Index</u>	<u>Year</u>	<u>Index</u>
2019	1.00	1992	0.55	1965	0.12	1938	0.06
2018	0.98	1991	0.53	1964	0.12	1937	0.06
2017	0.96	1990	0.51	1963	0.12	1936	0.05
2016	0.94	1989	0.49	1962	0.12	1935	0.05
2015	0.93	1988	0.46	1961	0.12	1934	0.05
2014	0.93	1987	0.44	1960	0.12	1933	0.05
2013	0.91	1986	0.43	1959	0.11	1932	0.05
2012	0.90	1985	0.42	1958	0.11	1931	0.06
2011	0.88	1984	0.41	1957	0.11	1930	0.07
2010	0.85	1983	0.39	1956	0.11	1929	0.07
2009	0.84	1982	0.38	1955	0.10	1928	0.07
2008	0.84	1981	0.36	1954	0.11	1927	0.07
2007	0.81	1980	0.32	1953	0.10	1926	0.07
2006	0.79	1979	0.28	1952	0.10	1925	0.07
2005	0.76	1978	0.26	1951	0.10	1924	0.07
2004	0.74	1977	0.24	1950	0.09	1923	0.07
2003	0.72	1976	0.22	1949	0.09	1922	0.07
2002	0.70	1975	0.21	1948	0.09	1921	0.07
2001	0.69	1974	0.19	1947	0.09	1920	0.08
2000	0.67	1973	0.17	1946	0.08	1919	0.07
1999	0.65	1972	0.16	1945	0.07	1918	0.06
1998	0.64	1971	0.16	1944	0.07	1917	0.05
1997	0.63	1970	0.15	1943	0.07	1916	0.04
1996	0.61	1969	0.14	1942	0.06	1915	0.04
1995	0.60	1968	0.14	1941	0.06	1914	0.04
1994	0.58	1967	0.13	1940	0.05	1913	0.04
1993	0.57	1966	0.13	1939	0.05		



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MEMORANDUM

March 12, 2020

Re: Policy for Coronavirus

Dear Officials,

We have received several questions regarding the Coronavirus (COVID-19) and its impact on governmental activities. Currently the questions are centering on disruption of travel, work environment, and employee benefits/compensation.

We urge governing bodies to work in the very near future with their attorneys to develop a policy specific to this emerging pressing situation. It should incorporate those items that could be of concern in the coming months. We would advise that this policy have broad language that may reference more specific materials so that the policy does not need to be constantly updated and approved to address the quickly changing real-time issues. The policy should be adopted through normal processes as provided by statute, including public meetings. IC 5-14-1.5-5(d) provides for emergency meetings if those become necessary. Also, if you have collective bargaining, do not forget to consider the agreement's impact.

We will not take audit exception to these policies and resulting responses that are due to the Coronavirus.

We will be providing in a separate communication Monday suggestions and items to consider.

Please continue to send any questions to the Directors, they may be reached at 317-232-2512.

The wellbeing of our citizens is paramount to us all.

Sincerely,

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner



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MEMORANDUM

TO: All Units
FROM: Paul D. Joyce, CPA, State Examiner
RE: Items to Consider when Governing Bodies are Developing Actions/Policies Regarding Coronavirus
DATE: March 16, 2020

=====
Provided are suggestions and items to consider as referred to in the memorandum provided on March 12, 2020.

It must be stressed the urgency to both monitor and address situations as they arise. This is a very fluid situation, changing constantly. Governing bodies will need to be flexible in their approach. Any guidance we provide must be taken in that context and should not be taken as restrictive.

If it is determined that there are needed actions that do not need a formal policy or that there are actions that should be done in conjunction with a formal policy, as long as there is written evidence that a governing body is appropriately approving actions in an appropriate forum, those are acceptable.

For example, school boards who decide to pay employees when schools are closed or impose specific directives or procedures in response to the coronavirus epidemic should do so in a public meeting and the board's action must be in writing. The written action of the board may be in the form of a resolution or board meeting minutes. It is not necessary to do a formal board policy as this action will be temporary and not one that will be ongoing and continuous in the future.

Any policies/actions should have in mind to maintain operations of government as normal or near normal as possible while maintaining the wellbeing of governmental employees and the public.

Here are some items to consider when developing policies/actions for personnel specific to the coronavirus:

What will be done regarding compensation and leave time of employees if there is a mandatory closure of the building? If there is already normally scheduled time off, such as spring break, then for that period of time compensation and leave would be proceed as normal. For mandatory closure outside of normally scheduled time off then guidelines specific to the emergency situation would come into effect.

First to consider, is there specific guidance regarding the coronavirus by the U.S. Department of Labor (DOL)?

DOL website is recommending review of leave policies and consideration of increased flexibility. Q & A regarding pandemics and the fair standards labor act as well as the family medical leave act can be found at dol.gov/agencies/whd/pandemic.

Part of this flexibility is considering what work might be done from home and what will require work from the office in order to conduct business.

Questions to be asked and instituted into policy/action items:

Are there essential employees that must work from a certain location?

Are there trade off days where certain employees would work at the office one day and others another to allow for social distancing but also allow for those things that are easier to be completed in the office to still be done that way?

Are there prohibitions against a certain number of employees meeting in close proximity and the need to utilize virtual meetings, even when in the office?

What duties can be done remotely?

How will employees be informed that they will be working remotely? Who will be making the decision, who will be communicating that information and how will it be communicated?

When working remotely will the work schedule be the same? How will employees "check in"? What common way should they be communicating (phone, email, virtual system, etc.)? How often should supervisors communicate with those who report to them?

What security issues are there? Will documents be allowed to leave the office? Is there secure IT systems in place that allow for remote access? What equipment is needed to work remotely? Can employees utilize their own devices?

For employees that cannot work from home due to nature of duties performed, but there is mandatory closure, what will leave time/benefits/compensation be allowed? We have been asked several times if we will take exception to the compensation of employees that must stay home but their duties do not allow for working from home. We won't take exception to extension of paid leave time that is in accordance with allowable approved policies/actions and provisions.

As this document is being written, Congress is considering passage of paid leave time that would provide for sick time off as well as time off for a parent when there is mandatory shut down of a child's school, with either advance funding or reimbursement funding for entities with certain staffing levels.

You should consider tracking costs that are directly associated with this emergency as no one at this time knows what type of reimbursements or stimulus may be put into effect by the federal government.

Again, you must work with your attorneys and keep monitoring for changes.

Also, your individual associations are monitoring this situation and many will provide guidance that will cover specific legal aspects to consider, such as for libraries what is their responsibilities regarding patrons. Please, carefully review the guidance they are providing you.

We will work with you to provide guidance that incorporates maximum flexibility, but remember, even in emergency times we all should strive to provide good stewardship of those responsibilities and assets that have been entrusted to us.

Contact us with any questions you might have at 317-232-2513.



STATE EXAMINER DIRECTIVE 2020-1

Date: March 19, 2020
Subject: Timely Deposits and the Claims Process
Authority: IC 5-11
Application: This Directive applies to all local governmental units
From: Paul D. Joyce, CPA, State Examiner

State Examiner Memorandums titled Policy Regarding Corona Virus dated March 12, 2020, and Corona Virus Items to Consider dated March 16, 2020, are hereby incorporated by reference into this Directive.

During the time of this Public Health Emergency, local governmental units may need to adjust normal procedures for the timely deposit of funds and the approval of claims. The State Board of Accounts will not take audit exception to the following alternative procedures for the timely deposit of funds or the approval of claims.

Timely Deposit of Funds. Indiana Code 5-13-6-1 governs the procedure for the deposit of public funds and is still in effect during this time of emergency. However, the State Board of Accounts will not take audit exception if the governing body approves the frequency for deposit of public funds to be limited to two times per week. The approval of the governing body must state that the deposits will be made on Tuesday and Thursday and require the public funds to be secured on those days when a deposit is not made. As always, proper internal controls must be in place to safeguard the assets of the unit.

Approval of Claims. Indiana Code 5-11-10 governs the claim approval process and is still in effect during this time of emergency. However, the State Board of Accounts will not take audit exception if the governing body uses the following procedures:

1. The governing body may designate one of its members to approve claims for payment in advance of board allowance. The board must allow those claims at its first meeting after the Public Health Emergency has ended.
2. For those units of government which have statutory authority to adopt an ordinance for the preapproved payment of claims, the board may provide written approval to the fiscal officer to pay certain claims during the Public Health Emergency. The board must allow those claims at its first meeting after the Emergency has ended.

This Directive will be rescinded upon Declaration by the Governor that the Public Health Emergency has ended.

Sincerely,

Paul D. Joyce, CPA
State Examiner



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MEMORANDUM

March 31, 2020

Re: Policies on Assistance
During COVID-19

Dear Officials,


The State Board of Accounts (SBOA) has received numerous inquiries regarding our audit position on whether certain uses of public funds, authorized by the legislature in the Indiana Code, are acceptable uses of local government money. In light of the Governor's public health emergency declaration (PHE) as set forth in Executive Order 20-02 (EO 20-02), the SBOA acknowledges that during this time of the PHE a broader reading of statutory uses of public funds is permissible. SBOA provides the following audit position with respect to expenditures by units that relate to addressing the economic burden incurred by citizens and businesses as a result of the PHE.

SBOA will not take audit exception to these policies and expenditures so long as the following conditions are met:

- EO 20-02 and any amendments or clarifications of this EO are in effect
- The governing body has adopted a policy in a public meeting that approves the expenditures as an authorized use of public funds
- The governing body has received advice of counsel in writing that the expenditure has a legitimate government purpose and is acceptable under Indiana Code during the current emergency declaration
 - If the expenditures are from a dedicated fund source, there also must be a determination that the particular fund has a closer connection to the government purpose to be fulfilled than general fund money
- The adopted policy explains the expenditure is needed to address the economic effects of the public health emergency

Units should work with their legal counsel to draft policies that are sufficiently detailed to carry out the goal of the policy within the bounds of the law and the spirit of this memorandum. This will allow the SBOA to determine during an audit whether the unit complied with the policy and related statutes, ordinances, and resolutions in accordance with the will of the governing body.

This memorandum will be in effect only for expenditures made during the period of the Governor's PHE under EO 20-02.

Sincerely,

Paul D. Joyce, CPA
State Examiner



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MEMORANDUM

TO: All Units
FROM: Paul D. Joyce, CPA, State Examiner
RE: Continuity of Essential Operations
DATE: April 3, 2020

Dear Officials:

As we all continue to work and provide essential government services through this Public Health Emergency, the Indiana State Board of Accounts encourages all units of government to develop a plan which will allow your government to continue essential operations through a sustained period of significant absenteeism by employees and public officials.

Although your unit provides many different types of essential services, the Indiana State Board of Accounts will provide guidance on those positions related to fiscal operations.

Please review the following items to consider as you develop your plan to continue fiscal operations during this Public Health Emergency. This is intended to be an ongoing document to spur additional thoughts on the steps necessary to continue essential government operations during the Public Health Emergency. We would appreciate receiving additional ideas to share with all governmental units.

Also, your government may wish to view the Federal Emergency Management Agency (FEMA) Continuity Resource Toolkit located at this link: <https://www.fema.gov/continuity-resource-toolkit>.

If you have questions on the implementation of a continuity plan, please feel free to contact one of our Directors of Audit Services, as follows:

Counties

Lori Rogers or Ricci Hofherr
317-232-2512
counties@sboa.in.gov

Cities, Towns, Libraries, and Special Districts

Todd Caldwell or Susan Gordon
317-232-2513
cities.towns@sboa.in.gov
libraries@sboa.in.gov
specialdistricts@sboa.in.gov

Schools and Townships


Chase Lenon or Jonathan Wineinger
317-232-2512
Schools.townships@sboa.in.gov

If you have ideas for us to share with other units of government, please contact Debbie Gibson, Director of Audit Services for Local Governments, at 317-232-2512 or djibson@sboa.in.gov.

Items to Consider in Preparing for Continuity of Essential Operations

1. In the event that the unit fiscal officer is temporarily unable to perform duties, consider designating individuals who will fill in for the fiscal officer in order of succession. At least one of the designated individuals should be outside of the government office, such as a member of the governing body. We recommend providing the name, position, and email address of the designated individuals to the governing body and the unit attorney.
2. We recommend that you work with the unit attorney to develop a Delegation of Authority for each designated individual which will become operative in order of succession if the fiscal officer is temporarily unable to perform duties. We recommend providing these delegations to the governing body and to the unit attorney. You may also need to provide these to your banking representative, accounting software representative, and other persons when considered necessary. Please seek the advice of your attorney.
3. Contact your banking representative to determine procedures for providing designated individuals with access to the bank account temporarily in the event that the fiscal officer is unable to perform banking functions.
4. Provide the designated individuals with the following contact information.
 - a. Names and contact information for government body members, department heads and other key people in your government.
 - b. Contact information for the State Board of Accounts as shown on the first page of this document.
 - c. Name and contact information for your local banking representative.
 - d. Name and contact information for your accounting software vendor.
 - e. Name and contact information for your Information Technology (IT) staff.
 - f. Contact information for the government association and neighboring fiscal officer.
 - g. Other contact information as considered necessary.
5. Provide the designated individuals with Information Technology (IT) protocols, including steps to back up computer information offsite and recover back up information.
6. Provide the name and email address of the designated individuals to your department heads, IT staff, and other key people in your government, your banking representative, and your accounting system software representative.
7. Identify essential tasks to be performed by the designated individual, e.g. processing payroll, claims, and collections.

- a. Provide designated individuals with information on how to access the office, records, mail, claims, and other information necessary to perform the essential tasks.
- b. Provide designated individuals with access to written procedures and critical dates for each identified task.
 1. For example, provide information necessary for designated individuals to process employee withholding remittances, e.g. PERF, payroll taxes, health insurance, etc.
 2. For example, provide designated individuals with information necessary to process other state or federal remittances, e.g. sales tax, utility receipts tax.
 3. For example, provide designated individuals with procedures to secure mail, safeguard cash, and make deposits. Consider that this will require access to the safe or locked cabinet or office.
 4. For example, provide designated individuals with procedures to process claims and payroll.
8. Identify other tasks which may be postponed during the Public Health Emergency.
9. Adjust internal control procedures as necessary to reflect changes in staffing during the Public Health Emergency.
 - a. For example, segregation of duties is of extreme importance in the check writing process. The fiscal officer should not personally be selecting the invoices for payment, preparing the checks, signing the checks, and entering the checks in the unit's records. These tasks should be separated when possible. If the tasks cannot be separated, then another person should review and approve each task.
 - b. For example, invoices could be emailed for payment approval. Authorized person could make these payments, email confirmations of payment, and bank statements could be reviewed or provided to the board.
10. Consider equipment and procedures needed to allow officials, employees, and designated individuals to work remotely.
11. Determine controls and procedures which will be put in place to review all transactions after the Public Health Emergency and to ensure that all transactions were properly processed.


Paul D. Joyce, CPA
State Examiner



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

MEMORANDUM

TO: All Units
FROM: Paul D. Joyce, CPA, State Examiner
RE: Temporary Transfer of Funds
DATE: April 9, 2020

Dear Officials:

Due to the Public Health Emergency, governmental units may be experiencing cash flow issues. We would like to inform you of existing statutory provisions which allow for the fiscal body to make transfers for cash flow purposes as needed.

Temporary Transfer of Funds. Indiana Code 36-1-8-4(a) provides for the temporary transfer of funds for cash flow purposes, as follows:

"The fiscal body of a political subdivision may, by ordinance or resolution, permit the transfer of a prescribed amount, for a prescribed period, to a fund in need of money for cash flow purposes from another fund of the political subdivision if all these conditions are met:

- (1) It must be necessary to borrow money to enhance the fund that is in need of money for cash flow purposes.
- (2) There must be sufficient money on deposit to the credit of the other fund that can be temporarily transferred.
- (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs.
- (4) The amount transferred must be returned to the other fund at the end of the prescribed period.
- (5) Only revenues derived from the levying and collection of property taxes or special taxes or from operation of the political subdivision may be included in the amount transferred."

Ordinance or Resolution. An ordinance or resolution authorizing the transfer should acknowledge the required conditions stated in IC 36-1-8-4(a) and specify the amount of money which will be transferred from one fund to another, stating the Name and Fund Number of the affected funds.

Extension of the Prescribed Period. Indiana Code 36-1-8-4(b) also provides for an extension of the prescribed period, as follows:

"If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

- (1) Passes an ordinance or a resolution that contains the following:
 - (A) A statement that the fiscal body has determined that an emergency exists.
 - (B) A brief description of the grounds for the emergency.
 - (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.
- (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

Accounting Procedures and Entries. When making the temporary transfer, if two bank accounts are involved, a warrant (or electronic funds transfer if authorized) should be deposited into the depository account designated for the depleted fund. If only one bank account is involved, you can simply post the transfer transaction on your accounting ledger.

The amount being transferred will be accounted for in the ledger as a receipt in the fund receiving the money and as a disbursement to the fund transferring the money. As an example, if an ordinance/resolution is passed to authorize a temporary transfer of \$25,000 to the General Fund from the Rainy Day Fund, the following entry should be made:

Single Entry. For those units on a single-entry system, post to your ledger a transfer out of the Rainy Day Fund for \$25,000 and a transfer in to General Fund for \$25,000.

<u>General Fund</u>		
Other Financing Sources – Transfer from Rainy Day Fund		\$25,000
<u>Rainy Day Fund</u>		
Other Financing Uses – Transfer to General Fund		\$25,000

At the end of the prescribed period, this entry would be reversed to record the repayment, as follows:

<u>Rainy Day Fund</u>		
Other Financing Sources – Transfer from General Fund		\$25,000
<u>General Fund</u>		
Other Financing Uses – Transfer to Rainy Day Fund		\$25,000

Double Entry. If your unit is on a double-entry system, the following entry should be made:

<u>General Fund</u>		
Cash		\$25,000
Other Financing Sources – Transfer from Rainy Day Fund		\$25,000
<u>Rainy Day Fund</u>		
Other Financing Uses – Transfer to General Fund	\$25,000	
Cash		\$25,000

At the end of the prescribed period, this entry would be reversed to record the repayment, as follows:

<u>Rainy Day Fund</u>		
Cash		\$25,000
Other Financing Sources – Transfer from General Fund		\$25,000
<u>General Fund</u>		
Other Financing Uses – Transfer to Rainy Day Fund	\$25,000	
Cash		\$25,000

We hope that you find this information helpful as you continue to provide service to your community through this Public Health Emergency situation.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

SG/DG



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MEMORANDUM

TO: All Units
FROM: Paul D. Joyce, CPA, State Examiner
RE: Electronic Signature
DATE: April 14, 2020

Dear Officials:

As units continue their essential operations during the public health emergency (PHE), they may find it useful to adjust their signature process to an electronic as opposed to a hand-written signature. This memo addresses that process from the audit perspective of the Indiana State Board of Accounts (SBOA).

SBOA previously issued an audit opinion on the Digital Signature Act (IC 5-24-1 repealed). This law was repealed by HEA 1427-2019. Therefore, electronic signatures are generally controlled by IC 26-2-8, the Uniform Electronic Transactions Act (UETA).

As such, SBOA will not take audit exception with electronic signatures as long as the signature and corresponding procedures comply with the relevant parameters set out in Indiana Code. It should be noted that the use of an electronic signature does not allow a unit to alter or circumvent other statutory constraints (IC 26-2-8-107).

Units should have adequate internal controls in place to ensure the electronic signature is created by the person whose name appears on the document, or, in the alternative, the person who has legal authority to sign the document on the elected official's behalf. Moreover, if more than one elected official's signature is required on the document, this would still be the case.

Paul D. Joyce
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MEMORANDUM

TO: Counties, Cities, Towns, Townships, Special Districts
FROM: Debbie Gibson, CPA, CFE Director of Audit Services
RE: Cares Act Fund Numbers
DATE: April 20, 2020

Dear Officials,

Your unit may be receiving federal funds from the CARES Act Provider Relief Fund. Units which received Medicare fee-for-service (FFS) reimbursements in 2019 are eligible for this initial rapid distribution. If your unit qualifies, you will automatically receive payment.

We are aware that units providing health-related services, such as Emergency Medical Services, have already received money from the CARES Act Provider Relief Fund.

Money may be wired directly into your bank account without any accompanying paperwork or notice. If you have an unidentified deposit into your bank account, please contact the bank for information on the source of funds. It is our understanding that the automatic payments from the Provider Relief Fund will come via Optum Bank with "HHSPAYMENT" as the payment description.

Details regarding the tracking, allowable uses, and unallowable uses for assistance from the Provider Relief Fund may be found at this site: www.hhs.gov/providerrelief. Please read the *Terms and Conditions* link in this document.

If your unit has received these funds, PLEASE NOTE THAT YOU MUST TAKE ACTION by visiting the [CARES Provider Relief Fund Payment Attestation Portal through hhs.gov/providerrelief](http://www.hhs.gov/providerrelief).

Through this portal, you must sign an attestation confirming receipt of the funds and agree to the terms and conditions within 30 days of payment. Should you choose to reject the funds, you must also complete the attestation to indicate this. The Payment Portal will guide you through the attestation process to accept or reject the funds. Not returning the payment within 30 days of receipt will be viewed as acceptance of the Terms and Conditions.

Once you have completed this process please send to me your attestation/confirmation documentation. Send to dgibson@sboa.in.gov. This will help us in our audit efforts.

To properly track assistance from the Provider Relief Fund, use the following Fund Number and Name:

Counties Fund Number and Name
8900 CARES Provider Relief Fund

Cities and Towns Fund Number and Name
264 CARES Provider Relief Fund

Townships Fund Number and Name
Assign an available number in your system using the Fund Name of CARES Provider Relief Fund

Special Districts Fund Number and Name
Assign an available number in your system using the Fund Name of CARES Provider Relief Fund

Please contact one of our Directors of Audit Services if you receive other types of federal assistance related to COVID-19 so that we may provide guidance on how to properly account for these funds:

Counties

Lori Rogers or Ricci Hofherr
317-232-2512
counties@sboa.in.gov

Cities, Towns, Libraries, and Special Districts

Todd Caldwell or Susan Gordon
317-232-2513
cities.towns@sboa.in.gov
libraries@sboa.in.gov
specialdistricts@sboa.in.gov

Schools and Townships

Chase Lenon or Jonathan Wineinger
317-232-2512
Schools.townships@sboa.in.gov

We appreciate all you do to serve your communities during this Public Health Emergency.



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MEMORANDUM

TO: Counties, Cities, Towns, Townships, Libraries, and Special Districts
FROM: Debbie Gibson, CPA, CFE Director of Audit Services
RE: Enhanced Regulatory Delays
DATE: April 27, 2020

Dear Officials:

In order to best serve you and satisfy our statutory responsibilities for audit during this time of public health emergency, the Indiana State Board of Accounts has decided the following:

1. The audits for the year 2019 will be based on the regulatory basis of accounting in place for 2018, and will not include the Enhanced Regulatory Basis of Accounting updates scheduled for 2019. This will not cause any further work for you or require you to take any further action. This decision will reduce the testing requirements that the Enhanced Regulatory Basis of Accounting for 2019 required, which in turn will reduce the number and types of records needed by our field staff.

The updates that were implemented for the 2019 Annual Financial Report (which was due March 1, 2020) will still be required for the 2020 Annual Financial Report (due March 1, 2021), so continue to maintain all of that information. For detailed information on the updates that were required for the 2019 Annual Financial Report, please see the *Schedule of Regulatory Changes* on our website.

2. The Enhanced Regulatory Basis of Accounting updates scheduled for 2020, which were to be implemented through information submitted in the 2020 Annual Financial Report (due March 1, 2021), are postponed. We do not anticipate any major changes to the 2020 Annual Financial Report format.

We regret the delay in implementation of the Enhanced Regulatory Basis of Accounting. However, due to the conditions that we are all having to work in, including the need to limit physical interaction and maximize remote operations, we have determined that now is not the time to implement changes that would further complicate an already difficult situation.

Enhanced Regulatory Delays
April 27, 2020
Page 2

These decisions do not change the financial reporting requirements of Indiana Code 5-1-11.5 for certain schools, counties, and cities issuing bonds. Please refer to Amended State Examiner Directive 2016-1, dated August 29, 2018, for more information on the requirements of that statute.

We appreciate your efforts to work with our field staff as we conduct your audits during this time of public health emergency and social distancing requirements.

SG/DG



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MEMORANDUM

TO: All Units
FROM: Debbie Gibson, CPA, CFE Director of Audit Services
RE: Accounting and Appropriation of COVID-19 Grants
DATE: April 29, 2020

Dear Officials:

This memorandum addresses the accounting for COVID-19 funds that have been appropriated by Congress, regardless if received directly from the Federal Government or as a pass-through from the State of Indiana (State). Also addressed is Indiana State Board of Accounts' audit position on the appropriation and additional appropriation of COVID-19 grants.

Assistance provided as a result of a national or state disaster or emergency should be receipted into a separate fund. The Indiana State Board of Accounts will not take audit exception to establishing such a fund(s) without the adoption of an ordinance.

A separate fund should be established for each separately identified assistance provided.

In our memo dated April 20, 2020, counties and cities/towns received a specific fund number assigned for CARES Act Provider Relief (CARES) distribution specifically related to Medicare fee-for-service. The guidance, including fund number and name, should still be followed.

We have since been made aware of several other types of direct assistance being distributed as part of CARES, such as for transit and airport.

We are also aware that the State has awarded grants and is possibly awarding more grants.

Whether direct or pass-through, each of these will require a different fund number and fund name that clearly identifies the assistance being provided. COVID should be part of the naming title.

If it is part of an established grant that you already receive, such as Community Development Block Grant (CDBG), you should still establish as a separate fund, with the title indicating that it is COVID, i.e. CDBG-COVID.

In anticipation of several separate funds being necessary, the following fund numbering system should be followed:

Counties: 8901-8925

Cities/Towns: 150-175

Schools: 7943-7949

Township: Assign an available number in your system

Special Districts: Assign an available number in your system

Libraries: Assign an available number in your system

All related expenditure records (accounts payable vouchers, minutes, correspondence, contracts, etc.) must be maintained in a separate file for future audits required by Federal and State agencies of COVID funds.

For each grant, it is important that you track every dollar disbursed for COVID-related expenses and maintain supporting documentation for those expenses. This can be accomplished by accounting for each grant in a separate fund as described above. In some cases, disbursements made prior to receiving a COVID grant can qualify as an allowable cost from a COVID grant. In order to track these disbursements properly, allowable disbursements should be moved from the original fund to the applicable COVID grant fund much like a correction of error is recorded.

For example, if a COVID-related disbursement for supplies from the general fund was an allowable cost under a COVID grant received after the disbursement was made, the following procedures should be used:

1. The disbursement from the general fund should be corrected by reversing the allowable disbursement within the category of supplies. This posting correction will reinstate the fund balance and re-appropriate the general fund in a similar manner to IC 6-1.1-18-9(1) for those disbursements. This posting correction should be done in the same budget year that the original transaction was posted.
2. Once the disbursement is corrected and reversed within the general fund, it should be posted as a disbursement in the appropriate COVID grant fund. Documentation must be maintained for this correction so the audit trail can be followed. The accounting system must tie the original claim for the general fund disbursement to the COVID grant fund by specific reference or notation in a comment section.

These procedures should be used only for allowable disbursements made prior to receiving the grant. All other allowable disbursements should be disbursed directly from the appropriate COVID related grant fund.

Based on the language contained in IC 10-14-3-17(j)(5) which states that a political subdivision may waive procedures and formalities otherwise required by law pertaining to the appropriation and expenditure of public funds where a national disaster or security emergency has been declared, the Indiana State Board of Accounts will not take audit exception to the expense being paid directly out of a COVID grant fund without appropriation or additional appropriation prior to spending the money in the COVID grant fund.

Again, it is important that these monies be accounted for in separate grant funds. This provides accountability and transparency for these grants. If commingled in other funds, it becomes impossible to determine that these monies are being used as provided for in grant agreements. It would also subject the grant monies to the conditions required of those funds with which they are being commingled with. For example, if the grant monies were receipted into the general fund the additional appropriation requirements as provided for in DLGF's memo on additional appropriations, dated April 24, 2020, would be applicable.

It is important to remember that sufficient internal controls over all transactions must be in place. Separate funds, maintaining records, detailed comments that provide audit trails, appropriate approvals, etc., are all part of good internal controls.

If you have any questions please do not hesitate to contact us.

DG



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MEMORANDUM

TO: All Local Officials
FROM: Paul D. Joyce, CPA , State Examiner
RE: Recent Fraud Schemes
DATE: May 11, 2020

We wanted to alert you to a couple of situations that came to our attention recently. Even during a worldwide public health emergency, fraudsters and scammers are still working to try and get your money. Please be alert to the following areas:

FRAUDULENT CHECKS

We received information last week that a local governmental entity became a victim of fraud when their bank account information and bank routing number were compromised and used to create false and fraudulent checks. Fraudsters who create these false checks with governmental bank account information present them at banks across the country, thereby stealing public funds.

Sometimes a bank where false checks are presented will question their legitimacy and perhaps contact you to verify they were issued by you. But that does not always happen and funds from your accounts can be taken. Oftentimes, if unauthorized payments from a bank account are brought to the attention of the bank in a timely manner, the bank will replace the amount that was stolen. However, if you are not reviewing your bank activity frequently or reconciling monthly, you would not be aware of these fraudulent transactions and the delay in reporting them to the bank may make it more difficult to get the bank to restore the funds to the bank account.

Review bank account information frequently and your bank statement monthly and verify that all of your recorded deposits are credited to your account and all withdrawals from the account are transactions that trace to checks prepared by your office or electronic funds transfers that you have authorized. By doing this, you can identify any fraudulent activity on your account, as well as any potential bank errors, as early as possible.

We recommend you consider the use of positive pay files through your bank, which is where a bank compares checks presented for payment with a list of checks the governmental unit has authorized. If a check is presented that isn't authorized, like the fraudulent checks described above, the bank will not honor it and your funds remain protected. If you do not employ the use of positive pay files through your bank, it is especially important that you monitor your bank activity as often as possible. But do work with your bank. They may have other ideas on fraud detection and prevention that could be tailored to your unit, such as the unit utilizing a confirmation system with the bank prior to the bank's payment of any check over a certain dollar amount.


RANSOMWARE

A local governmental entity recently became a victim to ransomware. Ransomware is a type of malicious software designed to block access to a computer system until a sum of money is paid. The principle of ransomware is that the malware encrypts files on a system's hard drive using an unbreakable key, and this is decrypted by the attacker once a ransom is paid. Beware of unexpected or suspicious emails, especially those containing a link or requesting a reply. Most ransomware is delivered via email and the typical overall themes are shipping notices from delivery companies. Also, many attacks are delivered by mass random emails because the intention is to infect as many as possible to maximize the chances of getting a result.

Consider your unit's policies related to the protection of computer information. The most common advice to recover from an attack by ransomware relies largely on whether a good backup policy is employed. Backup expectations are discussed in the various *Accounting and Uniform Compliance Guidelines Manuals* for the various types of political subdivisions, which are available on our website (<http://in.gov/sboa/index.htm>). Governmental entities also should keep their anti-virus software up-to-date and apply security patches in a timely manner.

Should you become the victim of either of these schemes, contact the appropriate law enforcement authorities, the Indiana State Board of Accounts, and your computer software vendor. When contacting the Indiana State Board of Accounts, please call or email the Directors of Audit Services for your particular governmental unit type and/or the Director of Special Investigations. All may be reached by phone at 317-232-2512 or 317-232-2513. Email contacts are:

Special Investigations	mmahon@sboa.in.gov
Counties	counties@sboa.in.gov
Cities & Towns	cities.towns@sboa.in.gov
Schools	schools.townships@sboa.in.gov
Libraries	libraries@sboa.in.gov
Townships	schools.townships@sboa.in.gov
Special Districts	specialdistricts@sboa.in.gov


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