

The background features a large, faint watermark of the Seal of the State Board of Accountancy for Indiana. The seal is circular, with the words "STATE BOARD OF ACCOUNTANTS" around the perimeter and "INDIANA" at the top. It contains a central figure holding a scale and a sword, surrounded by stars.

SBOA Update

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Contact Information



- Website – <https://www.in.gov/sboa/4445.htm>
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Hot Topics

Conflicts of Interest



- Must file a conflict of interest if:
 - A public servant has a pecuniary interest in or derives a profit from a contract or purchase connected with an action by the governmental entity.
 - **Example:** If a Trustee owns rental houses and the applicant lives in a property they own → receiving TA funds would require you to file a conflict of interest.

Conflicts of Interest



- Must report conflicts in Gateway
 - https://gateway.ifionline.org/sboa_coi/
- Not a conflict if:
 - Receives through salary,
 - Interest in contract less < \$250,
 - Utility rates are required by government,
 - **Makes a disclosure,**
 - Etc... IC 35-44.1-1-4(c)

Township Mergers



- Ways to merge:

1. Government Modernization IC 36-1.5-4

2. Cooperative Agreement IC 36-1.5-5

3. Interlocal Cooperation IC 36-1-7

Township Mergers – Things to Consider



- Why do you want to merge?
 - Eliminate costs?
 - Expand or provide better services?
 - More resources?
- How will it work?
 - Who will be **Trustee**?
 - How will the fire departments be **structured**?
 - What **personnel** will remain?
 - Do you have **funds for a financial and legal analysis**?
 - What **contracts** will be absorbed/maintained?
 - Do you own/lease **assets**? What assets should be disposed of?

Township Mergers – Other Items



- Townships merged need to be in same County.
- Cannot merge in an election year.
- All townships need to agree.
- Reach out to **DLGF** to understand what will happen to levies and reserve funds.
- Contact **County** Assessor, **State Agencies**, **IRS**, **IDOR** etc... to update their contact information.
- Contact **Debtors** to let them know who will assume obligations.

Township Mergers – Audit Considerations



- **Contact our office once a merger is complete.**
 - We can schedule close-out audits of dissolved townships and update our system/Gateway.
- **Keep merger documentation and any agreements.**
 - ALL records of dissolved townships must be kept by new entity until audited.
 - You can **contact the Indiana Archives and Records Administration (IARA) after the audit** for record retention guidelines.



Township Compliance

Designation of Trustee IC 36-6-4-18



(a) Within thirty (30) days after taking office, **the executive shall designate a person who shall perform the executive's duties whenever the executive is incapable of performing the executive's functions** because the executive:

- (1) is absent from the township; or
- (2) becomes incapacitated.

The executive shall give **notice of the designation to the chair of the township legislative body, the county sheriff, and any other persons that the executive chooses**. The designee shall have all the powers of the executive. The executive is responsible for all acts of the designee. The executive may change the designee under this section at any time.

(b) The designee shall perform the executive's duties until:

- (1) the executive is no longer absent from the township; or
- (2) an acting executive is appointed by the county executive under section 16 of this chapter.

Designation of Trustee



- We have not received any Attorney General opinions indicating that a Trustee could appoint a board member as a designee.
 - Potential constitutional conflicts could exist concerning the holding of two lucrative offices.
- Official Opinion 87-22 discussed possibility of designating another Trustee.
- If any compensation is paid to the designee there may be a violation of Article 2, § 9 of the Constitution of Indiana.
- You should appoint someone who is a resident and not currently holding another lucrative office.

Official Bond



- Official Bond requirements:
 - Be payable to the State of Indiana IC 5-4-1-10
 - Approved by County Auditor IC 5-4-1-8
 - Filed with County Recorder within 10 days of issuance IC 5-4-1-5.1
- Amount shall be equal to **\$30,000** for each \$1,000,000 or receipts during the last complete fiscal year IC 5-4-1-18
 - Minimum = \$30,000
 - Maximum = \$300,000 (unless approved)

Trustee Compensation
IC 36-6-4-17



(b) An executive is entitled to receive the following:

(1) The executive's salary.

(2) Reimbursement for expenses that are **reasonably incurred** by the executive for the following:

(A) The **operation** of the executive's office.

(B) **Travel and meals** while attending seminars or conferences on township matters.

(C) A sum for **mileage** as permitted under IC 36-6-8-3(b).

The executive may not make any other personal use of township funds without prior approval by the legislative body of the township.

Salary Resolution



- **Budget approval is NOT sufficient!**
 - IC 36-6-6-10(c) states *“The township legislative body shall fix the compensation of all officers and employees of the township. Compensation shall be established using an annual, monthly, or biweekly salary schedule. An elected township officer is not required to report hours worked and may not be compensated based on the number of hours worked.”*
- The Form 17 (Resolution Recommending Salaries of Township Officers and Employees) should be used.
 - Page 15 - <https://www.in.gov/sboa/files/twpappendix-2021.pdf>
- It is very important that the township board makes it clear what that total salary of the trustee will be.
- *“Salaries shall be recorded in the township board minutes”* – Township manual chapter 2, page 5.

Trustee Compensation



- Other things to remember:
 - Salary **cannot be paid in advance.**
 - Salary **cannot exceed the Salary Resolution** adopted by the board (Form 17).
 - Salary for all employees (including board members) are required to have **taxes withheld and a W-2s issued.**

Advance payments



- *Compensation and any other payments for goods and services must not be paid in advance of receipts of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)*
- Cannot pay for goods/services in advance!
- Exception **if normal industry practice** /w controls implemented

Nepotism



- Cannot have relatives as employees in **direct line of supervision** IC 36-1-20.2-10
- Nepotism exception for townships IC 36-1-20.2-15
 - If the **office is in your home**, you can hire a family member, but they **cannot receive more than \$5,000 in compensation** for the year.
- Grandfathered in if:
 - Maintained continuous employment.
 - Employed before Nepotism law took effect July 1, 2012.

Nepotism/Contracting With a Unit



- Nepotism Policy IC 36-1-20.2-9
- Contracting With a Unit Policy IC 36-1-21-4
- **Annually required to certify** that you did not violate those policies.

Lucrative Office



- *Attorney General's Dual Office Holding Guide:*
http://www.in.gov/attorneygeneral/files/Dual_Office_Holding_Guide_2010.pdf
- IC 3-5-9-5, Cannot be an Elected Official and an employee **of the same unit.**

Township Telephone, Cellular, and
Internet Expenses



- Prior Position – 50% reimbursable
- Effective October 5, 2017
- Local policy adopted

Renting an Office



- Board must determine in writing what amount of rent expenses are considered reasonable (Policy).
- **Only the trustee can receive rent.**
 - Not any other employees, even if living in same residence!
- Indiana Code 36-6-8-3(a) states... "The annual appropriations to a township executive for the expenses of renting an office and telephone and telegraph expenses must, as nearly as is possible, be equal to the actual cost of those items. If the township executive uses a part of the executive's residence for an office, the township legislative body shall appropriate a reasonable sum for that office space."

Allowable Investments



- Allowable Investments IC 5-13-9
 - Money Market Funds
 - Repurchase Agreements
 - Certificates of Deposit
 - Others as defined in the statute
- Must be held at a **designated depository**
 - Unallowable → directly invest with an investment company that is not a designated depository.

Township Deposit Law



- Indiana Code 5-13-16-1(c) states in part: “...public funds collected by the township trustees shall be deposited in the designated depository on or before the **first and fifteenth day** of each month.”

Bank Accounts



- Located in Township IC 5-13-8-9
- Electronic payments IC 36-1-8-11.5
- Treasurer of State's Approved Depositories
 - <https://www.in.gov/tos/deposit/2377.htm>

Electronic Methods of Payment



- We have received questions about the use of electronic payment methods such as **Venmo or PayPal**.
- IC 36-1-8-11 allows Townships to collect payments via credit cards and other electronic methods.
- This form of payment **must be authorized by the Township board**.
- Develop a policy:
 - Only authorized employees should have the authority for the electronic method.
 - Still required to meet all receipting, timely recording, depositing requirements in statute and the Township manual.
- For audit purposes, we would recommend that you ensure that you can trace collections from the receipt to the bank deposit.

Credit Cards



1. The **governing board must authorize** credit card use through an ordinance or resolution, which has been approved in the minutes.
2. Issuance and **use should be handled by an official or employee designated** by the board.
3. The **purposes** for which the credit card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the credit card has been issued has been accomplished, **the card should be returned** to the custody of the responsible person.

Credit Cards



5. Should **maintain an accounting system or log** which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.
6. Credit cards should **not be used to bypass the accounting system**. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. **Payment should not be made on the basis of a statement or a credit card slip only**. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, **an annual fee may be paid**.

Donations



- Public funds **CANNOT** be donated or given to other organizations or individuals unless specifically authorized by law.

Use of Funds Appropriated for Community Services



- IC 36-6-4-8(a) allows the township trustee to use the township's share of state, county, and township tax revenues for all categories of community services, if these funds are appropriated for these services by the township board
- The trustee may use the funds for both operating and capital expenditures
- IC 36-6-4-8(b) states with the consent of the township board, the township may contract with corporations for health and community services **not specifically provided by another governmental entity**

Prescribed Forms



- SBOA Does not provide forms directly
 - Available for purchase from Public Printer (such as Boyce Forms)
- Chapter 3 Township Manual
 - Includes: Ledger (Township Form 1-C), Form 17 (Salary Resolution), Mileage Claim, Checks, Receipts, Purchase Order, Employee Earnings Record, Township Assistance Applications, Receipt Register, Capital Asset Ledger, Contractor Bid Forms, Etc....
- Appendix: <https://www.in.gov/sboa/files/twpappendix-2021.pdf>

Prescribed Forms



- Exact Replica or create your own.
- Create your own?
- Form approval process:
 - https://www.in.gov/sboa/files/tsb2014_304.pdf

Overdrawn Cash Balances



- *The cash balance of **any fund may not be reduced below zero**. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)*

Temporary Loans



- "The fiscal body of a political subdivision may, by . . . 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
IC 36-1-8-4
- Requirements
 - (1) It must be necessary to borrow money.
 - (2) There must be sufficient money on deposit.
 - (3) Must end during the budget year of the year in which the transfer occurs.
 - (4) The amount must be returned to the other fund at the end of the year.
 - (5) Only revenues derived from the levying and collection of property taxes or special taxes or from operation of the political subdivision may be transferred.

Reconciling Items



- Consistent and Immaterial
- Document progress and carry difference

Rainy Day Funds (RDF)



- **Cannot** be transferred to RDF:
 - Township Assistance
 - Fire Protection Territory funds
 - Cemetery funds Conveyed under IC 23-14-64-3
- **Can** be transferred to RDF:
 - Township/General
 - Fire and Fire Cumulative
 - Local funds w/o restrictions
 - Park and Recreation*
- **Transfers limited to 10% of total budget IC 36-1-8-5.1**
15% allowed between 12/31/20 and 1/1/25

Annual Financial Report (AFR)



- **Per IC 5-11-1-4**
 - Must be filed with the State Examiner.
 - DLGF may not approve the budget of a unit until it is filed.
 - Must be filed electronically via the State Gateway.
 - Due 60 days after the year end which will be March 1, 2023

Certified Report of Names, Addresses,
Duties and Compensation of Public
Employees (Form 100R)



- **Per IC 5-11-13**
 - Must be filed with the State Examiner.
 - **DLGF may not approve the budget** of a unit until it is filed.
 - Must be filed electronically via the State Gateway.
 - Due January 31 each year.
 - Must indicate whether the unit offers a health plan, a pension, and other benefits to full-time and part-time employees.

Monthly and Annual Engagement Uploads



- State Examiner Directive 2018-1

- Amended November 19, 2020

- https://www.in.gov/sboa/files/Directive-2018-1-Monthly-and-Annual-Engagement-Uploads-Amended-11_9_2020.pdf

- Bank Reconcilements, Bank Statements, and Outstanding Check Lists
 - Approved Board Minutes
 - Funds Ledger, summarizing total receipts, disbursement, and beginning and ending balances by fund
 - <https://www.in.gov/sboa/files/Manual-Record-Template-Funds-Ledger-.xlsx>

Advertising Requirements



- Open Door Law IC 5-14-1.5-5
 - Public Meetings → 48 hours notice (Sign/advertisement)
- Public Access Counselor
 - <https://www.in.gov/pac/>

Advertising Requirements (Continued)



- IC 5-3-1-2 (Publish in paper)
 - **Elections** – 10 days
 - **Sale of Bonds** – 15 days and 3 days before sale
 - **Receive bids** – **Twice** at least 1 week apart and 7 days before received
 - **Establish Cumulative/Sinking Fund** – **twice** at least 1 week apart and 3 days before hearing
- **AFR** – 4 weeks after third Tuesday following third Monday (**1 newspaper**)
- Budget information – refer to DLGF Budget and Tax Rate Calendar
 - If IC 5-3-1-3 not mentioned – follow 10 day requirement for other meetings that require publishing in the paper

Policies



- Nepotism
- Contracting with a Unit
- Internal Control
- Purchasing/Procurement
 - IC 5-22, 2 CFR 300.318
- Travel
 - Includes lodging/meal reimbursements
- Capital Asset
 - Must take inventory once every two years
- Employee Benefit
- Bad Debt
- Investment policy
 - If you want to invest for longer than 2 years IC 5-13-9-5.7
- Leave and Overtime Pay
 - If offered, if not, negotiated labor contracts suffice
- Materiality Threshold
 - IC 5-11-1-27
- Debit/Credit Cards
 - Bulletin (next slide)

Internal Controls



Step 1:

1. Adopt minimum standards
2. Internal Control Training – IC 5-11-1-27

Step 2:

Create internal control policies!!

Internal Control Resources



- SBOA Internal Controls Standards webpage
 - www.in.gov/sboa/5072.htm and/or www.in.gov/sboa/4445.htm
- SBOA Internal Controls webinar
 - Embedded on above pages and can be found on YouTube:
 - <https://www.youtube.com/watch?v=L0N80PBbPHQ>
- Standards for Internal Control in the Federal Government (the Green Book)
 - www.gao.gov/assets/670/665712.pdf

Resource Library



SBOA Resource Library



The State Board of Accounts (SBOA) is pleased to present an online resource library for our clients and the citizens of Indiana. The following information can be now searched in the resource library.

- SBOA Uniform Compliance Guidelines (including previously issued bulletin articles)
- State Examiner Directives
- Best Practice Documents
- Indiana Code Section Summaries
- Frequently Asked Questions
- Other Miscellaneous Materials

Resource Library - Tutorial Video



<https://www.youtube.com/watch?v=bf82lq6pQZk>

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Questions?