

TOWNSHIP BULLETIN

AND UNIFORM COMPLIANCE GUIDELINES

ISSUED BY STATE BOARD OF ACCOUNTS

Volume 312

March 2016

ITEMS TO REMEMBER

March

- 1 Last day to prepare, verify, and file the 2015 annual financial report. The report must be in the form and content prescribed by the State Examiner and filed electronically via Gateway. [IC 5-11-1-4(a)]
- Last day to report to the DLGF information and data on your retiree benefits and expenditures. [IC 36-1-8-17.5]
- Last day to submit annual report to DLGF in Debt Management of any outstanding bonds or leases (as of January 1). [IC 5-1-18-9]
- 15 Last day to publish the abstract of receipts and expenditures required by IC 36-6-4-13. In addition to the abstract, the publishing must state that a complete and detailed annual report and the accompanying vouchers showing the names of persons paid money by the Township have been filed with the County Auditor, and that the Chairman of the Township Board has a copy of the report that is available for inspection by any taxpayer of the Township.
- 25 Legal Holiday - Good Friday [IC 1-1-9-1]
- 31 All local investment officers shall reconcile at least monthly the balance of public funds as disclosed by the records of the local officers, with the balance statements provided by the respective depositories. [IC 5-13-6-1]

April

- 30 All local investment officers shall reconcile at least monthly the balance of public funds as disclosed by the records of the local officers, with the balance statements provided by the respective depositories. [IC 5-13-6-1]
- Last day to file Employer's Quarterly Federal Tax Return (Form 941) with the Internal Revenue Service for federal and social security taxes for the fourth quarter of 2015.

May

- 3 Legal Holiday - Election Day [IC 1-1-9-1]
- 30 Legal Holiday - Memorial Day [IC 1-1-9-1]
- 31 All local investment officers shall reconcile at least monthly the balance of public funds as disclosed by the records of the local officers, with the balance statements provided by the respective depositories. [IC 5-13-6-1]

June

- 1 On or before June 1 and December 1 of each year (or more frequently if the county legislative body adopts an ordinance requiring additional certifications) the Trustee shall certify a list of the name and address of each person who has money due from the Township to the County Treasurer. [IC 6-1.1-22-14]

- 30 All local investment officers shall reconcile at least monthly the balance of public funds as disclosed by the records of the local officers, with the balance statements provided by the respective depositories. [IC 5-13-6-1]

STATE BOARD OF ACCOUNTS CALLED MEETING

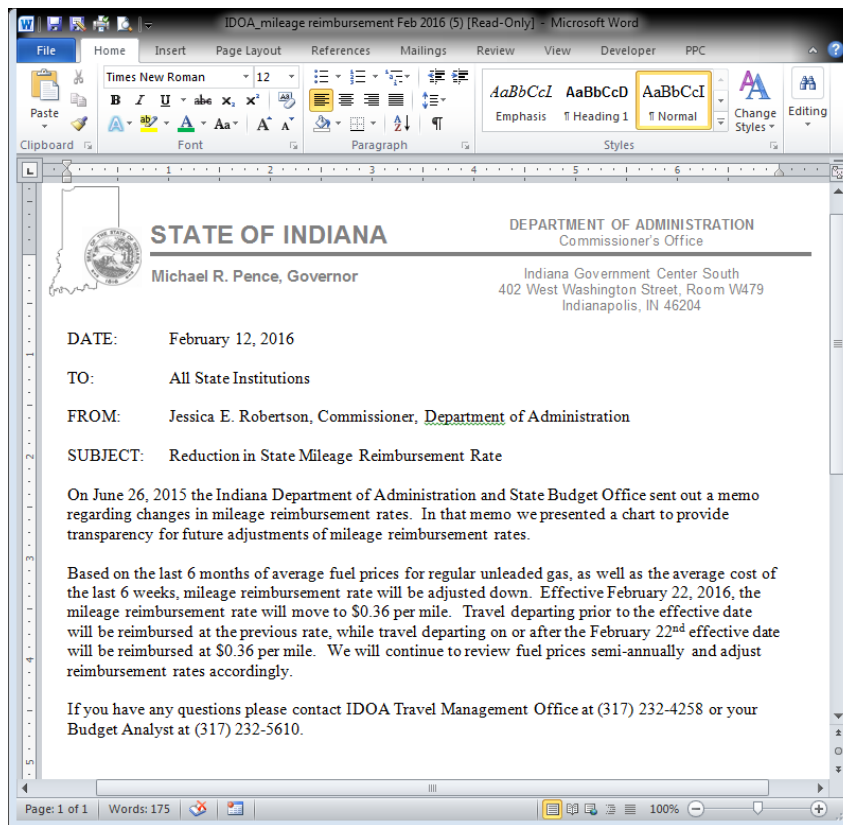
The SBOA has called a meeting of all Township Trustees in accordance with IC 5-11-14-1. This meeting will be held on September 21, 2016 in conjunction with the Indiana Township Association Annual Meeting (September 18-21, 2016). The Indiana Township Association is providing arrangements of the meeting at the Sheraton Indianapolis Hotel & Suites, Keystone at the Crossing. The meeting will begin at 9:00 EST with registration beginning at 8:00. No preregistration is required or available.

Many items pertaining to our examinations of Townships will be discussed at the meeting. In addition, there will be a special group of SBOA Coordinators that will be available to answer questions and assist in fixing in-depth problems, such as reconciling. So feel free to come with questions and bring records that you are having trouble with.

STATE MILEAGE REIMBURSEMENT RATE

Indiana Code 36-6-8-3(b) states: “The Township executive is entitled to a sum for mileage in the performance of official duties equal to the sum per mile paid to state officers and employees. However, this subsection does not apply when the Township executive uses a Township vehicle in the performance of official duties.”

On February 12, 2016, the Department of Administration issued the following memo that changed the mileage reimbursement rate from \$.40 to \$.36 effective February 22, 2016.



If you have any questions, please contact the IDOA Travel Management Office (317) 232-4258.

ADVERTISING OF ANNUAL REPORT -VS- BUDGET

We often receive questions regarding the requirements for Townships to publish their annual reports and their budgets. Pursuant to IC 6-1.1-17-3, Township's budget and tax levy information must be advertised on the internet and is no longer required to be published in the newspaper. On July 16, 2016, Courtney L. Schaafsma, Commissioner of the DLGF sent a memo with more information regarding this. This memo can be found here: [http://in.gov/dlqf/files/pdf/150716 - Schaafsma Memo - Taxpayer Notice Concerning Online Budget Advertising.pdf](http://in.gov/dlqf/files/pdf/150716_-_Schaafsma_Memo_-_Taxpayer_Notice_Concerning_Online_Budget_Advertising.pdf). Any questions you have regarding this, please direct to your local DLGF budget representative.

IC 36-6-4-13(b) states in part: "Within four (4) weeks after the third Tuesday following the first Monday in February, the executive shall publish the abstract prescribed by subsection (a) in accordance with IC 5-3-1." Posting the annual report information to Gateway does not meet the publishing requirements for the annual reports that is outlined in IC 36-6-4-13(b) above. However, Gateway was designed with a feature that allows the Township to print a version of the report that can be used to meet those publishing requirements. To find these reports, from the AFR Main Menu, click Annual Report Outputs. At the bottom of that page there is a section labeled 'Advertising Outputs - Only reports listed below need to be advertised' that includes these reports.

CASH BALANCE -VS- APPROPRIATION BALANCE

We receive numerous questions from Trustees and other Township employees that are confused about the difference between their cash balance and their appropriation (or budget) balance. Your cash balance is the amount of cash you have available to spend. This should be reflected in your ledgers and should be reconciled to your bank on monthly basis.

Each year, you work with the DLGF and get a budget passed for your unit. This is your appropriation balance. Whereas your cash balance is the amount of cash you have available to spend, your appropriation balance is what you are allowed to spend. Most, if not all times, these balances will not be the same.

A couple of things to remember. Receipts increase your cash balance, but do NOT increase your appropriation balance. For funds that have an appropriation (there are some funds that do not require a budget), the most common of which are the Township (General) Fund, Fire Fighting Fund, Township Assistance Fund, and Rainy Day Fund, disbursements decrease both your cash balance and your appropriation balance. There are cases in which a disbursement could be made 'unappropriated,' but that is very rare. If you get to a point during the course of a year, where you still have cash available to spend, but no longer have an appropriation balance, you can request an additional appropriation from the DLGF. That process is outlined on page 5 in Chapter 4 of our Township Manual: http://in.gov/sboa/files/twp2010_004.pdf.

INTERNAL CONTROL TIMELINE

IC 5-11-1-27 requires all Indiana political subdivisions to adopt the minimum level of internal control standards developed by the state board of accounts as published in the *Uniform Internal Control Standards for Indiana Political Subdivisions*. Each political subdivision must adopt these standards, train appropriate personnel, and implement policies and procedures consistent with the standards. The following is a guide to fulfilling these requirements and deadlines for action.

Statutory Requirements - *Uniform Internal Control Standards for Indiana Political Subdivisions* (Statutory Deadline: After June 30, 2016)

Legislative Body – Uniform Internal Control Standards

1. **Adopt Standards.** The legislative body shall ensure that the *Uniform Internal Control Standards for Indiana Political Subdivisions* are adopted. We recommend adoption by ordinance or resolution.

The *Uniform Internal Control Standards for Indiana Political Subdivisions* are available on our website [<http://in.gov/sboa/5072.htm>].

2. **Train Personnel.** The legislative body shall ensure that personnel, as defined in statute, receive training concerning the *Uniform Internal Control Standards for Indiana Political Subdivisions*.

Approved training materials are located in Part Two of the *Uniform Internal Control Standards for Indiana Political Subdivisions*; the Video Presentation materials in Section One accompany the Internal Control Webinar located on our website at <http://in.gov/sboa/5072.htm>.

Training by each employee should be documented on the Internal Control Training Certification Form located in the Appendix to the *Uniform Internal Control Standards for Indiana Political Subdivisions*. Retain this documentation for audit.

Please note that training is an ongoing process as new employees are hired.

Fiscal Officer – Uniform Internal Control Standards

1. **Certify Adoption of Standards.** The fiscal officer shall certify in writing that the *Uniform Internal Control Standards for Indiana Political Subdivisions* have been adopted.
2. **Certify Training of Personnel.** The fiscal officer shall certify in writing that the personnel, as defined in statute, have received the required training.
3. **Submit Two Certifications with Annual Financial Report in 2017.** Both the Adoption of Standards Certification and the Training of Personnel Certification shall be filed electronically with the state board of accounts at the same time as the annual financial report is filed.

Ongoing Requirements - Implementation of Internal Control Policies and Procedures

Management - Responsibility to Implement Internal Control Policies and Procedures

The term “management” is defined for each unit of government in the Introduction section of the *Uniform Internal Control Standards for Indiana Political Subdivisions*.

After June 30, 2016, management should document in writing the specific internal control policies and procedures required for use in each department of the unit. Examples of such policies and procedures are contained in Part Two Section 2 of the *Uniform Internal Control Standards for Indiana Political Subdivisions*.

The implementation of internal control policies and procedures is an ongoing process. We recommend that management start by documenting procedures already in place and evaluating those policies and procedures in light of the five components of internal control. If any of the five components is missing, true internal control is not achieved. An effective implementation of Internal Control is a process and requires regular evaluation and adaptation for changes affecting your office. Over time controls may be added, deleted, or adjusted as necessary.

ACCOUNTING SYSTEMS

Township Form 1C, Financial and Appropriation Record, has been prescribed to be used as the ledger of Townships. This is a manual system. In lieu of using this ‘ledger book,’ many Townships are switching to some form of computerized accounting systems. We receive quite a few questions asking us what systems we approve and suggest. We do NOT approve systems and cannot suggest which ones to use. If you are thinking of switch to a computerize system (or switching systems), there are a couple of things you need to keep in mind. First, all output forms from the system must be replicas of the forms that we prescribe. A list of those forms can be seen in Chapter 2 of the Township Manual here: http://in.gov/sboa/files/twp2010_002.pdf. There is a provision in the March 2014 Bulletin [http://in.gov/sboa/files/tsb2014_304.pdf] that allows for approval of forms that are not exact replicas. In addition to that, the system has to comply with Chapter 14 of the Township Manual, which discusses Computer Systems and can be found here: http://in.gov/sboa/files/twp2010_014.pdf.

MATERIALITY THRESHOLD (IC 5-11-1-27(J) & (L))

It has come to our attention that there is confusion in regard to the application of IC 5-11-1-27(j) and IC 5-11-1-27(l).

IC 5-11-1-27(j) states in part: “All erroneous or irregular material variances, losses, shortages, or thefts of political subdivision funds or property shall be reported immediately to the state board of accounts. For all material variances, losses, shortages, or thefts, the state board of accounts shall: (1) determine the amount of funds involved and report the amount to the appropriate government and law enforcement officials...”

It is in regard to this section that the State Examiner issued [State Examiner Directive 2015-6](#), which allows Townships to determine their own materiality threshold at which they are to report to us variances, losses, shortages, or thefts.

In addition to subsection (j), IC 5-11-1-27(l) states in part: “A public officer who has actual knowledge of or reasonable cause to believe that there has been a misappropriation of public funds or assets of the public office, including: (1) information obtained as a result of a police report; (2) an internal audit finding; or (3) another source indicating that a misappropriation has occurred; shall immediately send written notice of the misappropriation to the state board of accounts and the prosecuting attorney serving in the area governed by the political subdivision.” For this portion of the statute, there is no materiality threshold.

It is our position that application of the materiality threshold is for those unintentional variances, losses, and shortages that occur in the course of business that are due to misapplication of processes or act as an indicator that the appropriate process is not in place. Either way, upon discovery the township would take corrective action. The materiality threshold would also apply to “theft” by someone outside of the townships employ, with again the appropriate actions taken by the township.

All instances of misappropriation (intentional personal misuse) of the townships funds or assets by an official or employee must be reported to the State Board of Accounts. Materiality thresholds do not apply.

The memo on the following page was issued on January 7, 2016, and offers additional guidance in regards to the materiality threshold:

Memo on Considerations for Materiality Policies

To aid in the creation and implementation of a materiality policy as discussed in State Examiner Directive 2015-6, the State Board of Accounts assembled the following suggestions that each Township should consider.

Each materiality policy should include the following:

1. Designation of a person (or position) to which all irregular variances, losses, shortages, and thefts are reported. Multiple individuals may be designated if each individual follows the overall materiality policy. For example, a county clerk, county treasurer, and county auditor could be designated for occurrences within their respective offices, as long as the county-wide policy is followed by each designee.
2. Establishment of two dollar thresholds at which point the designated person will report the incident to the State Board of Accounts. The thresholds should be for (1) incidents involving cash and (2) incidents involving all other (non-cash) assets. Incidents involving cash will likely have a lower dollar threshold.
3. Creation of an outline of steps that will be taken upon receipt of such a report. Such steps may include:
 - a. logging-in all reports into a spreadsheet that is permanently maintained by the political subdivision;
 - b. confirming the dollar amount of the variance, loss, shortage, or theft;
 - c. evaluating the report against the established dollar thresholds, and sending a letter to the SBOA when the report exceeds the threshold;
 - d. investigating the cause of any variance, loss, shortage, or theft;
 - e. implementing corrective actions or internal control procedures to correct the cause(s) of the variance, loss, shortage, or theft; and
 - f. maintaining copies of relevant documentation, resolution of incidents, and any report to the State Board of Accounts in a centralized data folder.
4. Acknowledgment of Ind. Code § 5-11-1-27(l), which requires public officials who have actual knowledge of or reasonable cause to believe that there has been a misappropriation of public funds to immediately send written notice of the misappropriation to the State Board of Accounts and the prosecuting attorney.

As a reminder, if a political subdivision does not develop a policy on materiality, then the threshold is \$0.00 and the political subdivision must report *all* irregular variances, losses, shortages, and thefts to the State Board of Accounts.

SBOA WEBSITE FEATURES

We wanted to make you aware of some items on our website. All information specific to Townships can be found on the following page: <http://in.gov/sboa/4445.htm>. This includes information regarding Internal Controls, Manual, Bulletins, and many other items. A couple of things that we wanted to point out include the Hot Topics section that appears just under the contact information section. We release these bulletins quarterly, but there are instances where we want to get information out in between those bulletin releases. We will use this Hot Topics section for that. Also, there are times where we receive the same question from multiple Townships and so it is beneficial for us to include the answer to that question there as well. We just want to encourage you to check your Township page on our website on a regular basis to make sure you are up-to-date on everything that we are providing. The other section we wanted to emphasize is the 'Comments Regarding SBOA Staff' section towards the bottom of the page. We want to know what experiences you have with our staff, both positive and negative. Our goal is always to provide the best customer service that we can and this feedback will help us achieve that goal. These comments go to all three of our board members.

As is always the case, please feel free to contact us with any questions that you have. You can email us at Schools.Townships@sboa.in.gov.