CHAPTER 4
PRESCRIBED FORMS, TAXES, AND GENERAL INFORMATION

PRESCRIBED FORMS

The State Board of Accounts is charged by law with the responsibility of prescribing and installing a system of accounting and reporting which shall be uniform for every public office and every public account of the same class. [IC 5-11-1-2]

A prescribed form is one which is put into general use for all offices of the same class, whereas an approved form is a computerized form for special use in a particular office.

All governmental units are required by law to use the forms prescribed by this department; however, if it is desirable to use a different form or to have a prescribed form modified to conform for computer applications, a letter and three copies of the proposed form may be submitted to the State Board of Accounts for approval. No form should be printed and placed into use, other than a prescribed form, without prior approval.

Although the State Board of Accounts prescribes forms, copies of the forms must be purchased from a public printer or other source.

A list of the prescribed forms and some examples of the prescribed forms are contained in the Appendix Section of this Manual.

Exact Replica

As a result of advances in computer technology, some computer hardware, software, and application systems can now produce exact replicas of the forms prescribed by the State Board of Accounts.

The State Board of Accounts prescribes the required accounting system forms, but does not specify the source from which the forms must be obtained. Therefore, the State Board of Accounts will not take exception to the use of forms which provide exact replications of the prescribed forms created by computer printer or utilizing continuous form computer paper. These exact replications must be identical to the prescribed forms in format, titles and locations of data. The exact replicas are not required to be submitted to the State Board of Accounts for approval and each form should be identified as "Prescribed by the State Board of Accounts" in the same location as is printed on the prescribed forms.

The use of computer-generated prescribed forms should be brought to the attention of the Field Examiner during the next regularly scheduled audit. The forms and computer system generating the forms are subject to a technical computer audit based upon the results of the Field Examiner's risk assessment.

Use of Prescribed Forms

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed.

Form Approval Process

The use of a vendor software system is the responsibility of the library board in accordance with its statutory authority. If the library board desires to use forms generated by a particular software program, it may pass a resolution so stating such preference. The resolution and a letter (see sample letter in the appendix section) should be sent to the State Board of Accounts for compliance with applicable statutes and regulations and to provide assurance that a library does indeed desire to use the forms. The forms submitted should be very similar to the prescribed system (same headings and titles, information, etc.). Otherwise, a cross-reference to the prescribed form intended to be replaced should be submitted. The State Board of Accounts approval is based upon compliance with the conditions outlined in this section. Compliance with these conditions will be reviewed during subsequent audits. Thereafter, other libraries may use any forms previously approved for the original library using that particular software program (assuming compliance with the conditions outlined in this section and subsequent audits).

Any forms not previously reviewed and approved by the State Board of Accounts will need to go through the traditional form approval process. However, once approved, the new process as summarized below may be utilized.

Summarization of the form approval process:

1. Library Board "A" passes a resolution in a public meeting stating the desire to use forms generated by a specific software program.

2. A copy of the resolution, along with information in the sample letter (see appendix), is sent to the State Board of Accounts by Library Board "A" along with a sample of all reports and forms of the system. The forms submitted should be very similar to the prescribed system (same headings, titles, information, etc.). Otherwise, **a cross-reference to the prescribed form intended to be placed must be submitted**.

3. Library Board "A" receives an approval letter from the State Board of Accounts and begins using the forms without any further approvals in the future unless the forms change.

4. Library Boards "B", "C", etc., send to the State Board of Accounts the same type of resolution and sample letter (page __), (no forms are sent to the State Board of Accounts). Library Boards "B", "C", etc., adhere to the conditions in this section and recommendations made during audits and begin using the forms without further approvals in the future unless the forms change. **Previously approved forms for that system do not have to be sent in for approval**. Library Boards "B", "C", etc., will not receive approval letters as they have agreed to abide by the conditions described in this section.

Form Approval Conditions:

1. The forms and systems shall be subject to further review and recommendations during the audits of the Library to allow for on-site review, as well as to ensure compliance with current statutes.

2. Any other Forms, Checks, Receipts, etc., necessary to complete the system shall be submitted to the State Board of Accounts for approval. The Library should continue to maintain all prescribed forms not otherwise covered by an approval.

3. All transactions that occur in the system must be recorded. Transactions can be maintained on-line, on backup tapes, microfilmed, or printed on hardcopy. These transactions include but are not limited to: all input transactions, transactions that generate receipts, transactions that generate checks, master file updates, and all transactions that affect the ledgers in any way. For all information maintained on the system, the system must be designed in such a manner that changes to a transaction file cannot occur without being processed through an application.

4. The ability must not exist to change data after being posted. If an error is discovered after the entry has been posted, then a separate correcting entry must be made. Both the correcting entry and the original entry must be maintained.

5. If the unit owns the source code, sufficient controls must exist to prevent unauthorized modification. If the unit does not own the source code, upon request or in the event the vendor no longer provides maintenance service for the system, the vendor shall provide representatives of the State Board of Accounts with access to all computer source code for this system. In addition, the vendor shall provide representatives of the State Board of Accounts with a document describing the operating system used, the language that the source code is written in, the name of the compiler used, and the structure of the data files including data file names and data file descriptions, field names and field descriptions for the system upon request.

6. Any Checks, Receipts, Purchase Orders, Deposit Advices or other prescribed forms that require numbering shall be serially prenumbered by the printing supplier prior to delivery to the Library. All receipts are to be printed at the time money is received. Furthermore Checks, Receipts, Purchase Orders or Deposit Advices shall not be presigned and shall have duplicates. An approved check register may be used to meet the duplicate requirement for checks.

7. Recap sheets for each depository for deposit advices, if applicable, will be maintained indicating direct deposits. Individual wage assignment agreements will be kept on file to support direct deposit.

8. Checks drawn on multiple bank accounts should only occur if as the result of compliance with the Public Depository Law.

STATE AND FEDERAL TAXES

Federal and State Agencies - Compliance Requirements

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action.

Federal Income Taxes

All political subdivisions are exempt from federal income taxes under the Internal Revenue Code.

Federal Excise Taxes

As a general rule, governmental units are exempt from and should not pay any federal excise tax. To obtain the exemption, a properly executed exemption certificate must be filed with the vendor from whom the purchase is made. This exemption certificate may be prepared at the time the order is placed or at the time payment is made. The exemption certificate may be a printed or mimeographed form and should be substantially in the form currently used. For information concerning the form of exemption certificate, contact the Internal Revenue Service.

Claims and invoices should be carefully audited to see that no federal excise taxes are included and paid. Disbursing officers should require that invoices show separately the gross price, the amount of the excise tax, and the final price to the governmental unit.

Any questions concerning federal excise tax should be directed to the Internal Revenue Service.

Tax Refunds

In some instances, governmental units may have erroneously paid the excise taxes from which they are exempt. In such instances, the unit has three years from the date tax was paid to the federal government in which to file for a refund.

To obtain a refund, the governmental unit should submit to the seller an exemption certificate for each item on which excise tax was paid accompanied with documentary evidence that the exemption had not been claimed or received. Such evidence may be copies of invoices, affidavits, records, etc.

The Internal Revenue Service will provide forms on which the original taxpayer may claim reimbursement for excise tax erroneously paid by a governmental unit.

Sales Tax

Governmental units are eligible for an exemption from the state sales tax on purchases. To obtain the exemption for a Sales Tax Exemption Certificate, application should be made to the Sales Tax Division of the Department of Revenue. This certificate must be presented at the time a purchase is made to avoid paying sales tax. If sales tax is paid erroneously, a refund application may be obtained from the Sales Tax Division.

Lodging for individuals in hotels and motels is not exempt from state sales tax. Therefore, reimbursements for lodging in approved travel status may include state sales tax. However, it should be kept in mind that claims for all such reimbursements must be supported by a fully itemized receipt showing date(s) of lodging, the name(s) of the person(s) occupying the room and the amount paid.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments.

Federal and State Regulations

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies.

Penalties, Interest, and Other Charges

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

GENERAL INFORMATION

Advance Payments

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee.

Alcohol Purchases

Purchases of alcoholic beverages may be the personal obligation of the responsible official or employee.

Asset Ownership

Assets purchased by a governmental unit(s) should be titled proportionately in the name of the governmental unit(s).

Audit Costs

Audit costs incurred because of theft and shortage may be the personal obligation of the responsible official or employee.

Audit costs or other costs incurred because of poor records, nonexistent records or other inadequate bookkeeping practices may be the personal obligation of the responsible official or employee of the governmental unit.

Any outside audit costs paid, not authorized by statute, may be considered a duplication of service and an unnecessary expense. These payments may be the personal obligation of the responsible official or employee.

Bad Debts and Uncollectible Accounts

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible.

Break-Ins, Burglaries or Other Crimes

Break-ins, burglaries or other crimes committed against the governmental unit should be documented by the filing of an official police report. Insurance companies should be contacted to request payment for any allowable coverage.

Budgeted Line Items

Disbursements should be paid from properly authorized line items.

Capital Assets

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger form. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records.

Cash Disbursements

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule.

Collection of Amounts Due

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute.

Commuting Mileage

Reimbursed mileage shall not include travel to and from the officer's or employee's home and the governmental office in which he works, unless otherwise authorized by statute.

Compensation

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute.

Payments for services provided by an organization should go directly to the organization and not to an individual employee of the organization. All payments for services should be supported by a written contract. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements.

Computer Output

Public records, financial statement information and supporting information generated through a computer system should be printed out on paper, printed to disk or maintained on-line at the end of each reporting year and retained for audit. Information must be maintained in a manner that will allow access for audit and public inquiry on equipment of the governmental unit.

Condition of Records

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund.

Contracts

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts.

Correction of Errors

Receipt and disbursement corrections or other errors should be corrected by memorandum entry with the issuance of a check and receipt to document the flow of the transactions.

Credit Cards

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

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.

5. The designated responsible official or employee 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, etc.

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.

Crime Insurance Policies

Crime insurance policies permitted by statute should be recorded in the same manner as official bonds under IC 5-4.

Deposit of Accountable Items

Tickets, goods for sale, billings, and other collections, are considered accountable items for which a corresponding deposit must be made in the bank accounts of the governmental unit.

The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of the payers.

Donations

Governmental funds should not be donated or given to other organizations or individuals unless specifically authorized by statute.

Excessive or Unreasonable Costs

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs.

Expenditures by Holding Corporations

Property and equipment provided by holding corporations to a governmental unit should only be in accordance with the original project as presented to the public and approved by the Department of Local Government Finance, or by subsequent written approval of the Department of Local Government Finance.

Expense Reimbursement Itemization

All claims, invoices, receipts, accounts payable vouchers, including those presented to the governing body for approval in accordance with IC 5-11-10 and IC 36-12-3-16, should contain adequate detailed documentation. All claims, invoices, receipts, accounts payable vouchers, regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for which amounts are claimed, including the nature, name, and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim, may be the personal obligation of the responsible official, employee or other person for whom the claim is made.

Federal and State Agencies - Compliance Requirements

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action.

Fees

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions.

Financial Report Opinion Modifications

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit.

Fundraisers

Governmental units which conduct fund raising events should have the express permission of the governing body for conducting the fund raiser as well as procedures in place concerning the internal controls and the responsibility of employees or officials.

Fund Sources and Uses

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement.

Indebtedness

A governmental unit may not incur indebtedness unless specifically allowed by statute.

Interest on Investments

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund.

Internal Controls

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making.

Investments Not Authorized by Statute

Investments should only be made in accordance with statute. Expenses related to any unauthorized investments may be the personal obligation of the responsible official or employee.

Losses related to investments and investment procedures which are not authorized by statute may be the personal obligation of the responsible official or employee.

Leave and Overtime Policy

Each governmental unit should adopt a written policy regarding the accrual and use of leave time and compensatory time and the payment of overtime. Negotiated labor contracts approved by the governing board would be considered as written policy. The policy should conform to the requirements of all state and federal regulatory agencies.

Lucrative Office

Article 2, Section 9 of the Constitution of Indiana, states in part: ". . . no person may hold more than one lucrative office at the same time, except as expressly permitted in this Constitution." Any person holding two offices which have been or may be deemed lucrative should obtain the written opinion of the attorney for the unit or units served to determine compliance with Article 2, Section 9 of the Constitution of Indiana.

Malfeasance, Misfeasance or Nonfeasance

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any officer or employee may be the personal obligation of the responsible officer or employee.

Ordinances and Resolutions

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts.

Overdrawn Cash

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 governmental unit.

Overdrawn Funds

The fund 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 governmental unit.

Overpayment Collections

Governmental units should collect any overpayments made.

Penalties, Interest and Other Charges

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

Personal Expenses

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental unit may be the personal obligation of the responsible official or employee.

Personal Property Use

Assets of the governmental unit may not be used in a manner unrelated to the functions and purposes of the governmental unit.

Whenever an item or other asset owned by the political subdivision is entrusted to an officer or employee, to be used at times outside the normal work time for business purposes, such as a cellular phone, or vehicle, a log should be maintained which clearly shows the business use.

Political Expenditures

Expenditures for political purposes, contributions to political campaigns, directly or indirectly, which are not authorized by statute may be the personal obligation of the responsible official or employee.

Prescribed Forms

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed.

Pre-Signing Documents

Checks and receipts should be prepared timely and not signed in advance of the event or transaction.

Private Property

Generally, public funds may not be used to make improvements to property not owned by the governmental unit, unless permitted by statute, federal or state requirements, or safety concerns.

Public Records Retention

IC 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee.

Purchasing Bonuses

Any compensation, premium, bonus, or product earned as a result of the purchase of goods or services by the governmental unit becomes the property of the governmental unit.

Receipt Issuance

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment.

Repayments and Refunds

Persons, companies or governmental units that have overpaid amounts to a governmental unit are entitled to a repayment or refund by check or warrant.

Repayments and Transfers

Payments or transfers which are not authorized by statute, ordinance, resolution or court order must be reimbursed or transferred to the appropriate fund.

Risk of Loss

The governmental unit should ensure it is adequately protected for all risks of loss.

Sale and Rental Proceeds

Proceeds generated by the sale or rental of property should be receipted into the fund which originally purchased the property unless otherwise authorized by statute.

Sales Tax

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments.

Separate Bank Accounts

When two or more governmental units are authorized by statute to have the same fiscal officer, there should be separate bank accounts and accounting records for each governmental unit unless authorized by statute, appropriate federal or state rule or regulation.

Severance Pay

Unless specifically authorized by statute, severance pay, or other payments to employees upon separation from employment, must be supported by the written opinion of the attorney for the governmental unit stating that the payments are in accordance with all federal laws and regulations and state laws, including IC 35-44.1-1-3, and a properly enacted Home Rule ordinance or resolution, as applicable.

IC 36-12-2-24(d) states that a library board may provide severance pay to a library employee who is involuntarily separated from employment with the library.

Signature Stamps

The decision on whether the number of items to be signed justifies the use of a rubber stamp or other device, including computer image signatures, for affixing a signature must be made by each public official responsible for signing warrants, claims, and other official documents.

A rubber stamp or other signing device should be used only under the personal direction of the public official and should be properly safeguarded when not in use since each official is responsible for his or her own signature.

Suspension with Pay

Suspension with pay must be supported by the written opinion of the attorney for the governmental unit stating that the suspension is in accordance with all federal laws and regulations, and state laws, including IC 35-44.1-1-3, and a properly enacted Home Rule ordinance or resolution, as applicable.

Timely Recordkeeping

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law.

Transaction Recording

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit.

Travel Policy

Each governmental unit should adopt a written travel policy in conformity with applicable statutes.

Reimbursement for lodging and meals should be based upon actual receipts for amounts paid unless otherwise authorized by statute.

Trusts and Endowments

Each governmental unit is responsible for complying with any requirements of trust agreements or endowments received which are not contrary to state statute or constitutional provisions.

Various Accounting Guides, Manuals and Other Publications

Compliance is required, as applicable, with generally accepted accounting principles, and standards issued by the Governmental Accounting Standards Board, Financial Accounting Standards Board, and other standards setting bodies and also with various accounting guides, manuals and other publications.

Vending, Concessions or Other Sales Controls

Internal controls over vending operations, concessions or other sales should include, at a minimum, a regular reconcilement of the beginning inventory, purchases, distributions, items sold and ending inventory to the amount received. Any discrepancies noted should be immediately documented in writing to proper officials. The reconcilement should provide an accurate accounting.

Persons with access to vending should be properly designated and access should be limited to those designated.

Vending Machine Commissions and/or Profits

There should be a clearly defined procedure adopted by the governmental unit concerning placement, use, maintenance, and commissions and/or profits of vending machines on their property.

All revenues generated and costs incurred in operating vending machines located on the government premises should be accounted for through the governmental unit's records.

If vending machines are located in restricted areas (areas other than those available to the public) and if the governmental body and chief executive officer wish for those revenues to be restricted for the use and benefit of those employees who use the machines and generate the revenues, the State Board of Accounts takes no exception to such action in an audit. The decisions must be authorized by proper resolution or ordinance of the governing body.

If vending machines are located in areas where the public makes use of the machines and generates the resulting revenues, we advise officials to place the revenues in the general fund for the benefit of the general public, the machine users. Any alternative procedure should be authorized by resolution or ordinance of the governing body.

In the event personnel other than the governmental unit’s personnel maintain, stock, and clean up around vending machines, we take no audit exception when such persons are paid for these services. A written agreement should be entered into listing the services to be rendered, the amount to be paid for such services, timing of payments, and any other areas deemed necessary by the governmental unit.

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