

United Township Association Annual Meeting

INDIANAPOLIS

JUNE 9, 2016

STATE EXAMINER DIRECTIVE 2015-6

Materiality threshold for reporting irregular variances, losses, shortages, and thefts

- IC 5-11-1-27(j) requires material variances, losses, shortages, or thefts to be reported immediately to the state board of accounts.
- Each Township has the ability to set a threshold in which variances, losses, shortages, and thefts will be considered material. If they choose not to, then the threshold will be \$0.
- Examples of variances, losses, shortages, and thefts:
 - Cash Necessary to Balance
 - Differences in subsidiary and control accounts
 - Cash change funds
 - Theft from outside suspect

STATE EXAMINER DIRECTIVE 2015-6 (continued)

IC 5-11-1-27(I)

- Any actual knowledge or reasonable cause of misappropriation has to be reported in writing to SBOA and local prosecutor.
- Misappropriation occurs when an employee or in-house contractor wrongly takes or embezzles public funds.
- Thresholds do not ever apply to misappropriation.

How to report either a material variance or a misappropriation

- There is a notification link at the bottom of the Township page on the SBOA website.
- Email details to schools.townships@sboa.in.gov
- Call (317) 232-2513 and provide details to SBOA Director.

SBOA will evaluate information and make a decision whether the situation should be handled immediately through a special investigation or if it can wait until the next examination.

Mileage Reimbursements

IC 36-6-8-3(b) allows for the Trustee to be reimbursed for mileage at the state employee rate.

IN Department of Administration sent notification that the state employee mileage rate was being decreased to \$.36 per mile, effective February 22, 2016.

SBOA audit position that Township employees can not receive a fixed amount of travel. Mileage has to be a reimbursement based on actual mileage driven using a personal vehicle.

Mileage Claim Form 101 should be used as the supporting documentation for a mileage reimbursement check.

Official Bonds

IC 5-4-1-5.1

- Everyone in the Township that is required to get a bond must file it with the Trustee and the County Recorder within 10 days of issuance.
- The Trustee will be required to file a copy of the bonds with the SBOA through the Gateway Annual Financial Report.

IC 5-4-1-18

- Who is required to have a bond?
 - Trustee
 - Individuals who are employees or contractors whose official duties include receiving, processing, depositing, disbursing, or otherwise having access to public funds.
- Have the option to use a blanket bond or a crime insurance policy as long as it covers the faithful performance of the duties and is in aggregate of everyone required to be covered.
- Trustees must be bonded at \$30,000 per million dollars of receipts.
- Individuals must be bonded at an amount set by the Township Board and no less than \$5,000.

Public Law 126-2016,
Senate Enrolled Act 67
Local Income Tax Distributions
Adds IC 6-3.6-9-17
Effective upon passage

Subsection (h) states in part: “The amount received by a taxing unit that is not a county, city, or town shall be deposited in the taxing unit’s rainy day fund established under IC 36-1-8-5.1.

If a Township doesn’t have a Rainy Day fund, then they are required to establish one.

If a Township does not have sufficient appropriations in the Rainy Day fund to spend the distribution, then they would be required to request additional appropriations from the Department of Local Government Finance.

On spending restrictions would be those that were included by the Township Board in the Rainy Day establishing resolution.

Most Common Exceptions in Recent Reports

Township Board did not fix salaries for officials and employees.

- IC 36-6-6-10(b) says that the Township Board shall fix the salaries, wages, rates of hourly pay and remuneration other than statutory allowances; of all officers and employees of the Township.

Township did not provide documentation that reconcilements were performed monthly or reconcilements contained a number of errors.

- IC 5-13-6-1(e) says that all local 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.

Township Gateway Annual Financial Report did not agree with Township records.

- Chapter 2 of the Township Manual says that the Annual Financial report is an abstract report of the receipts and disbursements of the Township for a calendar year.

Officials did not certify they had not violated IC 36-1-20.2 (Nepotism) and IC 36-1-21 (Contracting with a Unit)

- IC 36-1-20.2-16 and IC 36-1-21-6 both say that each elected officer of the unit shall annually certify in writing, by December 31st, that the officer has not violated the chapter.

Contracts were not presented for cemetery care (mowing)

- Chapter 13 of the Township Manual says that payments made for contractual services should be supported by a written contract and that each unit is responsible for complying with the provisions of its contracts.

State Called Meetings per IC 5-11-14-1

For 2016 –

- Will be held September 21, 2016
 - Location – Sheraton Hotel and Suites, Keystone at the Crossing (Indy)
 - Times – Registration begins at 8:00 a.m.; Meeting from 9:00 a.m. to 4:00 p.m.

Planned for 2017 –

- Same meeting will be held at four locations throughout the state
 - January 25, 2017 in Columbus, IN
 - January 26, 2017 in Vincennes, IN
 - January 30, 2017 in Lafayette, IN
 - January 31, 2017 in Fort Wayne, IN
- More information will be include in the September 2016 Township Bulletin

Gateway Annual Financial Report (AFR) Risked Based Questions

1. How is the Township's ledger maintained? [Hand Posted or Computerized](#)
2. List the name of the banks where you have checking accounts.
3. Are bank account balances reconciled to the ledger balances on a monthly basis? [Yes/No](#)
- 3a. How frequently are bank account balances reconciled without any difference or variance?
[Most of the time/All the time](#)
4. Please upload a copy of the December 31st bank reconciliation, including outstanding check list and bank statement copy.
5. Does anyone review and approve the completed bank reconciliements? [Yes/No](#)
- 5a. List name and position of the person(s) reviewing the completed reconciliation.

Gateway Annual Financial Report (AFR) Risked Based Questions

6. Does the Township have any investments? [Yes/No](#)

6a. If yes, list the name(s) of the bank(s) where the investments are maintained.

7. Were deposits made by the 1st & the 15th of each month in accordance with IC 5-13-6-1(c)?
[Yes/No](#)

8. Is supporting documentation, such as paid receipts, invoices, etc. retained for all disbursements? [Yes/No](#)

9. Does the Township have a credit or debit card issued in the name of the Township? [Yes/No](#)

9a. If yes, has the Township Board approved a policy related to the use of the credit or debit card? [Yes/No](#)

9b. If yes, upload a copy of the credit or debit card policy.

9c. Are credit card statements or debit card transactions reviewed often for irregularities?
[Yes/No](#)

Gateway Annual Financial Report (AFR)

Risk Based Questions

10. Were any penalties, interest, finance charges for late payments, etc. paid during the assessment period? [Yes/No](#)

11. Were any disbursements, greater than \$50,000, made that meet the public purchasing requirements in IC 5-22-8-3 (quotes) or IC 5-22-7 (bids)? [Yes/No](#)

11a. If yes, list the item/project, lowest bidder and amount.

12. Were disbursement from any funds more than the Department of Local Government Finance (DLGF) approved appropriations for those respective funds? [Yes/No](#)

12a. List funds for which disbursements were greater than DLGF appropriations.

13. Did the Board fix the salaries, wages, and/or rates of pay for all employees? [Yes/No](#)

13a. If yes, please upload a copy of the Board fixed salaries, wages, and/or rates of pay.

Gateway Annual Financial Report (AFR) Risked Based Questions

14. Are all employees paid by properly authorized direct deposit or by check? [Yes/No](#)

15. Are taxes and other deductions promptly paid to the proper agencies? [Yes/No](#)

16. Has your Township established written and Board approved Township Assistance Standards in accordance with IC 12-20-5.5-1? [Yes/No](#)

17. Did you, as Trustee, provide Township Assistance to any of your family members? [Yes/No](#)

17a. List the name of the family members receiving assistance, relationship and amount of assistance provided.

18. Have items included as comment in the most recent State Board of Accounts review been adequately corrected? [Yes/No](#)

18a. If no, list the ones not corrected.

Internal Controls

IC 5-11-1-27

Intent:

- Promote government accountability and transparency
- Ensure all public officials and employees serve the people with responsibility, integrity, loyalty, and efficiency
- Assist governmental units in accomplishing their mission and objectives

Internal Controls (continued)

Resources for Reference

- SBOA Internal Controls Standards webpage
 - www.in.gov/sboa/5071.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

Internal Controls (continued)

Roles Assigned by Statute

- State Board of Accounts
 - Define and develop the acceptable minimum level of internal controls standards
 - Develop or designate approved personnel training materials
- Township Board (by June 30, 2016)
 - Ensure the minimum level of internal control standards are adopted
 - Ensure personnel receive training concerning the internal control standards and procedures that were adopted by the Board
- Trustee (in Gateway AFR in 2017)
 - Certify that the minimum level of internal control standards have been adopted by the Board
 - Certify that personnel have received the required training on the standards and procedures

Internal Controls (continued)

What happens if you are in noncompliance with the statute?

- After June 30, 2016, SBOA **will**
 - Issue a comment in the audit report
 - If during the second review period, you still have not complied, you will have 60 days to comply and let us know
 - If you still don't, we will notify the DLGF and they will not approve a budget or additional appropriations until you comply

Internal Controls (continued)

What is Internal Control?

- A conceptual process that is applied to a wide range of situations in a wide range of environments
- A process executed by officials and employees that is designed to provide reasonable assurance that the objective of the political subdivision will be achieved
- Includes the reduction of risk association with fraud as well as a safeguard of resources against loss due to waste, abuse, mismanagement, or errors
- It is a basic element fundamental to the organization, rather than a list of added on tasks
- It is a check and balance system over operations, promoting operational effectiveness and efficiency
- It is focused on the achievement of objectives
- It is dependent on official and employees for effective implementation
- **A system that produces reliable financial and management data**
- It ensures accuracy and timeliness in reporting
- It promotes compliance with laws

Internal Controls (continued)

Components of Internal Controls

- Control Environment
 - 'Tone at the top'
- Risk Assessment
 - Where could things go wrong?
- Control Activities
 - Actual procedures performed
- Information and Communication
 - 2 Way
- Monitoring
 - Continuous process

Internal Controls (continued)

Segregation of Duties

- Integral part of Internal Controls
- How?!?!?!
 - Get Creative!
 - Integrate review process by your Board
 - Solicit the help of neighboring Trustees (or other local governmental officials)



2016 Legislative Changes

Public Law 208-2016
Senate Enrolled Act 126
Political Subdivision Information on the Internet
Amends IC 5-14-3.7-3; IC 5-14-3.8-3; and Adds IC 5-14-3.9
Effective July 1, 2016

Requires local government to provide information for posting on the Indiana transparency Internet web site as following: (1) Expenditures categorized by personal services, other operating expenses or total operating expenses, and debt service, including lease payments, related to accumulation of money for future capital needs. Requires the DLGF after July 31, 2017, to publish an annual financial and operational summary of each political subdivision on the transparency web site. Requires a political subdivision that has a public Internet web site to publish a link to the transparency web site. Requires the DLGF to determine the summary's form, content, and publishing dates.

Public Law 134-2016
Senate Enrolled Act 217
Township Assistance Payment of Electric Bills
Amends IC 12-20-20-1 ; and Adds IC 12-20-16-3.5
Effective July 1, 2016

Allows the township trustee to deposit township assistance funds in an account of a township assistance recipient with an electric service provider for prepaid electric service. Excludes investor owned utilities from the definition of “electric service provider.” Provides that the provider holds the township assistance funds as a fiduciary for the township trustee. Established deadlines for the provider to remit township assistance funds to the township trustee if: (1) the township trustee demands remittance of any township assistance funds remaining in the recipient’s account; or (2) the recipient’s account with the provider is terminated. Requires the provider to provide a monthly accounting statement to the township trustee of any remaining balances of township assistance funds that are held by, expended by, or deposited with the provider.

Public Law 184-2016
Senate Enrolled Act 321
Local Government Budgeting
Amends and Adds numerous sections of IC 6-1.1 and IC 36-1
Effective July 1, 2016

Provides that for each budget year after 2018, the department of local government finance (DLGF) shall certify a political subdivision's budget, tax rate, and tax levy not later than: (1) December 31 of the year preceding the budget year, unless a taxing unit in a county is issuing debt after December 1 in the year preceding the budget year or intends to file a shortfall appeal; or (2) January 15 of the budget year, if a taxing unit in a county is issuing debt after December 1 in the year preceding the budget year or intends to file a shortfall appeal. (Under current law, these certifications must be completed not later than February 15 of the budget year.) Retains the November 1 deadline for a political subdivision to adopt a budget for the following year....

Public Law 142-2016
Senate Enrolled Act 142
Transparency Portal
Adds IC 5-14-3.8-3.5
Effective July 1, 2016

Requires a political subdivision to upload certain contracts to the Indiana transparency Internet web site during each year that the contract amount payable by the political subdivision for the year exceeds the lesser of: (1) 10% of the political subdivision's property tax levy; or (2) \$50,000.

Contract must be uploaded within 60 days after it is executed.

Public Law 147-2016

House Enrolled Act 1017

Publication of Notice by Political Subdivisions

Amends IC 5-3-1-1; IC 5-3-1-1.5; IC 5-3-1-2; IC 5-3-1-4; IC 9-22-1-23; IC 16-8-2-301; IC 20-48-4-2; IC 36-12-5-3; and Adds IC 5-3-1-0.2

Effective July 1, 2016

Provides that in certain circumstances, a political subdivision (other than a county) may publish notice in a locality newspaper that circulates in the political subdivision instead of in a newspaper that is published in the county and circulates in the political subdivision. Establishes requirements for locality newspapers that may publish notice.

Public Law 188-2016
House Enrolled Act 1372
Public Personnel Bonds and State Board of Accounts
Amends IC 5-11-5-1 and IC 20-26-4-5
Effective July 1, 2016

Amends the law requiring surety bonds for certain individuals having public fiscal responsibilities to: (3) set threshold amounts of public funds for which a bond is required; Allows, rather than requires, the commissioner of insurance to prescribe the form of public official surety bonds and crime insurance policies. Allows, in certain circumstances, the state examiner to issue an examination final report less than 45 days after an initial exit conference. Allows certain individuals who receive state board of accounts records to divulge the records in an action with respect to the misappropriation or diversion of public funds.

Additional Public Laws passed that could impact Townships:

Public Law 120-2016, Senate Enrolled Act 20 – Workforce Policies

Public Law 121-2016, Senate Enrolled Act 21 – Obsolete Statutes

Public Law 122-2016, Senate Enrolled Act 23 – Technical Corrections

Public Law 144-2016, Senate Enrolled Act 375 – Prequalification for Public Works Projects

Public Law 60-2016, House Enrolled Act 1035 – Code Revision Corrections

Public Law 149-2016, House Enrolled Act 1036 – Technical Corrections

Public Law 150-2016, House Enrolled Act 1053 – Regulation of Packaging Materials

Public Law 68-2016, House Enrolled Act 1090 – Local Emergency Planning Committees

Public Law 203-2016, House Enrolled Act 1273 – Various Property Tax Matters

Options for Providing Fire Protection

IC 36-8-13-3(a)

- (1) Have your own Fire Department
- (2) Contract with municipality
- (3) Cooperate with a municipality
 - IC 36-8-11: Fire Protection Districts
 - IC 36-8-19: Fire Protection Territories
- (4) Contract with a Volunteer Fire Department where Township provides equipment
- (5) Contract with a Volunteer Fire Department that maintains their own equipment

Fire Protection District

IC 36-8-11

- Includes one or more municipalities (Township, town, etc.)
- County Legislative body appoints board
- May levy taxes
- Must have budget approved by DLGF
- Must file Gateway AFR

Separate Entity

Fire Protection Territory

IC 36-8-19

- 2 or more contiguous units may establish by passing identical resolutions
 - Must outline provider unit and all participating units
- Provider unit establishes Fire Territory Fund within their records
- Provider unit establishes tax levy and that is considered to be part of each participating unit's budget

NOT a separate entity

Contracting with Volunteer Fire Department

Follow your contract

Cumulative Fire Fund

- Has to be used for buildings, land, and/or equipment
- If you want to have the VFD be able to use your Cum Fire Fund funds, have them sign an agreement that they understand the required uses of the fund (IC 36-8-14-2) and that is what they will use the funds for

Buying Equipment

- You can buy it and title it yourself, or transfer [IC 36-1-11-5.7] it to the VFD, either way is fine, but we suggest keeping it as twp property

Loan for Fire and Emergency Services [IC 36-6-6-14]

Board can authorize Trustee to borrow a specific amount of money

- No more than 3 times in a 5 year period

Can be borrowed from another Township fund

- At its next annual session, the Board shall cover the debt created by making a levy to the fund borrowed from