

# End of Year Duties

- Cancellation of Warrants
- Encumbered Appropriations
- Appropriation Transfers
- Names & Addresses to County Treasurer
- Local Road & Street Annual Operational Report



## INTERNAL CONTROLS REFRESHER FOR YEAR-END



## Materiality Threshold

## INDOT Community Crossings Matching Grant



## Year-End Duties:

### Cancellation of Warrants – Old Outstanding Checks

IC 5-11-10.5 : All checks outstanding and unpaid for a period 2 years as of December 31 of each year shall be declared cancelled.

#### **Example – At December 31, 2016;**

Check #1234 was written on February 27, 2014 and has not cleared the bank and is on the outstanding check list. At 12/31/16, it would be considered “cancelled”.

Check #9876 was written on November 2, 2015 and has not cleared the bank and is on the outstanding check list. At 12/31/16, this check would *not* be considered “cancelled” and should remain on the outstanding check list.

## Year-End Duties:

Not later than March 1 of each year, the fiscal officer shall prepare a list of all checks outstanding for 2 or more years as of December 31.

- One copy of the list prepared is filed with Council.
- The fiscal officer keeps a copy.

The “old” checks are entered as a receipt back to the city/town ledgers to the fund or funds from which they were originally drawn. The checks are then removed from the outstanding check list.

If the fund from which the check was originally drawn is not known or cannot be ascertained, the amount of the outstanding check shall be receipted into the city/town general fund

## Year-End Duties:

### Encumbered Appropriations:

Those items under *purchase order* or *contract* are to be added for each appropriation account and the total carried to the new 2017 corresponding account.

The actual unpaid amount of the purchase orders or contracts should be totaled and shown as a separate amount on the appropriation ledger for 2017 (with proper explanation) and added to the 2017 appropriation for the same purpose.



## Year-End Duties:

### Encumbered Appropriations:

By carrying out this procedure, the 2017 budget will not be excepted to stand any expense not anticipated in making the budget.

We recommend:

- *the proper city/town officials make a listing of these encumbered items*
- *make it a part of their minutes in their last business meeting of the year*

Keep in mind the appropriations encumbered and carried forward can be used for no other purpose other than the purchase order or contract for which they were appropriated.

## Year-End Duties:



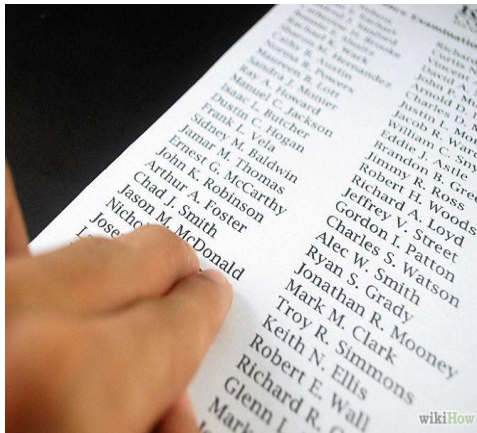
### Appropriation Transfer:

Indiana Code 6-1.1-18-6 provides for transfers of appropriations:

Transfers from one major budget classification to another within a department or office if:

- (1) they determine that the transfer is necessary;
- (2) the transfer does not require the expenditure of more money than the total amount set out in the budget as finally determined under this article; and
- (3) the transfer is made at a regular public meeting and by proper ordinance **or** resolution.
- (4) Such a transfer can be made without notice and without approval of DLGF

## Year-End Duties:



### Names & Addresses to County Treasurer:

On or before June 1 and December 1 of each year, the disbursing officer of each political subdivision shall certify the

- name and
- address

of each person who has money due the person from the political subdivision to the county treasurer.

Upon the receipt of this information, the county treasurer shall search the records to ascertain if any person so certified is delinquent in the payment of property taxes. [IC 6-1.1-22-14]

## Year-End Duties:

### Names & Addresses to County Treasurer:

If the county treasurer finds that a person whose name is certified to him is delinquent in the payment of taxes, the treasurer shall certify the name of that person and the amount of delinquency to the official of the political subdivision who is to make payment to the person.

The disbursing officer *shall* periodically make deductions from money due the person and shall pay the amount of these deductions to the county treasurer. (our emphasis)

[IC 6-1.1-22-15]



## Year-End Duties:

### Annual Operational Report – Local Road & Street Operations:

Indiana Code 8-17-4.1 requires an operational report to be prepared by all cities and towns having a population of 20,000 or more with road and street responsibilities. The report shall list all receipts and disbursements related to the municipality's road and street system made from any of the municipal funds.



## Year-End Duties:

### Annual Operational Report – Local Road & Street Operations:

A copy of the Annual Operations Report shall be filed with the State Board of Accounts, Council, Local Technical Assistance Program (LTAP) through Purdue University, and the Planning Division of the State Department of Transportation by June 1 of the year next following the operational report year.

The Annual Operational Report shall be prepared and filed on City and Town Form Number 225.

State Form 34425 (8-15)  
Prescribed by State Board of Accounts

City and Town Form Number 225  
County Form Number 15

LAPORTE COUNTY, INDIANA

CITY OF MICHIGAN CITY  
(City or Town) (Name of City)  
(City and Town Form 225 Only)

ANNUAL OPERATIONAL REPORT  
FOR LOCAL ROADS AND STREETS  
(C 8-174.1)

FOR THE YEAR ENDED  
DECEMBER 31, 2015

## Year-End Duties:

### Electronic Forms ▾

[Contractor's Bid for Public Work \(Form 96\)](#)

[Petition for Waiver or Reduction of Property Taxes Against a Brownfield - County Form 137BR](#)

[Highway \(Local Road and Street\) Annual Report](#)

[Instructions for the Highway Annual Report](#)

Find Form 225 on our website ([www.in.gov/sboa](http://www.in.gov/sboa)) under:

- Political Subdivisions
- Choosing your appropriate political subdivision (city or town)
- Electronic Forms

**Year-End Duties:*****Internal Controls Refresher***

Indiana Code 5-11-1-27(g)

“After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- 1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and**
- 2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision.”**

**Year-End Duties:*****Internal Controls Refresher***

Indiana Code 5-11-1-27(c) defines “personnel”:

*“As used in this section, "personnel" means an officer or employee of a political subdivision whose official duties include receiving, processing, depositing, disbursing, or otherwise having access to funds that belong to the federal government, state government, a political subdivision, or another governmental entity.”*

**Year-End Duties:*****Internal Controls Refresher***

Indiana Code 5-11-1-27(h)

After June 30, 2016, the fiscal officer of a political subdivision shall certify in writing that:

- (1) the minimum internal control standards and procedures defined under subsection (e) have been adopted by the political subdivision; and
- (2) personnel, who are not otherwise on leave status, have received training as required by subsection (g)(2).

**Year-End Duties:*****Internal Controls Refresher***

Indiana Code 5-11-1-27(h) *continued:*

“. . . The certification shall be filed with the state board of accounts at the same time as the annual financial report required by section 4(a) of this chapter is filed. The certification shall be filed electronically in the manner prescribed under IC 5-14-3.8-7.”




## Five components of internal control

The five components of internal control as described in the COSO framework are as follows:



- Monitoring
- Information and Communication
- Control Activities
- Risk Assessment
- Control Environment



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM 6108  
INDIANAPOLIS, INDIANA 46204-2785  
Telephone: (317) 232-2513  
Fax: (317) 232-0711  
Web Site: www.sba.gov/india

**AMENDED STATE EXAMINER DIRECTIVE 2015-6**

Date: April 7, 2016

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

Authority: Ind. Code § 5-11-1-10; Ind. Code § 5-11-1-21; Ind. Code § 5-11-1-27

Application: This Directive applies to all political subdivisions

From: Paul D. Joyce, CPA, State Examiner

For purposes of this directive, "political subdivision" means all counties, townships, cities, towns, school corporations, library districts, fire protection districts, public transportation corporations, local hospital authorities or corporations, local airport authority districts, special service districts, special taxing districts, and other separate local governmental entities that may use and be sued. Ind. Code § 5-11-1-27(d); Ind. Code § 5-11-10.5-1.

Indiana Code § 5-11-1-27(i) states:

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;
- (2) determine the internal control weakness that contributed to or caused the condition; and
- (3) make written recommendations to the appropriate legislative body or appropriate official overseeing the internal control system addressing:
  - (A) the method of correcting the condition; and
  - (B) the necessary internal control policies and internal control procedures that must be modified to prevent a recurrence of the condition.

A. Materiality Threshold for Political Subdivisions.

In general, each political subdivision must develop their own policy on materiality because the causes of irregular variances, losses, shortages, and thefts are as broad and varied as the political subdivisions in which the incidents occur. For example, a \$500 variance in Fort Wayne is not necessarily as concerning

**Materiality Threshold  
For  
Reporting Irregular  
Variances, Losses,  
Shortages,  
And  
Thefts**

**Materiality Threshold:**

- Required by IC 5-11-1-27(j)
- All erroneous or irregular material variances, losses, shortages, or thefts of funds or property shall be reported to the State Board of Accounts.
- State Board of Accounts will:
  - determine the amount of funds involved and report to the appropriate officials
  - determine the internal control weakness that contributed or caused the condition
  - make written recommendations addressing the method for correcting the condition
  - necessary internal control policies or procedures that need modification to prevent recurrence of the condition.

**Materiality Threshold:**

**In general, each unit must develop their own policy on materiality because the types and causes of variances are broad and varied.**

- ***a \$500 variance at a small town might be material***
- ***a \$500 variance at a larger city might not be material***
- ***a \$500 variance that occurs every Friday might be material***

**“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:**

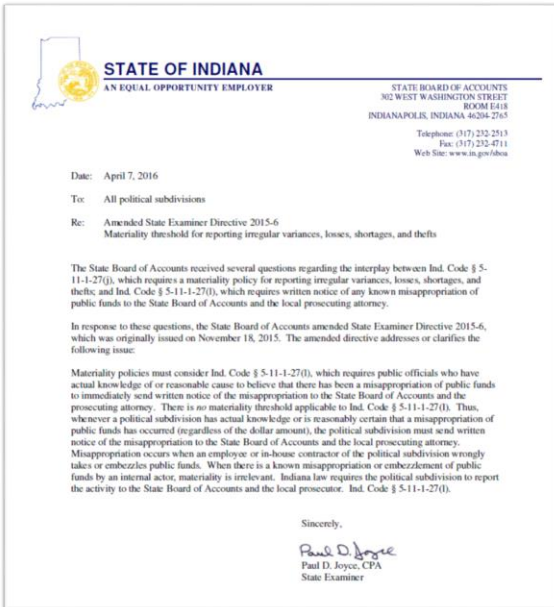
- **information obtained as a result of a police report;**
- **an internal audit finding; or**
- **another source indicating that a misappropriation has occurred;**



**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.” IC 5-11-1-27(l)**

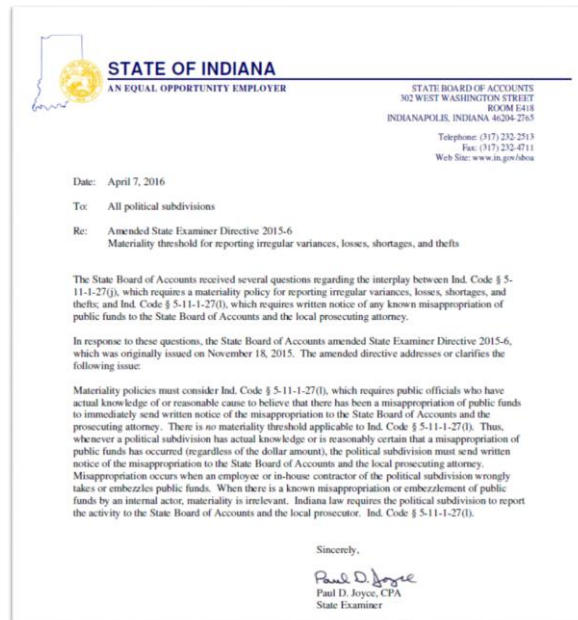


- There is no materiality threshold when it comes to known theft or misappropriation – all such instances are required to be reported “immediately” in writing to both the State Board of Accounts and the local prosecuting attorney.
- Misappropriation occurs when an employee or in-house contractor of the political subdivision wrongly takes or embezzles public funds.



Copy of State Examiner Directive 2015-6:  
[http://www.in.gov/sboa/files/Directive\\_2015-6.pdf](http://www.in.gov/sboa/files/Directive_2015-6.pdf)

Memo 4/7/2016 regarding Directive 2015-6



## INDOT Community Crossings Grant



Under IC 8-23-30-3, a local unit is eligible to apply to INDOT for a grant from the Local Road and Bridge Matching Grant Fund if the City/Town committed to a local match from one (1) or more of the following:

- Revenue attributable to an increase, after June 30, 2016, in the local unit's motor vehicle excise surtax or wheel tax rate under IC 6-3.5.
- Money received by the local unit as a special distribution of local income taxes under IC 6-3.6-9-17.
- Money in the local unit's rainy day fund under IC 36-1-8-5.1.

## INDOT Community Crossings Grant



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WALSH STREET  
ROOM 614  
INDIANAPOLIS, IN 46204-0626-2501  
Telephone: (317) 232-2263  
Fax: (317) 232-4711  
Web Site: www.sboa.in.gov

**MEMORANDUM**

**TO:** County Auditors, City Controllers, and Clerk-Treasurers

**FROM:** Paul D Joyce, CPA, State Examiner  
State Board of Accounts (SBOA)

Courtney Schafnits, Commissioner  
Department of Local Government Finance (DLGF)

Brandie Hendrickson, Commissioner  
Department of Transportation (INDOT)

Kent Abernathy, Commissioner  
Bureau of Motor Vehicles (BMV)

**RE:** Local Match for the Local Road and Bridge Matching Grant Fund

**DATE:** June 9, 2016

This joint memorandum is intended to address three issues regarding the local match required for a grant from the Local Road and Bridge Matching Grant Fund, established by HIA 1001-2016. The three issues addressed are as follows:

1. Use of Existing Road Funds for Matching Grants
  - a. **ISSUE:** Whether a local unit may use existing road funds (i.e., including motor vehicle highway (MVH) tax revenues, local road and street (LRS) tax revenues, wheel and surtax revenue, and major moves funds) to cover the local match required by IC 8-23-30-3(2).
  - b. **ANSWER:** SBOA has determined that these existing road funds may be used as local matching funds in applying for grants from the Local Road and Bridge Matching Grant Fund if the funds are transferred to the unit's rainy day fund in accordance with the requirements set forth by SBOA.

Page 1 of 6

### Main points from 6/9/16 memo:

**Whether a local unit may use existing road funds (i.e., including motor vehicle highway (MVH) tax revenues, local road and street (LRS) tax revenues, wheel and surtax revenue, and major moves funds) to cover the local match required by IC 8-23-30-3(2).**

## INDOT Community Crossings Grant



It is the audit position of SBOA that the restricted uses of other road funding that come from distributions for motor vehicle highway (MVH), local road and street (LRS), wheel, surtax and major moves funds generally meet the purposes of the Local Road and Bridge Matching Grant Fund. **Therefore existing MVH, LRS, wheel tax and surtax, and major moves funds may be used as matching funds for grants from the Local Road and Bridge Matching Grant Fund.** If existing funds are used, those funds shall be transferred to a restricted Rainy Day Fund.

## INDOT Community Crossings Grant



- The memo gave instructions on fund numbers and titles to be used

*Fund 263 – “Restricted Rainy Day – MVH” for transfers from MVH*

- Once the application process was completed and INDOT made awards to local communities, the question became how to account for the grant. The memo states:

*“The grant itself should be treated as any other grant by setting up a separate state grant fund entitled Local Road and Bridge Matching Grant Fund. Any matches to the grant should be transferred to this fund.”*