

# The Importance of Local Policies

State board of Accounts

## Local Policies Alcohol Purchases

- The governing body of a unit must have a written policy concerning the purchase of alcohol using public funds. This policy must address the exact situations in which alcohol can be purchased and outline any liability issues that may arise with using public funds to purchase alcohol.

## Local Policies Bad Debts and Uncollectible Accounts

- ▶ The governing body of a unit must have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balance.
- ▶ Documentation must exist for all efforts made by the unit to collect amounts owed prior to any write-offs.
- ▶ Write-offs or adjustments to records which are not documented or warranted may be the personal obligation of the responsible official or employee.

## Local Policies Bad Debts and Uncollectible Accounts

- ▶ Rate Ordinance      IC 8-1.5-3-8
- ▶ Water Utility      Local Policy or IURC rules if applicable
- ▶ Electric Utility      Local Policy or IURC rules if applicable
- ▶ Gas Utility      Local Policy or IURC rules if applicable
- ▶ Storm Water Utility      IC 8-1.5-5
- ▶ Sewage Utility      IC 36-9-23
  - ▶ IC 36-9-23-33(m) board may write off fee or penalty less than \$200
- ▶ Trash Services      Local Policy or IC 36-9-23 if in rate ordinance

## Local Policies Capital Assets

- Policies
  - Capitalization Threshold
  - Assets which do not meet the Capitalization Threshold
  - Assignment of Estimated Useful Life
  - Depreciation Method
  - Inventory
- Capital Assets Ledger, Form 369
  - Categorize type of Asset
  - Record every purchase of assets which meet threshold
  - Record disposal of assets

## Local Policies Capital Assets Ledger

**CAPITAL ASSETS LEDGER**

General Form No. 369 (Rev. 2019)

FUND \_\_\_\_\_

DEPARTMENT OR BUILDING \_\_\_\_\_

| Date of Purchase | Description of Asset | Serial Number | Location of Asset | Original Cost of Asset | Estimated Life of Asset | Date of Disposal of Capital Asset | Amount Received on Disposal or Trade In | Types of Capital Assets |                |           |                                   |                                |                          | Total Capital Assets |                 |
|------------------|----------------------|---------------|-------------------|------------------------|-------------------------|-----------------------------------|---|-------------------------|----------------|-----------|-----------------------------------|--------------------------------|--------------------------|----------------------|-----------------|
|                  |                      |               |                   |                        |                         |                                   |   | Land                    | Infrastructure | Buildings | Improvements Other Than Buildings | Machinery Equipment & Vehicles | Construction in Progress |                      | Books and Other |
| 1                |                      |               |                   |                        |                         |                                   |   |                         |                |           |                                   |                                |                          |                      |                 |
| 2                |                      |               |                   |                        |                         |                                   |   |                         |                |           |                                   |                                |                          |                      |                 |
| 3                |                      |               |                   |                        |                         |                                   |   |                         |                |           |                                   |                                |                          |                      |                 |
| 4                |                      |               |                   |                        |                         |                                   |   |                         |                |           |                                   |                                |                          |                      |                 |
| 5                |                      |               |                   |                        |                         |                                   |   |                         |                |           |                                   |                                |                          |                      |                 |
| 6                |                      |               |                   |                        |                         |                                   |   |                         |                |           |                                   |                                |                          |                      |                 |
| 7                |                      |               |                   |                        |                         |                                   |   |                         |                |           |                                   |                                |                          |                      |                 |

## Local Policies

### Contracting with a Unit - IC 36-1-21

Effective July 1, 2012, all units are required to have a 'Contracting with a Unit' policy. This policy must discuss a unit contracting with the relative of an elected official. The statute provides requirements, such as filing a conflict of interest disclosure, but the unit can adopt more stringent requirements.

- ▶ March 2016 Cities and Towns Bulletin
- ▶ Resolution or Ordinance
- ▶ Upload into Gateway
- ▶ Necessary for approval of budget by DLGF

## Local Policies

### Credit Cards

- ▶ The governing body must authorize credit card use through an **ordinance**.
- ▶ The **purposes** for which the credit card may be used must be specifically stated in the ordinance.
- ▶ Issuance and use must be handled by an official or employee **designated** by the governing body.
- ▶ If authorized in the ordinance, an **annual fee** may be paid.



## Local Policies Credit Cards (continued)

- When the purpose for which the credit card has been issued has been accomplished, the card must be returned to the custody of the responsible person.



## Local Policies Credit Cards (continued)

- The designated responsible official or employee must 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.

## Local Policies Credit Cards (continued)

- ▶ **Credit cards must 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 body and other officials with timely and accurate accounting information and monitoring of the accounting system.
- ▶ **Payment cannot be made on the basis of a statement or a credit card slip only.** Procedures for payments must 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 may be the personal obligation of the responsible officer or employee.

## Local Policies Credit Cards (continued)

- ▶ Best Practices –
  - ▶ [http://www.in.gov/sboa/files/Best\\_Practices\\_Credit\\_cards.pdf](http://www.in.gov/sboa/files/Best_Practices_Credit_cards.pdf)

Authorization  
Controls  
Risk  
Reconciliation of Records

## Local Policies Debit and Procurement Cards

- ▶ Similar criteria to Credit Cards
- ▶ Special Considerations for Claims Process - IC 5-11-10-1.6
- ▶ Internal Controls
- ▶ Payment Prior to Board Approval
  - ▶ Cities IC 36-4-8-14
  - ▶ Towns IC 36-5-4-12

## Local Policies Internal Controls – IC 5-11-1-27

- ▶ 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.
- ▶ March 2016 Cities and Towns Bulletin

## Local Policies Investments Policy

- IC 5-13-9-5.7
  - Investment Policy
  - Ordinance authorizing investments with a stated final maturity of more than two years but not more than five years

## Local Policies Leave and Overtime Policy

Each unit must 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 body would be considered as written policy. The policy must conform to the requirements of all state and federal regulatory agencies.

IC 5-10-6-1 - Ordinance required

Special Considerations for Police and Fire

### Authoritative Agencies

Indiana Department of Labor

US Department of Labor

Indiana Department of Revenue

Internal Revenue Service





## Local Policies Leave and Overtime – Prescribed Form 99A

- ▶ This form must be kept by each office or department for each employee in order to properly prepare "Payroll Schedule and Voucher, General Form No. 99." It records the hours or days worked, sick leave, vacation and days lost. It may also be used to comply with the requirements of IC 5-11-9-4 regarding recording hours worked each day by an employee.



## Local Policies Materiality Threshold

- ▶ IC 5-11-1-27
- ▶ This statute requires a unit report to the SBOA all material variances, losses, shortages, or thefts. Through State Examiner Directive 2015-6, the State Examiner has required that each unit adopt their own materiality threshold for the purposes of this statute
- ▶ State Examiner Directive [http://www.in.gov/sboa/files/Directive\\_2015-6.pdf](http://www.in.gov/sboa/files/Directive_2015-6.pdf)
- ▶ If no materiality threshold is adopted by the governing body, the threshold is automatically zero.

## Local Policies Materiality Threshold Considerations

- 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.
- Establishment of two dollar thresholds at which point the designated person will report the incident to the State Board of Accounts.
  - Incidents involving cash
  - Incidents involving all other (non-cash) assets

## Local Policies Materiality Threshold Considerations

- Creation of an outline of steps that will be taken upon receipt of such a report. Such steps may include:
  - logging-in all reports into a spreadsheet that is permanently maintained by the political subdivision;
  - confirming the dollar amount of the variance, loss, shortage, or theft;
  - evaluating the report against the established dollar thresholds, and sending a letter to the SBOA when the report exceeds the threshold;
  - investigating the cause of any variance, loss, shortage, or theft;
  - implementing corrective actions or internal control procedures to correct the cause(s) of the variance, loss, shortage, or theft; and
  - maintaining copies of relevant documentation, resolution of incidents, and any report to the State Board of Accounts in a centralized data folder



## Local Policies Materiality Threshold – MISAPPROPRATION

- ▶ Indiana Code § 5-11-1-27(l) 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](#).
- ▶ The materiality threshold does not apply to misappropriation of funds



## Local Policies Nepotism – IC 36-1-20.2

- ▶ Effective July 1, 2012, all units are required to have a 'Nepotism' policy. This policy must discuss the employment of relatives. This statute provides requirements, but the unit can adopt more stringent requirements.
- ▶ March 2016 Cities and Towns Bulletin
- ▶ Resolution or Ordinance
- ▶ Upload into Gateway
- ▶ Necessary for approval of budget by DLGF



## Local Policies Personal Property Use

- ▶ Assets of the unit may not be used in a manner unrelated to the functions and purposes of the unit.
- ▶ Each unit must have policies in place governing the use and safekeeping of assets. This should include the use of logs, i.e. vehicle use, and de minimis use as appropriate.



## Local Policies Procurement Policy

- ▶ 2 CFR 200.318
- ▶ Each unit that accepts federal money must comply with 2 CFR 300.318 which requires each unit have their own documented procurement procedures.

## Local Policies

### Small Purchases Policy

- ▶ IC 5-22-8-2:
  - ▶ "(a) This section applies only if the purchasing agent expects the purchase to be less than fifty thousand dollars (\$50,000).
  - ▶ (b) A purchasing agent may make a purchase under small purchase policies established by the purchasing agency or under rules adopted by the governmental body."
- ▶ Best Practices
  - ▶ [http://www.in.gov/sboa/files/Best\\_Practices\\_SMALL\\_PURCHASES.pdf](http://www.in.gov/sboa/files/Best_Practices_SMALL_PURCHASES.pdf)

## Local Policies

### Travel Policy

- ▶ Each unit must adopt a written travel policy in conformity with applicable laws. Reimbursement for lodging and meals must be based upon actual receipts for amounts paid unless otherwise authorized by law.
- ▶ March 2016 Cities and Towns Bulletin

Contact Information



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