

STATE BOARD OF  
ACCOUNTS





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## PAUL D. JOYCE, CPA STATE EXAMINER

Indiana's State Examiner and the agency head for the State Board of Accounts, Paul Joyce coordinates and manages the post-audits and examinations of over 4,000 state and local governmental entities in Indiana.



# Audit of Federal Awards

November 2025 ILMCT Virtual I & A

# Schedule of Expenditures of Federal Awards

- Completed within the Annual Financial Report
- Required to enter the following information:
  - Local project name
  - Federal program title
  - Federal agency name
  - Pass through agency
  - Assistance Listing Number
  - Award name
  - Award number
  - Grant (Advance, Reimbursement)
  - Local fund number & name
  - Receipts
  - Disbursements
  - Amt. provided to sub-recipients
  - Amt. of loans outstanding
  - Amt. of Federal noncash assistance
  - Amt. of Insurance

# Single Audit and Low-Risk Auditee

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Single Audit Required when \$1 million in federal awards is expended in the fiscal year

Determining whether Auditee is Low-Risk (2 CFR 200.520)



# Major Program Determination

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Determining Type A and Type B awards



Identifying Low-Risk Type A programs



Identifying High-Risk Type B programs



Evaluating which awards will be major programs



Paul D. Joyce, CPA  
State Examiner

# Financial Management Requirements

## ○ 2 CFR 200.302(b)

### 1. Identifying all federal awards received

- This is reported on the SEFA through input grant information within the AFR

### 2. Disclosure of financial results of each Federal award

- Reported on the Data Collection Form. The SBOA uploads the information for all the grants, identifying major programs, and all control deficiencies and findings associated with the major programs. This is based on your federal audit report.

### 3. Supporting Records

- Records maintained and support for the federal grant. This would be financial ledgers, claims, receipts, contracts, and all other supporting documentation.

### 4. Effective internal controls

- Internal Control policies and procedures.

# Financial Management Requirements, continued

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- 2 CFR 200.302(b)
  - 5. Comparison of budget & expenditures
    - Making sure the city or town is not spending over the budget.
  - 6. Written procedure for federal payment
    - These are written procedures to implement the requirements of 2 CFR 200.305 which is part of cash management and has to do with minimizing the time elapsing from receiving and spending a federal advance award.
  - 7. Written procedure for determining allowable costs
    - This is an allowable cost policy. This policy should not be a copy of CFR's that are required to be followed, as they are already required to be followed and a policy does not impact that. This policy should assign responsibility and detail out how the city or town is determining compliance with 2 CFR 200.403



# Financial Management, continued

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## ○ 7.2 CFR 200.403 Continued:

Which requires costs to meet the following criteria:

- Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.

# Financial Management, continued

## 7. 2 CFR 200.403 continued:

- Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also [§ 200.306\(b\)](#).
- Be adequately documented. See also [§§ 200.300](#) through [200.309 of this part](#).
- Cost must be incurred during the approved budget period. The Federal awarding agency is authorized, at its discretion, to waive prior written approvals to carry forward unobligated balances to subsequent budget periods pursuant to [§ 200.308\(e\)\(3\)](#).

The city/town needs to address all of these outlined in 2 CFR 200.403 within the overall procedures and departmental procedures in place, this can be done several ways but it is required to be a written policy and will be asked for during the audit.

# Compliance Supplement

- <https://www.fac.gov/assets/compliance/2024-Compliance-Supplement.pdf>
- ALN #21.027 State and Local Fiscal Recovery Funds (SLFRF)

A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment and Real Property Management	Matching, Level of Effort, Earmarking	Period Of Performance	Procurement and Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	N	N	N	Y	Y	Y	N	Y	Y	N

# Internal Controls

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- Communication on what controls have been put into place and what documentation to look for
- City/Town should provide written policies at this time including but not limited to:
  - Allowable Cost Policy
  - Procurement Policy

# Activities Allowed or Unallowed

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- Unique to each federal program
- Found in federal statutes, regulations, and the terms and conditions of the award
- Audit Objectives:
  - Internal Controls
  - Compliance

# Allowable Costs / Cost Principles

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- 2 CFR Part 200, Subpart E outlines the cost principles applicable to all federal awards
- Audit Objectives:
  - Internal Controls
  - Directs costs allowable and consistently treated
  - Indirect costs rates appropriate



# Cash Management

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- 2 CFR 200.305 Federal Payment
- Audit Objectives:
  - Internal Controls
  - For Advance Awards – Test to verify time is minimized between drawing and disbursing
    - ✓ Written policy required
  - For Reimbursement Awards – Test to verify costs were paid prior to the date of reimbursement request.
  - Testing payments to subrecipients

# Eligibility

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- Unique to each federal program
- Found in federal statutes, regulations, and the terms and conditions of the award
- Audit Objectives:
  - Internal Controls
  - Compliance with Eligibility Determinations

# Equipment / Real Property Management

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- 2 CFR 200 Subpart D – Property Standards
  - 200.311 Real Property
  - 200.313 Equipment
- Audit Objectives:
  - Internal Control
  - Equipment maintained and Safeguarded
  - Disposition of Equipment / Real Property

# Matching, Level of Effort, Earmarking

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- Unique to each federal program
- Found in federal statutes, regulations, and the terms and conditions of the award
- Audit Objectives:
  - Internal Controls
  - Matching – Minimum contribution provided
  - Level of Effort – Service/ Expenditure level maintained
  - Earmarking – Min or Max limits were met

# Period of Performance

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- The total estimated time interval between the start of an initial Federal award and the planned end date, which may include one or more funded portions, or budget periods.
- Audit Objectives:
  - Internal Control
  - Costs incurred during the period
  - Financial Obligations were liquidated within time period

# Procurement, Suspension & Debarment

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- Meet procurement standards in 2 CFR 200.318 through 200.327
- Prohibited from contracting / subwarding to parties suspended or debarred.
- Audit Objectives:
  - Internal Controls
  - Procurement followed regulations
  - Unit verified no suspended or debarred parties



# Program Income

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- Gross income earned by a non-federal entity that is directly generated by a supported activity or earned as a result of the federal award during the period of performance.
- Audit Objectives:
  - Internal Controls
  - Correctly determined, recorded and used

# Reporting

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- Financial Reporting
- Performance Reporting
- Special Reporting
- Audit Objectives:
  - Internal Controls
  - Reports are complete and derived from the records
  - Reports are timely and accurate

# Subrecipient Monitoring

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- 2 CFR 200.331: Defines Subrecipients and Contractors
- 2 CFR 200.332: Provides requirements for pass-thru entities to subrecipients
- Audit Objectives:
  - Internal Controls
  - Pass-thru Entity identified Subaward
  - Pass-thru Entity monitored activities for compliance

# Special Tests & Provisions

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- Unique to each federal program
- Found in terms and conditions of the award
- Audit Objectives:
  - Internal Controls
  - Compliance

# Audit Results

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- Internal control deficiencies are noted
- Identify major programs and opinions issued
- Section II Findings
- Section III Findings

# Resources

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- Code of Federal Regulations – Title 2:
  - <https://www.ecfr.gov/current/title-2>
- Compliance Supplements
  - <https://www.fac.gov/compliance/>





# New Legislation

**NEW!**

# New Legislation (Refresher)



SEA 95: Law Enforcement Training Costs



HEA 1033: Retainage Requirements



HEA 1198: Public Works Projects

# New Legislation (Refresher)




HEA 1392: FIT and CVET Revenue




HEA 1461: Road Funding



HEA 1427: Food and Beverage Tax

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- ▶ Indiana Codes 5-2-1.5 and 5-2-1.6
  - ▶ Effective: July 1, 2025
  - ▶ Municipalities can be reimbursed law enforcement training costs for officers hired by public employers.
  - ▶ Provision Statement must be signed by individual and first employer.
    - ▶ IC 5-2-1.5-16
  - ▶ Officer must complete tier 1 basic training and certified after June 30, 2025.
    - ▶ Tier 1 training: IC 5-2-1-9(d)

## SEA 95: Law Enforcement Training Costs

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- ▶ Subsequent employer must notify preceding employer within 10 days of hire.
  - ▶ Preceding employer must submit a claim for reimbursement within 30 days of notice.
    - ▶ SBOA created claim form
    - ▶ Claim lists training costs
      - ▶ IC 5-2-1.5-7
  - ▶ Reimbursement Schedule
    - ▶ 100% if officer leaves within 1 year
    - ▶ 66% if officer leaves within 2 years
    - ▶ 33% if officer leaves within 3 years
  - ▶ Reimbursement must be made within 120 days upon receiving claim.


## SEA 95: Law Enforcement Training Costs



## HEA 1198: Local Public Works Projects

- ▶ Indiana Codes 36-1-12-3, 36-1-12-4, 36-1-12-4.7, and 36-1-12-4.9
- ▶ Effective: July 1, 2025
- ▶ Public Works threshold increases from \$150,000 to \$300,000 for various statutes.
  - ▶ \$50,000 - \$300,000 = invite at least 3 quotes
  - ▶ Greater than \$300,000 = file notice for bids
- ▶ Raises the threshold of a public works project where a unit's own workforce is utilized without awarding a contract from \$250,000 to \$375,000.
  - ▶ Increased annually to account for inflation
- ▶ Public Work
  - ▶ Construction, reconstruction, alteration, or renovation of a public building or structure (IC 36-1-12-2)





## HEA 1033: Retainage Requirements

- ▶ Indiana Code 36-1-12-14
- ▶ Effective: July 1, 2025
- ▶ Max retainage for public works projects over \$200,000 decreased:
  - ▶ Withhold no more than 6% of the dollar value of work completed until project is 50% complete and nothing further after.
    - ▶ Previously was no more than 10% nor less than 6%
  - ▶ Withhold no more than 3% of the dollar value of work completed until project is fully completed.
    - ▶ Previously was no more than 5% nor less than 3%




## HEA 1392: FIT & CVET Revenue

- ▶ Indiana Codes 6-5.5-8-2 & 6-6-5.5-20
- ▶ Effective: July 1, 2025
- ▶ Financial Institutions Tax (FIT) and Commercial Vehicle Excise Tax (CVET) distributions may now be receipted into any fund.
  - ▶ Take on restrictions of fund receipted into.
- ▶ Council must approve where distributions are to be receipted if not the General Fund.
  - ▶ Resolution, Ordinance, or Council vote memorialized in minutes




## HEA 1461: Road Funding

- ▶ Indiana Codes 8-14-1-5.1, 8-17-4.1-1, 36-6-10
- ▶ Effective: July 1, 2025 and July 1, 2026
- ▶ MVH Restricted Distribution Decrease: 50% to 40%
  - ▶ Average PASER rating of 6 or higher
  - ▶ Not more than 15% of highways in failed condition
  - ▶ Effective July 1, 2026
- ▶ Highway Annual Operational Report
  - ▶ Required of municipalities with a population size of 5,000 or more (previously 15,000)
  - ▶ Effective for 2026 reporting
- ▶ Townships are required to set aside funds for roadways.
  - ▶ Township must enter into a written memorandum.
  - ▶ Municipalities must ensure those funds received are spent on roads within those specific townships.
    - ▶ New fund for each township



## HEA 1427: Food and Beverage Tax

- ▶ Indiana Code 6-1.1-30-18
- ▶ Effective: July 1, 2025
- ▶ Units that impose a Food and Beverage Tax must provide a report of expenditures.
- ▶ Units that impose a Food and Beverage Tax must provide a financial report to the SBOA.
- ▶ Both due prior to March 1<sup>st</sup> each year.



## HEA 1427: Food and Beverage Tax (cont.)

- ▶ Necessary changes have been made to the Gateway Food and Beverage Tax Form Upload Tool.
- ▶ The instructions have first and foremost been updated for increased transparency.
- ▶ To meet these requirements there are now five forms we have provided to ensure compliance.
  - ▶ 401A – Certification Form
  - ▶ 401B – Consolidated Financial Statement
  - ▶ 401C – Establishing Unit Expenditure Report
  - ▶ 401D – Receiving Unit Expenditure Report
  - ▶ 401E – Upload Certification Form
    - ▶ Utilized only if unit substitutes forms 401C and 401D for PDF uploads from their financial system.

# Summary



LAW  
ENFORCEMENT  
TRAINING  
REIMBURSEMENTS



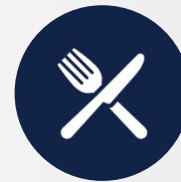
PUBLIC WORKS  
PROJECTS



FIT AND CVET  
REVENUE



ROAD  
FUNDING



FOOD AND  
BEVERAGE TAX

# New Legislation



SEA 351: Parks Boards



HEA 1005: Building Plans & Inspections



HEA 1134: Executive Sessions



HEA 1459: IURC Reports

## New Legislation (cont.)



HEA 1477: Manufactured Homes Utility Disconnects



HEA 1478: Pro Bono Legal Service Fees




HEA 1509: Meeting Notices & Agendas



HEA 1641: Golf Cart Ordinances



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- ▶ Indiana Code 36-10-3-4
  - ▶ Effective: July 1, 2025
  - ▶ Previously: Member of Library Board could sit on Park Board.
  - ▶ Change: Resident of Library District can sit on Park Board.

## SEA 351: Park Boards



## HEA 1005: Building Plans & Inspections

- ▶ Indiana Codes IC 34-30-2.1-583.7 & 36-7-2.5
- ▶ Effective: July 1, 2025
- ▶ Property owners have the option to use certified third-party professionals for building reviews and inspections.
- ▶ Reviewers must confirm with the municipality that all municipal standards have been met.



## HEA 1134: Executive Sessions

- ▶ Indiana Code 5-14-1.5-6.1
- ▶ Effective: July 1, 2025
- ▶ Additional instances where executive sessions may be held:
  - ▶ Discuss employee specific compensation or employment matters.
  - ▶ Discuss employee health care options with respect to special exceptions for coverage.
  - ▶ Discuss employee handbook changes.




## HEA 1134: Executive Sessions (cont.)

- Additional instances where executive sessions may be held:
  - Review negotiations on performance of publicly bid contracts when public disclosure could lead to higher costs.
  - Discuss soliciting proposals for the purpose of awarding contracts for goods/services, when:
    - proprietary data, trade secrets, or other information is contained in the bidder's proposal relating to the bidder's unique methods of:
      - (i) conducting business; or
      - (ii) determining prices or premium rates to be charged for services under the terms of the proposal.
  - And, public knowledge regarding the discussion would reasonably be expected to result in private loss to the providers of the information discussed




## HEA 1459: IURC Reports

- ▶ Indiana Code 8-1-2-128
- ▶ Effective: July 1, 2025
- ▶ Applicable to water and wastewater utilities that are not regulated by the Indiana Utility Regulatory Commission (IURC).
- ▶ Must submit a report on a quadrennial basis to the IURC pertaining to the asset management program of the unit.
  - ▶ Begins January 1, 2026
- ▶ IURC General Administrative Order 2025-003
  - ▶ [ord GAO-2025-03 092425.pdf](#)
- ▶ The governing body of a water or wastewater utility must complete training on a quadrennial basis.
  - ▶ Begins January 1, 2027




## HEA 1477: Manufactured Homes Utility Disconnects

- ▶ Indiana Codes 16-41-27-10 and 32-30-5-1
- ▶ Effective: July 1, 2025
- ▶ Mobile home communities must receive written notice at least 30 days prior to water service disconnect.
- ▶ If a community owner is notified of disconnection, they are immediately in violation of their statutory obligation to provide water.
- ▶ If a mobile home community fails to pay utility bills for more than 90 days or 60 days if they are on a payment plan, a court may appoint a receiver to manage payments.
- ▶ Applies to electric, gas, water, and wastewater services.



## HEA 1478: Pro Bono Legal Service Fees

- ▶ Indiana Code: Various
- ▶ Effective: July 1, 2025
- ▶ Removes sunset provision for pro bono legal services fees.



## HEA 1509: Meeting Notices & Agendas

- ▶ Indiana Code: Indiana Code 5-14-9
- ▶ Effective: July 1, 2025
- ▶ All meeting notices and agendas must include:
  - ▶ Name of each appointed officer
  - ▶ Appointing authority
  - ▶ Term of appointment
- ▶ Must be published
  - ▶ On the Board's website; or
  - ▶ On the Appointing Authority's website; or
  - ▶ On computer gateway hosted by IOT
    - ▶ [INWP: Local Government Website Design and Hosting](#)





## HEA 1641: Golf Carts

- ▶ Indiana Code 9-24-1-7
- ▶ Effective: July 1, 2025
- ▶ Golf Cart Ordinances can now provide that:
  - ▶ Operators are not required to hold a driver's license
  - ▶ Operator must be 16 years and 180 days of age
    - ▶ Must hold identification card

# **Government Technical Assistance and Compliance Directors for Cities & Towns**

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