INDIANA STATE BOARD of ACCOUNTS

NEWLY ELECTED OFFICIALS TRAINING

Boot Camp - January 2020

Indianapolis

Introduction – SBOA Contact Information

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Website

www.in.gov/sboa
Glossary of Terms & Acronyms

- SBOA – State Board of Accounts
- ARC – Audit Result and Comment
- Audit Exception
- Prescribed Form
- IC – Indiana Code
- AFR – Annual Financial Report

Glossary of Terms & Acronyms

- Form 100-R – Report of Compensation, etc.
- Bulletin – Cities and Towns Bulletin and Uniform Compliance Guidelines
- www.in.gov/sboa/5291.htm
SBOA – An Overview

What is the State Board of Accounts?

- Audits the records & accounts of all state and local governmental units
- Prepares reports indicating the financial condition of these units & noting any noncompliance with laws.
- Prescribed uniform system of accounting
“We are dedicated to providing the citizens of the State of Indiana with complete confidence in the integrity and financial accountability of state and local government.”
• Organized by law in 1909 as “Department of Inspection and Supervision of Public Offices”

• In 1945, the rights, duties, and powers were transferred to the State Board of Accounts

• Indiana State Board of Accounts
  o Three member board consisting of a State Examiner and two Deputy State Examiners

  STATE EXAMINER
  Paul Joyce, CPA

  DEPUTY STATE EXAMINER
  Michael Bozymski, CPA

  DEPUTY STATE EXAMINER
  Tammy White, CPA
SBOA – An Overview

**Audit Coordinators:**
- Supervise overall audit projects

**Audit Managers**
- Manage audit projects

**Audit staff**
- Team assigned to an engagement
- Lead Auditor and field examiners
SBOA – An Overview

**Frequency of Audits**

**IC 5-11-1-25(b):**

- Audits conducted at times determined by SBOA using risk based criteria, which include:
  - New fiscal officer
  - Not filed or untimely filed financial information
  - Any other factors determined by State Examiner
- Not less than once every 4 years

SBOA – Types of Engagements

**On-site**
- conducted at city/town offices

**Off-site**
- conducted at another location
- “Box audit”

**Centralized Remote**
- Audits conducted at a centralized location
- Records electronically transmitted to SBOA through Gateway
SBOA – An Overview

**Accounting & Uniform Compliance Guidelines Manual for Cities and Towns**

**Cities & Towns Bulletin and Uniform Compliance Guidelines**

Indiana State Board of Accounts 2020

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SBOA – An Overview

**Accounting & Financial Reporting Regulation Manual**

**Uniform Internal Control Standards**

Indiana State Board of Accounts 2020
Newly Elected Officials' Training

We have recorded a series of webinars/videos for officials who were recently elected and will take office January 1, 2020. The videos can be viewed by anyone, but are directed toward newer Clerk-Treasurers, City Controllers, and Council members. Below are links to each video on our YouTube channel. Each video has a document containing slides from the PowerPoint presentation and must have other materials for your information.

In addition to the below and prior to the end of 2019, we will be providing videos related to the filing of the Certified List of Employees and Compensation Paid to Public Employees (Form 100-R), which is due January 31, 2020, and the Annual Financial Report (AFR), which is due February 29, 2020.

Newly Elected Officials Training

1. Overview and Introduction to SBOA
   • Handout

2. Getting Started in the Office
   • Handout

3. Public Official Bonds
   • Handout
   • Department of Insurance (DOI) Official Bond Schedule
   • DOI Individual Public Official Bond
   • DOI Public Official Name Schedule Bond

https://www.youtube.com/channel/UC62Ozm0wY81GZHipK2UrjLA

https://www.youtube.com/channel/UC62Ozm0wY81GZHipK2UrjLA
Presentations and Training Materials

2020 Newly Elected Clerks, Clerk-Treasurers and Appointed City Controllers

Indiana Code - www.iga.in.gov
IC 36-5-6-1  Application of chapter  
Sec. 1. This chapter applies to all towns.  
[Local Government Resolutions: Common New]  

IC 36-5-6-2  Clerk and fiscal officer  
Sec. 2. The clerk-treasurer elected under this chapter is both the town clerk and the town fiscal officer.  
[Local Government Resolutions: Common New]  

IC 36-5-6-3  Residency; term of office  
Sec. 3. (a) The clerk-treasurer must reside within the town as provided in Article 6, Section 5 of the Constitution of the State of Indiana. The clerk-treasurer forfeits office if the clerk-treasurer ceases to be a resident of the town.  
(b) Except as provided in subsection (c), (d), (e), or (f), the term of office of the clerk-treasurer is four (4) years, beginning at noon January 1 after election and continuing until a successor is elected and qualified.  
(c) The term of office of a clerk-treasurer elected under IC 36-5-6-1 is following the incorporation of the town:  
(1) begins at noon November 30 following the election; and  
(2) continues until noon January 1 following the next municipal election scheduled under IC 3-10-4-5 or IC 3-10-7-6 and until the clerk-treasurer's successor is elected and qualified.  
(d) The term of office of a clerk-treasurer subject to an ordinance described by IC 3-10-6-2 is:  
(1) (new) the term of the clerk-treasurer is elected at the next municipal election and commences on a non-leap year, even.  
(2) (new) the term of the clerk-treasurer is elected at the next municipal election and commences on a non-leap year, odd.
City Clerk & City/Town Fiscal Officer Duties

**IC 36-4-10-4**
City Clerk: 2nd class Cities

**IC 36-4-10-4.5**
Clerk-Treasurers: 3rd class Cities

**IC 36-4-10-5**
Controllers: 2nd class Cities

**IC 36-5-6-6**
Clerk-Treasurers: Towns

As a city clerk in a 2nd class city, duties include:

- Serve as clerk of the legislative body
- Maintain all records required by law
- Keep the city seal
- Administer oaths when necessary, without charging a fee
- Take depositions, without charging a fee
- Take acknowledgements of instruments without charging a fee
- Serve as clerk of city court (if judge doesn’t & doesn’t appoint one)
City/Town Fiscal Officer Duties

As a city or town fiscal officer, duties include:

- Receive and care for all city/town money
- Keep accounts showing receipts and disbursements
- Prescribe payroll and account forms for all offices
- Prescribe the manner in which creditors, officers, and employees are paid
- Prepare budget estimates

Fiscal officer duties continued:

- Issue licenses and collect fees fixed by statute or ordinance
- Serve as clerk of the legislative body (council) by attending meetings / recording its proceedings
- Serve as clerk of city/town court if
  - Judge does not serve or
  - A court clerk is not appointed by the judge
- Perform all other duties prescribed by statute
SBOA – An Overview

What is the State Board of Accounts?

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Prescribed Forms vs Approved Forms
Prescribed Forms

A prescribed form is one which is put into general use for all offices of the same class.

Approved Forms

An approved form is a computerized form for special use in a particular office.
Prescribed vs. Approved Forms

• Cities and towns are required to use the forms prescribed by the State Board of Accounts in the manner set forth by the Manual and/or Bulletins.

• However, if it is desirable to use a different form or to have a prescribed form modified to conform to your local conditions, you can have the form “approved”.

The approval process is described in the *Cities & Towns Manual*, Chapter 1, page 1-1

- Maintain a log of forms replacing prescribed forms & present during an audit for approval.
Accounting Forms & Records

Most Common City/Town Forms:

- Ledger of Receipts, Disbursements, and Balances
- Accounts Payable Voucher (claim)
- Receipt
- Warrants / Checks
- Payroll Schedule and Voucher
- Employee’s Earnings Records
- Employee’s Service Records
- Purchase Order
- Mileage Claim

Internal Controls

Uniform Internal Control Standards for Indiana Political Subdivisions

Paul G. Joyce, CPA
State Auditor

Indiana State Board of Accounts 2020
Why internal controls?

What are internal controls?

Indiana Code 5-11-1-27(e):

“... the state board of accounts shall define ... the acceptable minimum level of internal control standards and internal control procedures for internal control systems of political subdivisions, including the following:

(1) Control environment.
(2) Risk assessment.
(3) Control activities.
(4) Information and communication.
(5) Monitoring.

The internal control standards and procedures shall be developed to promote government accountability and transparency.”
Indiana Code 5-11-1-27(g)

“. . . 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.” [Emphasis added]

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

“. . . "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.” [Emphasis added]
Internal Control Training

• [www.in.gov/sboa](http://www.in.gov/sboa)
• Navigate to ‘cities’ or ‘towns’
• Scroll down to Internal Control Standards
• Then Training
• Find this [video link](https://youtu.be/L0N8OPBbPHQ)

Indiana State Board of Accounts

2020

Internal Control Certifications

Indiana State Board of Accounts

2020
Documentation of “personnel” receiving training concerning internal control standards & procedures as required by IC 5-11-1-27(g)(2)

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

“... 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). [Emphasis added]
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.”

• Internal control is a process executed by officials and employees that is designed to provide reasonable assurance that the objectives of the political subdivision will be achieved.

• It is a basic element fundamental to the organization, rather than a list of added on tasks;

• It is an adaptable process that is a means to an end, not an end in itself;

• It is focused on the achievement of objectives; and

• It is dependent on officials and employees for effective implementation.
Internal Controls – What Are They?

- Organizational roles are important
- All members of a city or town, including elected officials, board members, and employees, fill a role in the internal control system.
- Leadership is key – the tone is set at the top.
- Clear support from leadership engages a successful, effective internal control system.

Source: GAO | GAO-14-704G
Internal Controls – What Are They?

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

Internal Controls – What To Know Now?

Know if your council has adopted minimum standards

Watch the internal control video on our website - once

AFR – answer questions / certification

Document controls in writing

Watch YouTube instructional videos
Mr. Wes Bennett, Commissioner

Fiscal Duties and Other Items
Bank Reconcilements

IC 5-13-6-1(e)

- Requires reconcilement at least monthly the balance disclosed in your records with the bank statements provided by your financial institutions.

Without such a reconcilement, you won’t truly be able to know how much money your city/town has available.
- Necessary in order to make good financial decisions.
Don’t forget to upload:
✓ Monthly – reconciliation only (Jan-Dec)
✓ Annual – Entire December bank statement

**Bank Reconciliation – Gateway Upload**

<table>
<thead>
<tr>
<th>Select Upload Group</th>
<th>Select File Type</th>
<th>Provide File</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>Bank Reconciliation</td>
<td><img src="image" alt="File Upload Interface" /></td>
</tr>
</tbody>
</table>

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**Bank Reconciliation Process – Internal Controls**

- **Segregate Duties**
- **Have multiple people involved in the process**
- **No one person should be able to**
  ✓ Receive money
  ✓ Make deposits
  ✓ Post Records
  ✓ Write Checks
  ✓ And Perform the Reconciliation
- **Controls should include review of reconciliation**
Receipts – Process for Receipting Money

Receipt Process

“Receipts shall be issued and recorded at the time of the transaction.”

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Prescribed:
• City Form No. 203A
• Town Form No. 217
• General Form No. 352
Receipt Process

**IC 5-13-6-1(d)**
- Requires deposit of funds not later than the next business day following receipt of the funds into one of the city or town’s depositories.

*Exception: IC 5-13-6-1(g)*
- A city/town is not required to deposit funds by the next business day if the funds on hand do not exceed $500.
Receipt Process – Common Exceptions

- Receipts not issued
- Receipts not deposited timely

Receipt Process – Internal Controls

- Segregate Duties
- Have multiple people involved in the process
- No one person should be able to
  - Receive money
  - Make deposits
  - Post Records
- Reviews – revenue reports, deposits match receipts issued, etc.
Disbursements – Process for Payment of Bills

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Disbursement Process

**IC 5-13-5-2**

- All disbursements of public funds must be made by check (warrant) drawn upon depositories which shall be signed by the public officers authorized to sign in their official capacity.

- **No other individual has the authority to sign in place of the fiscal officer.**

- **Only a Deputy can sign on your behalf (if one exists).**
Disbursement of Funds

Statutory references

- IC 5-11-10-1.6 and IC 5-11-10-2 (all municipalities)
- IC 36-4-8 (Cities)
- IC 36-5-4 (Towns)

Statutory requirements –

- Appropriations
- Fully itemized invoice or bill for claim
- Invoice is approved by person receiving the goods or services
- Invoice filed with the fiscal officer
- Fiscal officer audits & certifies that invoice is true & correct
- Payment is allowed by the legislative body (or board having jurisdiction over allowance of payment)
Accounts Payable Voucher / Claim

Forms Illustrated in Manual, Chapter 6

- Accounts Payable Voucher (APV); page 6-32, 33
- APV Register; page 6-48
- Payroll Schedule and Voucher; page 6-35, 36
- Mileage Claim; page 6-59
I hereby certify that each of the above listed vouchers and the invoices, or bills attached thereto, are true and correct and I have audited same in accordance with IC 5-11-10-1.6.

__________________________
Fiscal Officer

ALLOWANCE OF VOUCHERS

(IC 5-11-10-2 permits the governing body to sign the Accounts Payable Voucher Register in lieu of signing each claim.)

We have examined the vouchers listed on the forgoing accounts payable voucher register, consisting of _____ pages, and except for vouchers not allowed as shown on the Register such vouchers are allowed in the total amount of $_________.

Date this __________ day of __________, 20__

__________________________
Fiscal Officer

SIGNATURES OF GOVERNING BOARD

Accounts Payable Voucher Register (end)
Indiana State Board of Accounts

Payment of Claims – Common Exceptions

- Claims not prepared for all disbursements
- Claims without supporting documentation
- Claims not presented to Council; not approved
- Overspent appropriations
Payment of Claims – Internal Controls

**Disbursing process**
- Credit cards

**Payroll**

**Source:** *Uniform Internal Control Standards for Indiana Political Subdivisions, Section 2*

www.in.gov/sboa/files/UniformInternalControlStandards.pdf

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Other Items

**Reporting Losses, Variances, and Thefts**
- IC 5-11-1-27(j)
- “Material” variances, losses, shortages, or thefts to be reported to SBOA
- City/town council must determine a materiality amount [*State Examiner Directive 2015-6*]

*in.gov/sboa ➔ About Us ➔ State Examiner Directives*
Other Items

**Reporting Losses, Variances, and Thefts**

- IC 5-11-1-27(l)
- Misappropriation of public funds (loss or theft by public official) is to immediately be reported in writing to:
  - SBOA
  - County Prosecuting Attorney
- **No materiality threshold** for misappropriation of public funds [State Examiner Directive 2015-6]

**Motor Vehicle Highway (MVH) Restricted**

- IC 8-14-1-5(c)
- At least 50% of State MVH distributions go in MVHRestricted (fund 203); used only for construction, reconstruction, or preservation activities
- More than 50% requires ordinance providing actual percentage to go in MVHRestricted
- *State Examiner Directive 2018-2*

*in.gov/sboa ➔ About Us ➔ State Examiner Directives*
Fiscal Officer Training

- Cities – IC 36-4-10-8 / Towns – IC 36-5-6-10
- Applies to:
  - Cities – Clerk-Treasurer, City Clerk, City Controller
  - Towns – Clerk-Treasurer
- Requires completion of training courses:
  - Within 1 year – 14 hours
  - Within 3 years – 36 hours

“Training Course” refers to workshops, institutes, seminars, formal academies, and other in-service training related to the elected or appointed office offered by:

- Generally accepted professional associations
- Association of governments (AIM, ILMCT)
- State agency (SBOA, DLGF, etc.)
- Public University
Fiscal Officer Training (continued)

- The city/town executive, legislative body, and individual who holds the office shall use “reasonable means” to ensure completion of the requirements.

- The individual who holds office shall maintain written documentation of the courses completed.

Nepotism

- IC 36-1-20.2
- Individuals can’t be employed in a position where a relative is their direct supervisor [IC 36-1-20.2-10]
- “Direct line of supervision” defined in IC 36-1-20.2-4

Contracting with a Unit

- IC 36-1-21
- A city/town can contract with a relative of an elected official if:
  - ✅ Comply with IC 36-1-21 and
  - ✅ Elected official doesn’t violate IC 35-44.1-1-4 [conflict of interest]
Volunteer Firefighters on Council

- IC 36-1-23-2
- A council member can’t vote on budgets and tax levies if they are:
  ✓ An employee of a volunteer fire department, or
  ✓ A volunteer firefighter in a fire department that provides fire protection to the city/town under a contract or as the city/town’s fire department

Council members + Being Employees

- IC 3-5-9-5
- Elected official cannot also be an employee of the same city/town
- Statute defines “elected official” as being member of legislative body [IC 3-5-9-1]
- Does not apply to Clerk-Treasurers
- A paid firefighter (non-volunteer) who works for a city/town is prohibited from being an elected official of that city/town [IC 3-5-9-4]
Key Contacts

Contacts – Indiana Auditor of State
www.in.gov/auditor  317-232-3300

Connect With the Auditor of State
Welcome to the Auditor of State’s website and thanks for stopping by. I am focused on accuracy, transparency, and efficiency in the office, and we serve for excellent government service for all Hoosiers.

The Auditor of State serves as the CFO for the State of Indiana and is responsible for accounting and reporting all of the State’s funds, overseeing and disbursing funds to local units of government, and paying all of the state’s bills.
Contacts – Department of Local Government Finance
www.in.gov/dlgf

www.in.gov/dlgf/files/Budget_Field_Reps.pdf
As a general rule:

- Must retain all records until audited.
- Most records kept a minimum of 3 years after audit
- Some records retained permanently
  - Board minutes
  - Ledger of receipts, disbursements, & balances
  - Bond records
  - Ordinances
  - SBOA audit reports (unless transferred to county or state library)
Contacts – Indiana Department of Labor

www.in.gov/dor

Sales tax:
317-232-4015

www.in.gov/dor/3473.htm

Questions
Contact Information

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