INDIANA STATE BOARD OF ACCOUNTS

Newly Elected Officials Training - 2016

Primary Contact Information

Indiana State Board of Accounts
302 W. Washington St., Rm E418
Indianapolis, IN 46206

(317) 232-2513

www.in.gov/sboa
Primary Contact Information

Directors of Cities and Towns

Todd Caldwell
Director of Audit Services
tcaldwell@sboa.in.gov
(317) 232-2513

Susan Gordon, CPA
Director of Audit Services
sgordon@sboa.in.gov

State Board of Accounts – 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.
Our Mission Statement:

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.
State Board of Accounts – An Overview

- 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
  - 3 member board consisting of a State Examiner and 2 Deputy State Examiners
  - Current total staff of 229

State Board of Accounts – An Overview

Audit Coordinators:
- Schedule audits, assign staff, and supervise overall audit projects

Audit Managers
- Manage audit projects

Audit staff
- On-site audit team
- Lead Auditor and field examiners
State Board of Accounts – An Overview

Frequency of Audits

Ind. Code 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
**Meeting Materials**

Newly Elected City/Town Officials – 2016

- Agenda Newly Elected Training 2016
- Caldwell Understanding the Audit Process 2016

**Indiana Code (IC)**

When we refer to “IC”, or “the Code”, or “statutes”, we’re referring to the *Indiana Code*.

www.iga.in.gov
Indiana Code (IC)

IC 36-4-10-1
Application of chapter
Sec. 1. This chapter applies to second and third class cities.

IC 36-4-10-2
City clerk or city clerk-treasurer; election; fiscal officer; term of office; immunity
Sec. 2. (a) A city clerk shall be elected under IC 3-10-6 by the voters of each second class city, and a city clerk-treasurer shall be elected under IC 3-10-6 by the voters of each third class city.

As the city clerk or clerk-treasurer is the clerk of each city.
Indiana Code (IC)

General Powers & Duties

- **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.
General Powers & Duties

- **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.

  - Needed to make good financial decisions.

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General Powers & Duties

- **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 your Deputy can sign on your behalf.
Other Statutory Duties

**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

Other Statutory Duties

As a City of Town fiscal officer, duties include:

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

Duties continued:

• Issue licenses and collect fees fixed by ordinance
• Serve as clerk of the legislative body by attending its meetings and recording its proceedings
• Serve as clerk of a city/town court under if the judge of the court does not serve as clerk or appoint a clerk
• Perform all other duties prescribed by statute

Budget Responsibilities
Budget Responsibilities

IC 36-4-7-6 (cities)
IC 36-5-3-3 (towns)

- Preparation of itemized estimates of revenue available for the ensuing budget year to present to council.

Budget Responsibilities

IC 36-4-7-7 (cities)
IC 36-5-3-4 (towns)

- Budget estimate presented to legislative body.
- Preparation & passage of budget ordinance.
- Fixing tax rates and making annual budget
Oath of Office

- IC 5-4-1
- Cities and Towns Manual, Chapter 7

- Taken when starting your term
- Filed with County Clerk
- Deputies aren’t required to take oath (IC 5-4-1-1(c))

Faithful Performance Bonds

- Who needs one
- How much
- Who approves it
- Length of Bond
- Bond Filing
- Individual, Blanket, Crime policies
Faithful Performance Bonds

Who needs one

IC 5-4-1-18(a) states who must have official bond coverage, including:

• City controllers
• City clerks
• City or Town clerk-treasurers
• Those employees directed to file a bond by the fiscal body of a city or town

and

Faithful Performance Bonds

Who needs one (continued)

IC 5-4-1-18(a) continued:

• Individuals who are employees or contractors and whose official duties include receiving, processing, depositing, disbursing, or otherwise having access to funds that belong to the city or town
Faithful Performance Bonds

How much

IC 5-4-1-18(d) provides for the amount of coverage required for fiscal officers:

- $30,000 coverage for each $1,000,000 of receipts during the preceding year.
- May not be less than $30,000 and not more than $300,000

Faithful Performance Bonds

How much

IC 5-4-1-18(e)(2) provides for the amount of coverage required for those other individual employees and contractors whose official duties include access to public funds:

- Not less than $5,000
Faithful Performance Bonds

Who approves them

IC 5-4-1-8 – Approval of bond:

- Mayor approves for all city officers
- Council approves for town clerk-treasurers and town marshals

Faithful Performance Bonds

Length of Bond

IC 5-4-1-18(m).

Both of the following apply to a bond that is filed under this section:

- (1) Each bond must have a term of **one (1) year** commencing on the first day of the calendar year;
- (2) Consecutive yearly bonds filed by an individual must provide separate coverage for each year. The aggregate liability of the surety or insurer for a policy year is the sum of the amounts specified in the bonds issued by the surety or insurer for that policy year.
Faithful Performance Bonds

Bond Filing

IC 5-4-1-5.1 – bonds shall be filed within 10 days of issuance with:

- The County Recorder
- The fiscal officer of the political subdivision

In addition, a copy of the bond shall be filed with the State Board of Accounts with the filing of the electronic annual financial report (in Gateway) [IC 5-4-1-5.1(e)]

Faithful Performance Bonds

Blanket Bonds & Crime Policies

Blanket Bonds and Crime Insurance Policies are permitted under IC 5-4-1-18(b)

Our audit position is we will not take written exception if:

- Authorized by ordinance
- Endorsed to cover faithful performance
- Includes aggregate coverage sufficient for all required to be bonded
Faithful Performance Bonds

Miscellaneous

- All official bonds shall be payable to the State of Indiana (IC 5-4-1-10)

- For the sole purpose of recovering public funds on behalf of a city or town, the State is considered an additional named insured on all crime insurance policies - another new addition to IC 5-4-1-18(c)

Faithful Performance Bonds

- SBOA issued an “Updated Bulletin on SEA 393” last October
- Helps clarify some of the provisions of IC 5-4-1-18
- Explains our audit positions
Indiana Open Door Law – Public Meetings

Applicable statutes and procedures in C&T Manual, Chapter 7, starting on page 53-1

- Board meetings are governed by the Open Door Law, IC 5-14-1.5
- Under the Open Door Law, all meetings of governing boards must be open to the public except for executive sessions.

Indiana Open Door Law – Public Meetings

Notice to be given:

- Date, time and location of meeting
- At least 48 business hours in advance
- Must post at principal place of business or meeting location
- Annual notices are permitted
- Generally, no requirements to publish in newspaper
- Emergency meetings are exception to 48 hour notice requirement
- Prohibition on serial meetings
Indiana Open Door Law – Public Meetings

Executive Sessions – IC 5-14-1.5-6.1:

The specific circumstances under which an executive session can be held are in IC 5-14-1.5-6.1(b):

- Notice must include statutory purpose(s) for the meeting
- Meeting minutes must include certification that only the topics permitted under the Open Door Law were discussed
- No votes or final actions may be taken; final action required in a public meeting

Indiana Open Door Law – Public Meetings

Minutes of Meetings:

The memoranda (minutes) of a public meeting shall include (IC 5-14-1.5-4):

- Date, time, and place of the meeting
- The members present and the members absent
- The general substance of all matters proposed, discussed, or decided,
- A record of votes taken – by individual members if there is a roll call
Indiana Open Door Law – Questions??

Office of the Public Access Counselor
W470, Indiana Govt Center South
402 W. Washington St.
Indianapolis, IN 46204

(317) 234-0906

www.in.gov/pac

Luke Britt, Public Access Counselor


Great tool for learning more about Indiana’s Open Door Law

Try link above or search the PAC’s website:
Appointment of Office Personnel

• City Clerk
• City Controller
• City Clerk-Treasurer
• Town Clerk-Treasurer

IC 36-4-11-4 – City Clerk:

“The city clerk may appoint the number of deputies and employees authorized by the city legislative body. The clerk's deputies and employees serve at his pleasure.”
Appointment of Office Personnel

IC 36-4-11-5 – City Controller:

“The city legislative body may, by ordinance, authorize the city fiscal officer to appoint a deputy. The fiscal officer is responsible for the official acts of his deputy.”

Appointment of Office Personnel

IC 36-4-10-7(b) – City Clerk-Treasurer:

“The clerk shall appoint the number of deputies and employees needed for the effective operation of the office, with the approval of the city legislative body. The clerk's deputies and employees serve at the clerk's pleasure”
Appointment of Office Personnel

**IC 36-4-10-7(c) – City Clerk-Treasurer:**

“If a city owns a utility and the clerk is directly responsible for the billing and collection of that utility's rates and charges, the clerk shall appoint those employees who are also responsible for that billing and collection. These employees serve at the clerk's pleasure”

**Appointment of Office Personnel**

**IC 36-5-6-7(a) – Town Clerk-Treasurer:**

“The clerk-treasurer shall appoint the number of deputies and employees needed for the effective operation of the office, with the approval of the town legislative body. The clerk-treasurer's deputies and employees serve at the clerk-treasurer's pleasure”
Appointment of Office Personnel

IC 36-5-6-7(b) – Town Clerk-Treasurer:

“If a town owns a utility and the clerk-treasurer is directly responsible for the billing and collection of that utility's rates and charges, the clerk-treasurer shall appoint those employees who are also responsible for that billing and collection. These employees serve at the clerk-treasurer's pleasure.”

Office Space

City fiscal officers: IC 34-4-10-2.5

“If office space exists in a building owned or leased by the city, the city executive and legislative body shall provide office space for:

(1) the clerk or clerk-treasurer; and
(2) the staff and records of the clerk or clerk-treasurer.”

Town Clerk-Treasurer: IC 36-5-6-5.1
The State Board of Accounts is charged by law with the responsibility of prescribing and installing a system of accounting and reporting which shall be uniform for every public office and every public account of the same class and contain written standards that an entity that is subject to audit must observe. [IC 5-11-1-2]

A prescribed form is one which is put into general use for all offices of the same class.
An approved form is for special use in a particular office.

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

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”.

Records & Forms

City names

Records & Forms
**RECORDS & FORMS**

- The approval process is described in the Cities & Towns Manual in Chapter 5, starting on page 42-1
- Maintain a log of forms replacing prescribed forms & present during an audit for approval.

**RECORD RETENTION**

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)
RECORD RETENTION

Questions and Retention Schedules:

Indiana Archives and Records Administration
402 W. Washington Street, Room W472
Indianapolis, IN 46204-2744

317-232-3380

www.in.gov/iara
Hover over Records Management and select “General Information”
RECORD RETENTION

Retention Schedules and More

A records retention schedule describes the records created by a state or local government entity, and outlines their:

1. Retention: Where, in what format, and how long the records are to be maintained, and
2. Disposition: What is to be done with the records at the end of that period? ( Destruction or transfer to the Indiana State Archives for permanent historical preservation.)

Retention schedules are divided into "Record Series" which are groups of related records that all have the same basic subject and requirements for retention and disposition. Each of those record series has a descriptive title and a unique identifying number known as a Record Series Number.

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Home Rule Ordinances

- What is Home Rule
- Adopting Home Rule Ordinances
- Limitations
- Compliance

https://encrypted-dnn1.gstatic.com
Home Rule Ordinances

Home Rule:

- IC 36-1-3
- Power to do something not already permitted by statute
- Not intended to permit a unit to do whatever it wants – so there are limitations.

Home Rule Ordinances

Home Rule Adoption:

- **When:** Whenever it is necessary to exercise any power, perform any function, or provide a service and the laws and constitution don’t prohibit you and there is no law setting out any procedures.

- **Adoption:** Ordinance must be **specific.** Council adopts; your attorney will need to be involved.
**Home Rule Ordinances**

**Home Rule Limitations:**

A unit may not do anything via Home Rule anything that is:

- Expressly denied by state law or constitution.
- Granted to another governmental entity

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**Home Rule Ordinances**

**Home Rule Limitations:**

A unit also may not:

- limit its civil liability, except as expressly granted by statute
- impose a tax, except as expressly granted by statute
- prescribe the law governing civil actions between private persons
- impose duties on another political subdivision, except as expressly granted by statute
Home Rule Ordinances

Home Rule Limitations:

A unit also may not:

- Impose an unreasonable license fee
- Impose unreasonable service charges or user fees
- Regulate anything already regulated by the state
- Prescribe a penalty for a crime or infraction
- Prescribe a penalty for imprisonment for an infraction
- Prescribe fines greater than certain amounts in certain situations

Also, a unit may not exercise powers outside its territorial jurisdiction – unless through interlocal agreement and restrictions inherent in federal laws and regulations must be observed.
Home Rule Ordinances

For more from SBOA, see the Cities and Towns Bulletin, September 2011.

Also see IC 36-1-3 and/or consult with your city/town attorney

Public Purchase / Public Works

Public Purchasing:
- IC 5-22
- Every expenditure of public funds
- Governs purchasing supplies, equipment, goods, & materials

Public Works:
- IC 36-1-12
- All public work performed or contracted by political subdivisions and their agencies
Public Purchases – IC 5-22

**General Rule:**

- Less than $50,000: city/town’s written rules and policies apply. [quotes/bids not required]
  - *in.gov/sboa/files/Best_Practices_SMALL_PURCHASES.pdf*
- $50,000 - $150,000: invite quotes from 3 vendors
- > $150,000: competitive bids

**Exceptions:**

- Requests for Proposals (RFP) – **IC 5-22-9**
- Special Purchases – listed in **IC 5-22-10**
- Purchases from Nonprofit – **IC 5-22-13**
- Purchase of Services – **IC 5-22-2**
- Small Business Set-Aside – **IC 5-22-14**
The term “public work” means the construction, reconstruction, alteration, or renovation of a public building, airport facility, or other structure that is paid for out of a public fund or out of a special assessment.

Applies whenever the cost of a public work project is estimated to be $150,000 or more.

**General Rules:**
- Plans and specifications
- Notice – bids to be accepted
- Bids opened at public meeting
- Award contract to the lowest responsible & responsive bidder
- Change orders – can’t exceed 20%
Conflict of Interest

- IC 35-44.1-1-4
- A public servant who has a pecuniary interest in or derives a profit from a contract, has committed a conflict of interest

However, you may be able to avoid the conflict by disclosure.

If you’re not sure if a COI exists, we recommend consulting with city/town attorney.

Cities & Towns Manual, Ch. 7
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