

Newly Elected Clerk Treasurer and Controller Workshop

- Internal Controls
- Salary Ordinances
- Leave Policies
- Audit and Payment of Claims
- Deposits and Investments of Funds
- Travel Reimbursement

Internal Controls

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.

Control Environment

Risk Assessment

Control Activities

Information and Communication

Monitoring

Internal Controls Resources Available

Training Materials – www.in.gov/sboa



Uniform Internal Control Standards for Indiana
Political Subdivisions



Internal Control Webinar

Internal Control – Integrated Framework (COSO)

Standards for Internal Control in the Federal
Government (Green Book)

Internal Controls

After June 30, 2016 –

*Legislative Body shall ensure that internal control standards and procedures have been adopted and personnel have received training.

After June 30, 2016

***Fiscal Officer** must certify that the minimum internal control standards and procedures have been adopted and personnel have received training – this certification will be part of the Annual Financial Report due in **2017**.

Salary Ordinances Statutory References

Cities:

IC 36-4-7-2; IC 36-4-7-3; IC 36-4-7-4

IC 36-8-3-3 (Police)

IC 8-1.5-3-4 (Utility Service Board)

IC 8-1.5-4-4 (Waterworks Board)

Towns:

IC 36-5-3-2

IC 36-8-3-3

IC 36-1.5-3-4

Board of Metropolitan Police Commissioners IC 36-8-9

Salary Ordinances Statutory References

Compensation:

IC 36-4-7-2(a) Defined

IC 36-4-7-2(c) and IC 36-5-3-2(c): Compensation of an elected city or town officer may not be changed in the year for which it is fixed, nor may it be reduced below the amount fixed for the previous year.

IC 36-5-3-6 Waiving Total Compensation

Salary Ordinances

*Things to include in the ordinance:

Base Salary or Bi-weekly, Weekly Pay Amount

Other Compensation, if offered

(examples: longevity, bonuses)

*Other Required Policies

Employee Benefits

Leave and Overtime Policy

*IC 5-10-6-1 requires leave benefits to be set by ordinance.

Salary Ordinances Common Questions

- **New Positions**
 - Adding a new position is permitted. We recommend amending the ordinance for that year.
- **Names vs. Positions**
 - We recommend the identification of positions rather than names.
- **Bi-Weekly or Weekly Paydays**
 - We recommend using bi-weekly or weekly pays in the ordinance and not annualized amounts.

Salary Ordinances

- When to Adopt Ordinance
 - A New ordinance should be adopted every year
 - For cities – adoption should be not later than November 1 for the ensuing budget year (IC 36-4-7)
 - For towns – no statutory deadline. We recommend passing at the time the budget is passed.

Problems to Avoid Payroll Transactions

- *Overpayment of Authorized Amount
- *Duplicate Payments
- *Extra Payments
- *Payments to non-employee

What internal controls are necessary to detect or prevent these types of payroll transaction issues?

Salary Ordinances

Salary related items in Manual and Bulletins:

<u>Manual</u>	<u>Page</u>
*City officers and employees	61-10
*Town officers and employees	61-13
*Elected officials	61-4
*Compensation	55-4/55-1
*Benefits	55-1
*Salary Schedules	61-13
<u>Bulletins</u>	
*City and Town officers	March 2014
*Police and Fire	March 2014

Leave Time Policies

IC 5-11-6-1

City and Town Employees may be granted a vacation with pay, sick leave, paid holidays, and other similar benefits by **ordinance** of the legislative body.

Leave Time Policies

Payment of vacation benefits so granted may be made in advance of any vacation taken by such an employee.

City Officers and Employees

IC 36-4-8-9(a) states: "One (1) to three (3) days before the vacation leave period of a city officer or employee begins, the city may pay him the amount of compensation he will earn while he is on vacation."

Town Officers and Employees

IC 36-5-4-7 states: "One (1) to three (3) days before the vacation leave period of a town officer or employee begins, the town may pay him the amount of compensation he will earn while he is on vacation leave."

Audit and Payment of Claims

IC 5-11-10-1.6

The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim

Audit and Payment of Claims

IC 5-11-10-1.6

(d) The fiscal officer of a governmental entity shall issue checks or warrants for claims by the governmental entity that meet all of the requirements of this section. **The fiscal officer does not incur personal liability for disbursements:**

- (1) processed in accordance with this section; and
- (2) for which funds are appropriated and available.

Prescribed by State Board of Accounts Town Form No. 39 (Rev. 1995)

ACCOUNTS PAYABLE VOUCHER

TOWN OF _____ INDIANA
 An invoice or bill to be properly itemized must show: kind of service, where performed, dates service rendered, by whom, rates per day, number of hours, rate per hour, number of units, price per unit, etc.

Payee _____		Purchase Order No. _____	
_____		Terms _____	
_____		Date Due _____	

Invoice Date	Invoice Number	Description (or note attached invoice(s) or bill(s))	Amount

SAMPLE

I hereby certify that the attached invoice(s), or bill(s), is (are) true and correct and that the materials or services itemized thereon for which charge is made were ordered and received except _____

Signature _____ Title

I hereby certify that the attached invoice(s), or bill(s), is (are) true and correct and I have audited same in accordance with IC 5-11-10-1.6.

Clerk-Treasurer

Problems to Avoid Audit and Payment of Claims

Credit Cards

*Personal Purchases

*Lack of Documentation

Require fully itemized documentation for each credit card charge.

What internal controls can you put in place to provide reasonable assurance that credit cards are used for lawful government purposes?

Audit and Payment of Claims

Credit Cards

*Sample Policy on page 51-4 in Manual

*Case Study: Uniform Internal Control Standards for Indiana Political Subdivisions

*SBOA Best Practices www.in.gov/sboa

Deposit of Public Funds IC 5-13-6

*A city or a town shall deposit funds not later than the next business day following the receipt unless the funds on hand do not exceed \$500.

*The funds on hand must be deposited not later than the business day following the day that the funds exceed \$500.

*Deposits must be made in depositories selected by ordinance an approved as depositories of state funds.

Problems to Avoid Deposit of Public Funds

*Receipts not Deposited

What Internal Controls could be designed to provide reasonable assurance that all receipts are deposited?

Deposit and Investment Powers References

Statutory Reference: IC 5-13-9

City and Town Manual: Pages 56-1 to 56-12

City and Town Bulletin: December 2010

Manner of Investing Funds

Procedures for Purchasing Investments

Procedure for Posting Records at the Time
Investments are Purchased or Sold

Approved Depository List: www.in.gov/tos/deposit/

Travel Reimbursement

Establish a Travel Policy – Consider

Definition of “Travel Status”

Mileage Rate

Meals

Lodging

Airfare, Cab Fare, Train Fare, etc.

Parking

Per Diem

Acceptable Spending Limits

Travel Reimbursement

IC 5-11-10-1.6(c)... This subsection does not prohibit a municipality from making meal expense advances to a municipal employee who will be traveling on official municipal business **if** the municipal fiscal body has adopted an **ordinance** allowing the advance payment,

*specifying the maximum amount that may be paid in advance,

*specifying the required invoices and other documentation that must be submitted by the municipal employee, and

*providing for reimbursement from the wages of the municipal employee if the municipal employee does not submit the required invoices and documentation.

Travel Reimbursement Documentation Needed

- General Mileage Form 101

- Receipts for all reimbursements, including
 - Meals
 - Hotel
 - Airline, Taxi, etc.
 - Parking

Problems to Avoid Travel Reimbursement

- *Lack of Documentation
- *Personal Purchases
- *Duplicate Payments
- *Falsified Mileage Claims

What Internal Controls can be put in place to provide reasonable assurance that travel reimbursements are for lawful governmental purposes?

Travel Reimbursement

References:

Cities and Towns Manual Pages 51-11 and 55-3

Cities and Towns Bulletins: March 2009

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