

# THE COUNTY BULLETIN

## And Uniform Compliance Guidelines

ISSUED BY STATE BOARD OF ACCOUNTS

Vol. No. 418

January 2020

### SPECIAL EDITION

In October of 2019 instead of the traditional Auditors Conference we introduced quadrant meetings around the state. This special bulletin is the cumulative list of questions that were asked at each of the four meetings. These questions will also be added to the Frequently Asked Questions (FAQs) of the State Board of Accounts website. We have added keywords to the FAQs to help aide in the search functions.

**Question 1** Does Council need to approve an interfund loan with a resolution?

**Answer 1** IC 36-1-8-4 states that the fiscal body, County Council, would need to pass an ordinance or resolution to permit the temporary transfer of money between funds.

**Question 2** How do we handle an interfund loan between MVH and MVH restricted?

**Answer 2** IC 36-1-8-4 does not apply to MVH and MVH Restricted as these are not separate funds. The MVH Restricted, while being shown as a separate fund on the chart of accounts, is actually a sub-fund of the MVH fund. At least 50% of the MVH distributions from the State must be deposited into the MVH fund. It is possible to move more than the 50% into the MVH Restricted sub-fund, with a resolution from the Council, and the excess over the 50% could be moved back to the MVH fund if needed, before the end of the year. Both funds should have a positive balance at the end of the year.

**Question 3** Does Clerk's Record Perpetuation fund need an appropriation?

**Answer 3** IC 36-2-5-2(b) states that all disbursements from county funds need to have an appropriation unless otherwise stated by statute. The statute for the Clerk's Record Perpetuation fund does not provide authority to disburse without appropriation, so an appropriation would be needed.

**Question 4** If county pays the Prosecutor supplemental salary, does the Sheriff get this as part of their percentage of compensation?

**Answer 4** IC 36-2-13-2.8(c) only discusses the annual minimum salary that would be paid by the state to a full-time prosecuting attorney in the county, which would not include the supplemental.

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- Question 5**      What is the advertising process for re-appropriation of reimbursement?
- Answer 5**        If you are asking about adding a receipt of money back to an appropriation line, this is only possible for reimbursements for damage to county owned assets IC 6-1.1-18-7; reimbursement of state and federal grants IC 6-1.1-18-7.5; re-appropriation from erroneous or excessive disbursements IC 6-1.1-18-9. For these situations, advertising would not be required.
- Question 6**      Should we create a new fund for each grant? (Example: Bridge Grant)
- Answer 6**        We recommend that each grant be deposited to a separate fund so that accounting for the specific grant is transparent and reporting on the grant is facilitated. If your software allows for each bridge grant to be separately identified and tracked for receipts, disbursements and balances, you could use one fund.
- Question 7**      Can you carry encumbrance's multi-year when there is a contract?
- Answer 7**        You should not carry encumbrances forward beyond the next budget year. If the county has received bond proceeds for a project, you can roll forward the unused appropriation until the project is complete.
- Question 8**      Is Council required to do salary ordinance with budget?
- Answer 8**        IC 36-2-5-11 requires that the council establish an ordinance for the annual budget and a separate ordinance for compensation of county employees. Both are part of the budget process and need to be completed together. The salary ordinance should provide information on the funding that needs to be appropriated and the budget also provides limits on the amount of compensation.
- Question 9**      Do additional appropriations need advertised? Could this change?
- Answer 9**        IC 6-1.1-18-1 states that the portion of the budget that exceeds the amount published by the political subdivision is void. So any additional appropriations need to be advertised before adopted. Statute can be changed, however, we can't predict the change.
- Question 10**     Do Home rule funds need appropriations that are DLGF approved?
- Answer 10**      IC 36-2-5-2 requires that all disbursements from the county treasury must be appropriated unless statute states otherwise. Home rule funds would need to be appropriated by council. They would not need DLGF approval of the appropriations.
- Question 11**     Is it 10 calendar days or 10 business days as code says 10 days for public notice of proposed additional appropriations?

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**Answer 11** 10 calendar days

**Question 12** What if the council does not want to do additional appropriations?

**Answer 12** The Council needs to approve all appropriations. However, if you receive a State advance grants with a detailed budget in the grant agreement. A detailed budget means by major expense classification, such as Personal Services, Supplies, and Capital Outlay. We would not take audit exception to the grant budget being used to set the appropriations in the grant fund. If the council doesn't approve additional appropriations, the disbursements over the original appropriation may not be spent.

**Question 13** Where would the county policy be giving approval for auditors to move appropriation between major classifications?

**Answer 13** We recommend that the approval be in writing, but it could be part of the Council Board minutes. If in doubt, consult with the Council.

**Question 14** Is there any talk about advertising other than newspaper?

**Answer 14** We are not aware of any talk at this time.

**Question 15** Does posting on our website count as advertising?

**Answer 15** IC 5-3-1-2 requires notice of a public hearing be published in a qualified publication. Posting on a website can be additional notice but not replace the publication in a newspaper.

**Question 16** What do we do if there is an unpaid contract and appropriation has been used?

**Answer 16** Once an appropriation has been used, you need to wait until a new budget goes into effect or get an approval for an additional appropriation on the current budget. Only unused appropriations can be encumbered.

**Question 17** Do counties use purchase orders?

**Answer 17** Yes, some counties use purchase orders.

**Question 18** Are encumbrances required?

**Answer 18** No, this is an option, not a requirement.

**Question 19** Should Commissioners enter into a contract without appropriate appropriations and Is council forced to appropriate money to pay claims per contract? What do we do?

**Answer 19** IC 5-22-17-5 states that if the fiscal body makes a written determination that funds are not appropriated or otherwise available to support continuation of performance of a contract, the contract is considered cancelled.

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**Question 20** Can Commissioner override auditor for payment of claim?

**Answer 20** The Commissioners are the governing board for approval of claims. The Auditor should present the claim and provide the reasons they do not believe the claim should be paid, however, the Commissioners can approve a claim over the objection of the Auditor and those claims must be paid.

**Question 21** State/ Federal reimbursement grants: Do we need an appropriation? (Ex. Homeland Security)

**Answer 21** Reimbursement grants need an appropriation to disburse the county funds before the reimbursement is claimed. Under IC 6-1.1-18-7.5, the reimbursement may be appropriated by Council without following additional appropriation requirements.

**Question 22** Do we need appropriation for Title IVD Incentive funds, Prosecutor and Clerk?

**Answer 22** The County incentive does need an appropriation to disburse the funds. Both the Prosecutor Incentive funds and the Clerk Incentive funds may be spent without an appropriation because IC 31-25-4-23.5 authorizes the Clerk and Prosecutor are to be added back to their appropriation/budget.

**Question 23** Will a Purchase Order work for an encumbrance?

**Answer 23** Yes, an open Purchase Order (PO) is a valid reason for encumbering fund.

**Question 24** Can payroll be encumbered?

**Answer 24** We would not take audit exception to encumbering the payroll fund.

**Question 25** Recorder Perpetuation: If budgeted, can an additional be asked?

**Answer 25** When a portion of the Recorder Perpetuation fund is appropriated for operating expenses of the Recorder's office per IC 36-2-7-10.2, the appropriation may only be up to the maximum certified by the Recorder as available. There would not be any additional funding to support an additional appropriation.

**Question 26** Can salaries be paid out of Recorders' Record Perpetuation fund?

**Answer 26** Yes, salaries may be paid out of the Recorders' Record Perpetuation fund. Must follow IC 36-2-7-10(f) and IC 36-2-7-10.2.

**Question 27** Can Council force the use of Recorder's Record Perpetuation fund?

**Answer 27** It would be possible for the Council to reduce the Recorder's Operating budget in the General fund such that use of the Recorder's Record Perpetuation fund might be needed.

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**Question 28** County General: can a transfer of appropriation from Commissioners to Sheriff be done?

**Answer 28** A transfer between departments requires the approval of the County Council and the DLGF as it requires a reduction of the appropriation in the first budget and an additional appropriation in the second budget.

**Question 29** Rainy Day fund: Is appropriation needed?

**Answer 29** Yes, Rainy Day funds do need an appropriation to spend. IC 36-1-8-5.1c states that "The rainy day fund is subject to the same appropriation process as other funds that receive tax money."

**Question 30** Community Correction/Drug Court: do grants require an appropriation?

**Answer 30** This is a State advance grant that does have a detailed budget within the grant agreement. We would not take exception to disbursements from this grant fund without appropriation.

**Question 31** What if Reimbursements are not being asked for timely? Especially courts?

**Answer 31** If reimbursements are not being requested timely and the fund is overdrawn, this would result in an audit finding.

**Question 32** Do you re-appropriate Community Crossing Reimbursements?

**Answer 32** Reimbursement grants need an appropriation to disburse the county funds before the reimbursement is claimed. Under IC 6-1.1-18-7.5, the reimbursement may be appropriated by Council without following additional appropriation requirements. However, this should be an advance grant going forward.

**Question 33** Encumbrances for payroll: Does this have to be done?

**Answer 33** No, you are not required to encumber payroll funds.

**Question 34** Grants overdrawn for 10 years? Can you repay from Rainy Day?

**Answer 34** Yes, if this is an allowable cost for the Rainy Day fund per ordinance.

**Question 35** What do we do with fund balance left in grant fund and now dormant?

**Answer 35** If this is a grant fund, contact the granting agency for guidance on unused grant funds. If they do not provide any guidance, you can close the fund out to the general fund.

**Question 36** If making a January Debt payment in December how so we show Due in one year on the debt schedule within the notes?

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**Answer 36** If the payment has been made, you would not include it as an obligation in the debt schedule. If this is a semi-annual payment, only one payment would be due in the next calendar year.

**Question 37** If we created a building corporation and the county sold the land, do we show the lease rental payments in the new enhanced regulatory?

**Answer 37** Yes, the county's obligation is the lease rental bonds. The building corporation is a component unit of the county, but in the enhanced regulatory the debt and assets of the component unit are not included in the AFR.

**Question 38** Who is responsible for establishing Capital asset policy?

**Answer 38** The Commissioners should establish the Capital Asset policy.

**Question 39** How to understand infrastructure? Where do we get info?

**Answer 39** Infrastructure is defined as capital assets that are stationary in nature and usually have longer lives than other capital assets. Examples would include roads, bridges, drainage systems, and water and sewer systems. For roads and bridges, your highway department should have an inventory and cost information.

**Question 40** How to handle Construction in Progress when a building corporation is doing the construction?

**Answer 40** If the building corporation is doing the construction, you will not be tracking the construction in progress (CIP). The Building Corporation should be tracking the CIP.

**Question 41** Is land held by the Redevelopment Commission in Inventory for Redevelopment purposes reported?

**Answer 41** For reporting purposes, it would be shown under the category of land. For tracking purposes, there will probably be a separate ledger maintained by the RDC for all property held in their inventory.

**Question 42** What do we do with dormant funds, if they are grants or we don't know what they are?

**Answer 42** If you have dormant funds, check the history of the fund for both the source of receipts into the fund and what the fund was used for. If you have no history on the fund, close it out to the General fund.

**Question 43** Do all leases have to be submitted with Annual Financial Report? (Operating and Capital)

**Answer 43** Yes, all leases have to be included on the AFR.

**Question 44** Would a septic system at a lake park be improvements other than building?

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- Answer 44** Septic System at the park would be improvements other than building. While a sewer system of a utility would be considered infrastructure.
- Question 45** Should roads be included as infrastructure?
- Answer 45** Yes, Roads would be included in Infrastructure
- Question 46** What is Historical cost?
- Answer 46** Historical cost is the original cost to the county to purchase that asset.
- Question 47** When transferring Construction in Progress to Building: show additions for the year before the transfer and transfer the whole amount?
- Answer 47** Yes, CIP costs are collected until the project is completed and the full cost of the project is then transferred from CIP to the appropriate asset categories.
- Question 48** Are GAAP reporting and regulatory reporting done together?
- Answer 48** The Regulatory Report is generated by macro from the annual financial report loaded into Gateway. The GAAP financial report requires compilation of the financial statements starting with the information in the AFR and adding the additional elements required by GAAP.
- Question 49** When is the AFR for 2019 available?
- Answer 49** January 2020.
- Question 50** What is significant transfer?
- Answer 50** A transfer of funds that is unusual in nature or materially very large in nature compared to usual transfers.
- Question 51** Are we entering OPEB information twice in Gateway?
- Answer 51** DLGF requires information on OPEB and are working on changing legislation to remove the requirement for them to gather that information. The information is more detailed than what is needed for the note disclosure. For the 2019 AFR and 2020 OPEB report you may have to do both reports. Legislative changes may be passed to remove the DLGF requirement for OPEB information.
- Question 52** Is the OPEB for DLGF done at the same time as AFR?
- Answer 52** No, it is a separate application for DLGF
- Question 53** Can you print out the Annual Financial Report into the regulatory report format?

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- Answer 53** The output for the financial statements will provide the same level of information as the financial statements in the audit report, although the format may be slightly different.
- Question 54** What do we do with lease to own?
- Answer 54** All leases have to be included in the lease note to the financial statements.
- Question 55** Do we figure out the five year aggregate information for debt note by hand?
- Answer 55** The system will convert the amortization schedules in the debt management report to format properly for the debt note.
- Question 56** Will the schedule with special revenue, capital projects, and debt service take place of the 2019 financial statements?
- Answer 56** In 2020, the funds will be aggregated by fund type and replace the 2019 financial statement showing each fund separately.
- Question 57** What kind of finding will be on debt?
- Answer 57** If the note is not materially correct, audit adjustments will be provided to be reviewed and approved by you. There could be findings for a lack on internal controls over debt reporting.
- Question 58** What is the difference between a bond and a note?
- Answer 58** A bond is debt issued to the public, who buy the bonds. A note is a debt arrangement between the county and a financial institution.
- Question 59** If items purchased with pass thru grant money: should they be on capital asset listing?
- Answer 59** Capital assets should be reported if the county owns the asset. If a pass through grant is used by another political subdivision and that political subdivision owns the asset, they would include the asset on their schedule.
- Question 60** Does SBOA have guidelines of what should be included in the capitalization policy?
- Answer 60** The capitalization policy does not have to be a complex document. The policy should state what the capitalization threshold will be for capitalizing assets and under that threshold the cost would be expenses. You may have one threshold amount for the county or a schedule of threshold amount for different categories of assets. The capitalization policy should also include a schedule of useful lives for the asset categories. It is possible that your county has a capitalization policy that had been established in the past, in the early 2000's. This may not have been kept up but if located, would be a great place to start.
- Question 61** Will the SBOA take exception to the capitalization threshold the counties choose?

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- Answer 61** The capitalization threshold is a county decision. We would recommend that the minimum be set at \$5,000, however the county needs to determine what threshold would work for them.
- Question 62** Who tracks the Construction in Progress, if there is a bond and building corporation involved?
- Answer 62** If the building corporation is doing the construction, you will not be tracking the construction in progress (CIP). The Building Corp should be tracking the CIP.
- Question 63** How do we report software for capital assets?
- Answer 63** Software is not recorded as a capital asset unless the county developed the software in-house and owns the software.
- Question 64** Do we have to track radios?
- Answer 64** For items that are below the capitalization threshold, the county needs to track those in inventory but would not include them on the capital asset schedule.
- Question 65** How do we track a renovation to the jail?
- Answer 65** This would be Construction in Progress project until completion. All costs for completing the renovation should be tracked.
- Question 66** How do you determine useful lives?
- Answer 66** There are various sources that you may use (State useful life schedule, IRS schedule). You can also use historical trends for that type of asset in your county. A dump truck may have a different useful life than a Sheriff vehicle.
- Question 67** Our Regional Sewer District Director is on county's health insurance, can they borrow money from the county to do sewer work? How is it shown on the Financial Statements?
- Answer 67** IC 13-26-7-2 does allow for a county to advance money to a sewer district for the preparation of a plan for the operation of the district and other purposes of the district until the district is in receipt of revenue from operations or proceeds from bonds. This would not be included in the financial statements but could be a note disclosure if the amount is significant.
- Question 68** Will SBOA take it easy on the counties with findings over these changes for the next two years?
- Answer 68** We are required to comply with auditing standards when we complete our audits. Findings will be communicated to the unit and if material or significant would be included in the audit report.

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**Question 69** Do debt services funds need to be separate or can they be combined into one fund?

**Answer 69** We would recommend that each debt be tracked in its own debt fund.

**Question 70** Does the Public safety function apply to regulatory like it applies to GAAP?

**Answer 70** The function of a disbursement is relevant to GAAP reporting, however it is not included in the regulatory reporting.

**Question 71** What are Enterprise funds?

**Answer 71** These are funds used to report any activity for which a fee is charged to external users for goods and services, such as utility operations. There are tests that can be applied to determine if a fund should be reported as an enterprise fund. Counties will not usually have enterprise funds. Call us if you are not sure if you have an enterprise fund.

**Question 72** Is there a separate fund for pension?

**Answer 72** The sheriff pension is held by the pension trustee and not included on the chart of accounts. There is clearing fund to hold collections such as service of process fees until they are remitted to the pension fund.

**Question 73** Do we need a new fund for the same grant every year?

**Answer 73** Each grant year should have its own fund to provide separate accounting of the grant and facilitate reporting.

**Question 74** What do we do with dormant funds when the original ordinance cannot be found?

**Answer 74** If you have a dormant fund without an ordinance, check with the department if known on the purpose of the fund. If the fund is no longer needed, it can be closed out to the general fund.

**Question 75** Do we need an ordinance to close it out a dormant fund? Does council need to approve?

**Answer 75** The council would approve the transfer of the fund balance to the general fund. You would not need an ordinance.

**Question 76** What is an example of a permanent fund?

**Answer 76** Most counties would not have a permanent fund. A permanent fund is a fund where the principal fund may not be used and only earnings on the fund are used for the benefit of the government or its citizens. An example of a permanent fund is The Alaska Permanent fund that was funded with oil revenues and the earnings are used to pay annual dividends to each citizen of the state.

**Question 77** Is there a State grant project income fund for probation? Is an ordinance needed?

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- Answer 77** Probation user fees are placed in the supplemental probation services funds. If the probation department receives a Community Correction grant, the project income fund would be used for additional charges related to any programs funded by the grant. These charges might be drug testing fee, class fees or other program fees. This would be a local fund but an ordinance is not required as the grant agreement establishes the fund and budgets the fund.
- Question 78** Is DLGF changing their fund numbers?
- Answer 78** Not at this time.
- Question 79** Can additional stipend be approved for elected officials?
- Answer 79** IC 36-2-5-13 states that the compensation of an elected officer may not be changed for the year in which it is fixed. In 2019 a definition of compensation was added to this section and for the purpose of determining if compensation has changed, the term does not include the payment of a stipend or per diem allowed by statute.
- Question 80** Why do we do salary ordinance first?
- Answer 80** In order to determine the amount of appropriation that is needed for the year, you need to have an estimate of how much you will be paying in compensation and that estimate comes from the salary ordinance. We do understand that the salary ordinance is limited by the levy available to the county so it is possible to work on both at the same time, then finalize and adopt the salary ordinance after the budget is adopted.
- Question 81** Do auditors need time cards turned in?
- Answer 81** The county policy will determine how employee time is maintained and time cards are one method of tracking hours worked. If the department maintains the time cards and the proper officer or department head certifies the time worked based on those cards, the auditor may not need the actual time cards. However, the time cards should be available if needed as part of the Auditor's office audit and process of payroll claims.
- Question 82** Can the Courts have their own personnel policy?
- Answer 82** It is our audit position that if the court established their own personnel policy for court employees and that policy is provided to the Auditor's office for use in auditing payroll claims, we would audit for compliance with that policy when auditing payroll claims. If the court does not establish their own personnel policy, we would audit court employees for compliance with the county's personnel policies.
- Question 83** Does the Sheriff's salary have to be a percentage of the prosecutor?

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**Answer 83** IC 36-2-13-2.5 and IC 36-2-13-2.8 prescribe two methods of paying the compensation of the sheriff. Under section 2.5 a contract is entered into and the contract would specify the amount of compensation, which does not have to be based on the prosecutor's compensation. Under section 2.8, the sheriff is paid based on a percentage of the prosecutor's pay. The percentages that apply are stated in this section.

**Question 84** Are there audit exceptions for approving salary ordinance after the budget?

**Answer 84** We would not take audit exception to the date of the salary ordinance being after the date that the budget was approved. We would take exception to the general fund budget being overspent due to a lack of sufficient appropriation.

**Question 85** Does Clerk's per diem for attending meetings have to run through payroll?

**Answer 85** Yes, a per diem is a form of compensation and all compensation paid to the clerk needs to be processed through payroll.

**Question 86** Can compensation for a new official through caucus be changed and are there any exceptions that apply?

**Answer 86** We would not take audit exception if the provisions of IC 36-2-5-13(d) were followed to change compensation of a new official filling the position by caucus.

**Question 87** What are rules for exempt vs. nonexempt employees in regards to overtime?

**Answer 87** This is a Department of Labor designation for which employees are required to receive overtime. The Department of Labor has recently increased the weekly salary needed to qualify as an exempt employee from \$455 per week to \$684.

**Question 88** When entering a new year when does the rate change apply for Bi-weekly rates and carry over from the prior year?

**Answer 88** If the salary ordinance goes into effect on January 1, the hours worked in December would be paid in compliance with the prior year salary ordinance in effect for December. The hours worked in January would be paid in compliance with the new salary ordinance in effect January 1. It is possible that one of the January pays would have December hours at the old rate and January hours at the new rate on the same pay.

**Question 89** What if you don't have sufficient funds to pay extra pay on years with 27 pays?

**Answer 89** The decision to use a bi-weekly amount for salaries is a county decision. During the budget process, the county would determine how much could be paid in compensation for the upcoming year and determine compensation accordingly.

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**Question 90** How are court reporters paid?

**Answer 90** See the October 2017 County Bulletin, Volume 406 page 5 and 6. Court reporters may be paid by contract for preparing transcripts for indigent persons in addition to their compensation through payroll for regular work done for the court.

**Question 91** When can the supplemental county pay for payment of Stipend for Judges be removed?

**Answer 91** The Judges salary shall not be reduced while they are in office. Article 7 Section 19 of the Indiana Constitution.

**Question 92** If a county can't do raises and want to do bonuses on months of service is that possible?

**Answer 92** IC 36-2-5-13 on compensation states that Payments in recognition of longevity that are separately identified on a salary ordinance or resolution would not be included in the determination of an increase or decrease in compensation of an elected county officer.

**Question 93** Is it common for a salary schedule shows an "up to \$ amount"?

**Answer 93** It is possible to establish a schedule of compensation on the salary ordinance. We don't know how common it is.

**Question 94** How do we determine the useful lives of an asset?

**Answer 94** There are various sources that you may use (State useful life schedule, IRS schedule). You can also use historical trends for that type of asset in your county. A dump truck may have a different useful life than a Sheriff vehicle.

**Question 95** Why do we have to do depreciation?

**Answer 95** When you capitalize an asset, you are allocating the cost over the useful life of the asset rather than expensing it all in the first year. The amount capitalized is the cost of the acquisition or construction of the asset. The accumulated depreciation modifies that capitalized amount by the amount of time the asset has been owned. It gives the reader of the financial statement some idea of how soon these assets may need to be replaced.

**Question 96** Who is responsible for the capitalization policy?

**Answer 96** The Commissioners approve the capitalization policy.

**Question 97** What does 5 year useful life mean in comparison to the date in service?

**Answer 97** The useful life is the amount of time the county believes the asset will be used based on the date it is placed in service by the county.

**Question 98** If a snow blade was purchased under the capital asset threshold, would it be on an inventory list?

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- Answer 98** An inventory needs to be maintained for small but significant items that are below the capitalization threshold. These items are not part of the capital asset schedule but would need to be inventoried and monitored as part of internal control over the safeguarding of assets.
- Question 99** What supporting documentation is need for capital assets?
- Answer 99** The claims with attached invoices should be available for all new capital asset purchases. If you are establishing your capital asset ledger for the first time, you would need to keep all of the documentation on how you determined historical cost. A physical inventory of capital assets is required at least every two years and should also be maintained.
- Question 100** Do you have to use a quote for current value when calculating historical cost?
- Answer 100** No a quote is just one way to establish current value as part of the calculation of historical cost. It is not the only method.
- Question 101** Are you working on a YouTube video for depreciation?
- Answer 101** Yes, We will work on preparing a tutorial on depreciation.
- Question 102** What if the County Courthouse has a market value that is greater than historical cost, which value is used?
- Answer 102** Market value is not used to value capital assets. Many of our courthouses are historically priceless and the replacement cost would be considerable higher than historical cost however these are costs that are used in determining insurance coverage but not asset valuation.
- Question 103** If the county Sheriff purchases 10 Pistols costing \$500 each, is this added to capital asset if threshold is \$5,000?
- Answer 103** Usually it is the individual item cost that is compared to the capitalization threshold and not an aggregate cost for multiple items purchased.
- Question 104** What roads are included on capital asset?
- Answer 104** Roads owned and maintained by the County. Check with your highway department.
- Question 105** Does the highway schedule report include assets and depreciation?
- Answer 105** LTAP provided a spreadsheet application to the county highway departments that provides and inventory of roads, cost and accumulated depreciation is calculated.
- Question 106** Should a copy of the cashbook be attached to supplemental AFR?

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- Answer 106** It is not required that a copy of the cash book be attached to the supplemental AFR. The auditor does need to review the supplemental AFR and determine if it is reasonable amount for after settlement collections for the county. It can be compared to the prior year's supplemental report.
- Question 107** What is needed for payment of credit card charges?
- Answer 107** The county needs to establish a credit card policy and that policy should be adhered to. Any claims submitted for payment should have the proper supporting documents including original receipts for credit card purchases. There should be internal controls over credit cards as well.
- Question 108** Can we charge employees responsible for late fees?
- Answer 108** The credit card policy should address late fees. During an audit if it is determined that the payment of late fees and interest are being paid on credit card claims, this would be an audit finding.
- Question 109** How do we handle multiple departments with multiple credit cards and no central register of cards?
- Answer 109** The County needs to take control of the credit cards for which the county is the responsible payer. There should be a credit card policy that provides who may have a credit card, how they are to be logged out and used, what supporting documents are to be returned with the credit card and the allowable uses of the credit card.
- Question 110** Where should internal controls be in the Settlement process? (All procedures from Quietus into Settlement fund to disbursing the settlement: should someone else review and should someone else disburse?
- Answer 110** The settlement process is a large and complicated process for the counties. It is good internal control to have review and approval processes in place for each part of the process.
- Question 111** How do you report a grant on the SEFA when a contract has two CFDA numbers?
- Answer 111** The County should have procedures established for departments to obtain approval to apply for grants and for the provision of the necessary information needed to the Auditor's office to properly receipt, disburse and report on the grant funds. If there are issues with the grant, such as two CFDA numbers, contact the grantor agency or pass through agency for clarification on which CFDA number is to be used for reporting.
- Question 112** Are credit cards and prepaid debit cards for gas given out to participants in court programs allowed?

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**Answer 112** The use of the prepaid cards needs to be approved by the grantor agency for the court grants. The department needs to establish internal controls over the purchase, inventory and distribution of the cards to provide transparent accounting over the disbursement of the grant funds.

**Question 113** Are pictures of a menu or pictures of food acceptable instead of itemized receipts?

**Answer 113** Pictures of menu or actual food are not sufficient or appropriate documentation of meals purchased. In order to be reimbursed for meals as part of the travel policy, detailed receipts needed to be provided.

**Question 114** How often should the two offices (Auditor and Treasurer) reconcile?

**Answer 114** At least monthly, however we would recommend daily or weekly reconciliements of the funds ledger.

**Question 115** If our computer software has a report that mimics the Form 61 do we have to do the prescribed Form 61 as well?

**Answer 115** If you have alternate forms or reports that take the place of the prescribed forms, those forms can be approved if they provide the required audit information and are not part of a finding. Remember if there is more than one form or report needed to provide the same information, all of the related forms/reports need to be provided during audit.

**Question 116** What is the procedure for Wheel/Surtax, should it be held on cashbook?

**Answer 116** Wheel and Excise Surtax are to be receipted in by quietus to the appropriate fund on the funds ledger to be distributed monthly by the county. If the wheel and surtax are being carried on the cash book prior to the quietus being issued, there should be a separate line on the cash book to carry these amounts until the quietus is issued. At that time, the amount should be shown as transferred by quietus to the funds ledger. The wheel and surtax should not be included on the line in the cash book for excise tax.

**Question 117** Do we need a separate BMV bank account?

**Answer 117** You do not need a separate bank account, although many counties do use a separate bank account.

**Question 118** Does Surtax and Wheel tax need to be separate on the cashbook?

**Answer 118** Yes, it should not be co-mingled with excise tax because the distribution of wheel and surtax is different than the distribution of excise tax. Co-mingling the funds would make the reconciliation process more difficult.

**Question 119** Can surtax and wheel tax be one fund?

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- Answer 119** Yes, the county has the option of using one fund for both wheel tax and surtax or keeping them in separate funds.
- Question 120** Does the Treasurer need a copy of the report of collections?
- Answer 120** The Treasurer does not need a copy of the Report of Collections. They do need the quietus to allow them to properly post the collections to the funds on the Treasurer's fund ledger.
- Question 121** What do we do when an ACH that is deposited but don't know what fund to receipt?
- Answer 121** If an ACH is received but no supporting notices or emails are received that provide the information needed to post the ACH amount, it would be a reconciling difference on the bank reconciliation. Every effort should be made to determine the source and purpose of the deposit by ACH. This may mean contacting your departments that receive grants, contacting Auditor of State if this is a state distribution or the Federal Grantor agency if it comes from the US Treasury. For federal direct payments contact the Kansas City Missouri office at 816-414-2100.
- Question 122** If ACH is deposited to general fund, do we have to write a check to move to proper fund?
- Answer 122** If the ACH has been deposited to the General fund and it is determined that it belongs to another fund, you can use whatever procedures you have for correction of a posting error to move the receipt from the general fund to the proper fund. It is not necessary to write a check, unless this is part of your process.
- Question 123** Do we have to write a check & quietus in to correct an error?
- Answer 123** If your software allows for an electronic correction of a posting error, it is not required that you issue a check and quietus it into the correct fund.
- Question 124** Do we need clearing accounts- payroll ZBA accounts?
- Answer 124** Separate payroll accounts are established to allow for payroll transactions such as direct deposits, separate from the county's main checking account. The payroll account should also be reconciled to the payroll funds.
- Question 125** Should money be removed from an account without treasurer or auditor notice?
- Answer 125** No money should be disbursed or withdrawn from a county bank account without the approval of the treasurer.
- Question 126** Can we transfer bills to bank account (Ex. Vectren) for payment?

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- Answer 126** It is possible to obtain permission from the Commissioners to pay utility bills in advance of the Commissioners meeting to approve the claims. We do not recommend every letting any vendor "pull" money from your bank account with the exception of PERF transactions. Utility bills need to be audited for accuracy before payment.
- Question 127** Does the Treasurer need to review claims?
- Answer 127** The Treasurer does not need to audit claims as that is the responsibility of the Auditor. The Treasurer needs to certify that there is sufficient balance in any account before the check or other payment is issued for disbursement from that account.
- Question 128** Can treasurer give written ok through email?
- Answer 128** Yes, approval may be done electronically.
- Question 129** Do the departments leave the money with the Auditor?
- Answer 129** Departments need to follow procedures for turning in their departmental collections and report of collections. The custody of those collections does not pass to the Treasurer until the Treasurer has issued a Treasurer's receipt and taken custody of the collections for deposit. If money is left with the Auditor, any loss of that money will be the responsibility of the department.
- Question 130** How can Harris Financial, allow one person to do the whole disbursement process?
- Answer 130** We do not certify software, we audit the county's financial records. If there is a deficiency in controls over those records or your financial transactions, we would issue a finding in the audit report. We would expect the county to work with the vendor to correct any deficiencies noted.
- Question 131** Why do the tools we have not support the Indiana Code?
- Answer 131** The County is free to choose the tools they will use for financial transactions and reporting.
- Question 132** Why is there not a compliance audit of vendors?
- Answer 132** As an audit agency, we must maintain our independence from the entities that we audit. Choosing a software system is a management decision. We can provide our audit position but we can't intercede in management decisions.
- Question 133** Does this process in Low meet compliance for disbursing funds, treasurers receives and gets passcode to go over to the Auditor to affix treasurer's name to check?

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**Answer 133** This would be a good control over the issuance of the checks. The county needs to work with their vendors to ensure that sufficient controls are in place to comply with statute and safeguard assets.

**Question 134** What do we do if electronically only the auditor can disburse?

**Answer 134** You need to work with your vendors to make any modifications to the system to provide compliance with statutory requirements.

**Question 135** How far in advance should checks be written?

**Answer 135** Once the checks are written and signed they can be used, so internal controls need to be in place to safeguard those checks until the authority is given to issue those checks to the payees.

**Question 136** Why does the auditor need to keep the quietus from the Treasurer, since reports show amounts?

**Answer 136** The Quietus is the prescribed form. If a report is proposed to take the place of the prescribed form and it has passed an audit to determine that it provides sufficient audit evidence and is working as the prescribed form was intended to work, the report can be approved to take the place of the prescribed form.

**Question 137** How do we get departments not to leave their money in the auditor's office before receipting into treasury?

**Answer 137** Departments need to follow procedures for turning in their departmental collections and report of collections. The custody of those collections does not pass to the Treasurer until the Treasurer has issued a Treasurer's receipt and taken custody of the collections for deposit. If money is left with the Auditor, any loss of that money will be the responsibility of the department.

**Question 138** Who issues the checks?

**Answer 138** The County issues the checks after the claims process has been completed and all approvals have been given. Once the Treasurer has certified that sufficient money is available in the bank account to issue the payments, those checks can be issued. We would not take exception to which office actually mails or delivers the checks, depending on the internal controls adopted in that county.

**Question 139** Should a department be receipting in EFTS (ACH for a grant) or should it be done by the Auditor?

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**Answer 139** If the ACH is being deposited into the County bank account, the department should not include that amount on their report of collections. They should provide the information to the Auditor and Treasurer sufficient to be able to post the ACH payment properly.

**Question 140** Do claims need to be published 5 days before approval?

**Answer 140** County Claims are not required to be published. They are to be approved in a public meeting. IC 36-2-6-3 does provide that court claims should be published at least three days before the warrant is issued.

**Question 141** What is the difference between a warrant and a check?

**Answer 141** When reading statute, a warrant is an order to pay issued by the Auditor to the Treasurer to give to the payee money from the County Treasury. The check is financial instrument directing the bank or financial institution to take money from the payers account and issue to the payee on the check.

**Question 142** How do we make sure there is sufficient money in bank?

**Answer 142** Your cash book should be reconciled daily and reconciled to the bank monthly. This should provide the availability and sufficiency of the accounts listed on the cash book.

**Question 143** Do we need physical custody of signature?

**Answer 143** You need controls over the use of your signature. If it is placed within the software to affix an electronic signature, you need controls in place that will not allow that signature to be affixed without your express permission. If you have a signature stamp, you should have physical control of that stamp.

**Question 144** If treasurer has positive pay would that be sufficient control?

**Answer 144** Positive pay is good internal controls to prevent fraudulent transactions from your bank accounts. It is not however, a certification that sufficient funds are available to cover the checks that are being written on any given day.

**Question 145** Is it up to individual counties to determine how internal controls are done?

**Answer 145** Internal controls are designed by the county offices based on the identified risks of not achieving their objectives and the available resources to address those risks.

**Question 146** Is there a policy on risk tolerance matrix?

**Answer 146** We do not have a policy on establishing a risk tolerance matrix. The county does need to determine the level of risk they will be willing to tolerate as part of their risk assessment process. This would be a management decision, there is no requirement that they have adopted a formal risk tolerance matrix.