

LIBRARY BULLETIN

AND UNIFORM COMPLIANCE GUIDELINES
ISSUED BY STATE BOARD OF ACCOUNTS

March 2020

GOVERNOR EXECUTIVE ORDERS **Regarding the Public Health Emergency**

The Governor has issued several Executive Orders related to the Public Health Emergency which affect the operations of local government, including the Public Meetings, Public Records, Deposit of Public Funds, and Law Enforcement Training. All Executive Orders may be viewed at www.in.gov/gov by selecting "Executive Orders."

STATE EXAMINER DIRECTIVES AND MEMORANDUMS **Regarding the Public Health Emergency**

The State Examiner has issued State Examiner 2020-1 *Timely Deposits and the Claims Process*; and two Memorandums *Policy Regarding Corona Virus and Coronavirus Items to Consider*. This guidance is intended to provide local governmental units with maximum flexibility in carrying out ordinary governmental activities during the Public Health Emergency. The Memorandums and Directive are attached to this Bulletin and are also available on our website at www.in.gov/sboa.

We hope you are all well and safe.

OTHER SBOA COMMUNICATIONS

The State Board of Accounts has issued the following other communications during this first quarter of 2020, which are attached to this Bulletin.

Audit Costs for Federal Awards.

STATE MILEAGE REIMBURSEMENT AND LODGING RATE INCREASED

If your library has adopted a travel policy that follows the state rates please be advised of the following changes:

Effective March 1, 2020 the personal vehicle mileage rate we be set at \$0.39 per mile. The official memo can be found on the Department of Administrations website: https://www.in.gov/idoa/files/IDOA_MileageReimbursement_Memo_Feb242020.pdf.

Effective March 1, 2020 the in-state lodging standard rate will increase to \$96.00. The official memo can be found on the Department of Administrations website: https://www.in.gov/idoa/files/IDOA_StateLodgingRate_Memo_Feb242020.pdf.

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SOCIAL SECURITY VERIFICATION

The Social Security Administration provides an online verification of social security numbers of current and former employees at this link:

<https://www.ssa.gov/employer/ssnv.htm>.

This service is useful to ensure that your current employees' social security numbers match those on file with the Social Security Administration and can provide some assurance that retirees of **single-employer pension plans** are not deceased. This verification could be a necessary audit procedure if the library offers a single-employer pension plan. Our Field Examiners may request that you provide documentation that you have verified retirees receiving benefits from these plans are not, in fact, deceased. Consider enrolling for this service if you have not already done so and performing this verification prior to the start of the audit to avoid any delays in completion of the audit timely.

FRAUD ALERT

Direct Deposit Change Requests

We are aware of a recent fraudulent scheme where perpetrators are emailing officials and impersonating employees. The fraudsters are requesting, via email, a change to an employee's payroll direct deposit account to an illegitimate account. We recommend that the library implement controls that would require all direct deposit account change requests to be made in person by employees.

Abbreviation of the Year 2020

To protect your unit from potential fraud, please consider writing out the year 2020 entirely on legal documents and checks, rather than abbreviating the year as '20. This will prevent an alteration of the date to another year such as 2019, 2021. For example, a contract for the period 1-1-20 to 12-31-20 could be altered and extended to 12-31-2021 or backdated to 1-1-2019. A check dated 1-9-20 could be changed to 1-9-2023. To avoid these types of issues, write out 2020 completely.

MINIMUM WAGE AND OVERTIME PROVISIONS

Your attorney should be consulted concerning the federal minimum wage and overtime provisions of the Fair Labor Standard Act applicable to libraries.

The overtime pay issue has required the State Board of Accounts to prescribe General Form No. 99C, Employee Weekly (work period) Earnings Record, which is designed to meet the record keeping requirements of the minimum wage and overtime provisions of the Fair Labor Standards Act (FLSA).

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AND UNIFORM COMPLIANCE GUIDELINES

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The form should be maintained for employees who are not exempt from FLSA and who are not on a fixed work schedule when the governmental unit pays other than weekly.

Libraries should constantly be aware of all the areas of employment in the library where overtime right attaches and establish a system to accurately record hours worked.

The U.S. Department of Labor Wage and Hour Division's new nationwide program, the Payroll Audit Independent Determination (PAID) program facilitates resolution of potential overtime and minimum wage violations under the FLSA. Please see the U.S. Department of Labor website for more information: <https://www.dol.gov/agencies/whd/paid>

FILING AND DOCKETING CLAIMS

Indiana Code 5-11-10-2 states in part:

“(a) Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity as defined in section 1.6 [IC 5-11-10-1.6] of this chapter, the claim must be certified by the fiscal officer.

(b) The state board of accounts shall prescribe a form which will permit claims from two (2) or more claimants to be listed on a single document and, when such list is signed by members of the governing body showing the claims and amounts allowed each claimant and the total claimed and allowed as listed on such document, it shall not be necessary for the members to sign each claim.

(c) Applies to solid waste management districts.

(d) The form prescribed under this section shall be prepared by or filed with the disbursing officer of the political subdivision together with... the supporting invoices or bills...

(e) Where under any law it is provided that each claim be allowed over the signatures of members of a governing body, or a claim docket or accounts payable voucher register be prepared listing claims to be considered for allowance, the form and procedure prescribed in this section shall be in lieu of the provisions of the other law.”

The State Board of Accounts has prescribed General Form No. 364, Accounts Payable Voucher Register, which shall be prepared by, or filed with, the disbursing officer of the library, together with the supporting accounts payable voucher, and all such documents shall be carefully preserved by the disbursing officer as a part of the official records of the office.

LIBRARY BULLETIN

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March 2020

If members of the governing body would rather approve and sign each individual accounts payable voucher in lieu of signing the Allowance of Vouchers section of General Form 364, this procedure is acceptable.

Indiana Code 5-11-10-1.6 states, in part:

“(c) 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...*

(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.*

(e) The certification provided for in subsection (c)(4) must be on a form prescribed by the state board of accounts.”

The library fiscal officer has the option of certifying either on each Accounts Payable Voucher or by signing the certification section of the Accounts Payable Voucher Register.

CONTRIBUTIONS, DONATIONS, GIFTS

Library Gift Funds

Pursuant to IC 36-12-3-11(a)(5), money or securities accepted and secured by the library board as a grant, gift, donation, endowment, bequest or trust may be set aside in a separate fund or funds, and shall be expended, without appropriation, in accordance with the conditions and purposes specified by the donor.

Definitions

The following definitions apply to the gift fund.

"Restricted" gifts are those to which the donor has attached terms, conditions and purposes. These may be quite specific or very general, such as "books", etc.

LIBRARY BULLETIN

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March 2020

"Unrestricted" gifts are those to which the donor has not attached terms, conditions or purposes.

Sources

Grants, gifts, donations, endowments, and bequests (hereinafter required to collectively as "gift"). It is the prerogative of the Board to accept or reject any gift.

Income in the form of tax receipts, fees, sale of library property, rental, etc. may not be receipted into the library gift fund.

Accounting

Gifts may be handled in any of the following ways:

Operating Fund. If the gift is unrestricted, the library may receipt the gift into the library operating fund.

A. If deposited into the library operating fund, the gift money must be budgeted, appropriated (in the regular budget or by additional appropriation) in the manner prescribed, including advertising and approval by the Department of Local Government Finance. Any gift receipted to the Library Operating Fund must be posted to Columns A-1 and B-1 of the Library Financial and Appropriation Record. Disbursements are to be posted to Columns A-2 and B-2 and also in the applicable appropriation columns.

B. Gift money placed into the library operating fund may be spent as determined by the library board within the scope of its statutory authority. It is to be expended as other funds of the library.

C. Gift money placed in the library operating fund does not accumulate and must be spent or encumbered within the fiscal year or it will revert to the library operating fund balance and must be re-appropriated before the disbursement.

Separate Fund or Funds. A separate fund may be established for each gift; gifts for like purposes may be receipted into separate funds for each purpose; or all gifts may be placed into one "Gift Fund".

Use of Gift Funds.

If the library board chooses to receipt any gift (restricted or unrestricted) to a separate fund or funds, the following will apply.

1. Gift money may be spent without budgeting or appropriation.

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2. If restricted, it must be spent according to the donor's restrictions.
3. If unrestricted, it may be spent as determined by the library board within the scope of its statutory authority.
4. The fund or funds may be accumulated and may be spent at any time the library board determines, unless otherwise required by the terms of the donor.

Accounting.

If all gifts are placed into a "Gift Fund", the following accounting will be necessary:

1. A subsidiary record to keep track of the disbursements relating to each gift must be maintained.
2. The subsidiary record may be kept on any appropriate commercial form or columnar worksheet, such as a cash journal.
3. A separate sheet should be opened in this subsidiary record for each restricted gift. Entries to this separate sheet would include the receipt of the restricted gift and disbursements chargeable to each gift including the date, amount and explanation of each.
4. Income from the interest on gifts may be receipted into the same fund in which the principal of such gift has been receipted provided it is to be used for the same purpose as the principal. However, if, under the terms of the trust, the principal must be held in trust in perpetuity and only the income used by the governmental unit, there should be two accounts established, one designated as "Trust Principal" and the other designated "Trust Income."
5. Unrestricted gift fund monies may be invested as part of the "total monies on deposit," and the interest thereon receipted to the library operating fund.
6. All funds, regardless of source, are deposited by the treasurer in only one bank account in each designated depository.
7. Receipts to and disbursements from a separate gift fund or funds may be posted in columns D-1, D-2, E-1, E-2, and E-3 or F-1, F-2, and F-3 on the Library Financial and Appropriation Record if such columns are not being used. If space for additional funds is needed, the optional flyleaf sheet (Library Form No. 1C) should be used. This form contains columns for four additional funds.

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AND UNIFORM COMPLIANCE GUIDELINES
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March 2020

Community Foundation Transfers

Gifts to the library may be set aside in an account with a nonprofit corporation established for the sole purpose of building permanent endowments within a community (referred to as a "community foundation"). The earnings on the funds in the account, either deposited by the library or accepted by the community foundation on behalf of the library, may be distributed back to the library for disbursement, without appropriation, in accordance with the conditions and purposes specified by the donor. A community foundation that distributes earnings under this clause is not required to make more than one (1) distribution of earnings in a calendar year. [IC 36-12-3-11(a)(5)(B)]

This action must be authorized by the library board by resolution. Note that the statute does not provide for a return of principal to the library.



STATE EXAMINER DIRECTIVE 2020-1

Date: March 19, 2020
Subject: Timely Deposits and the Claims Process
Authority: IC 5-11
Application: This Directive applies to all local governmental units
From: Paul D. Joyce, CPA, State Examiner

State Examiner Memorandums titled Policy Regarding Corona Virus dated March 12, 2020, and Corona Virus Items to Consider dated March 16, 2020, are hereby incorporated by reference into this Directive.

During the time of this Public Health Emergency, local governmental units may need to adjust normal procedures for the timely deposit of funds and the approval of claims. The State Board of Accounts will not take audit exception to the following alternative procedures for the timely deposit of funds or the approval of claims.

Timely Deposit of Funds. Indiana Code 5-13-6-1 governs the procedure for the deposit of public funds and is still in effect during this time of emergency. However, the State Board of Accounts will not take audit exception if the governing body approves the frequency for deposit of public funds to be limited to two times per week. The approval of the governing body must state that the deposits will be made on Tuesday and Thursday and require the public funds to be secured on those days when a deposit is not made. As always, proper internal controls must be in place to safeguard the assets of the unit.

Approval of Claims. Indiana Code 5-11-10 governs the claim approval process and is still in effect during this time of emergency. However, the State Board of Accounts will not take audit exception if the governing body uses the following procedures:

1. The governing body may designate one of its members to approve claims for payment in advance of board allowance. The board must allow those claims at its first meeting after the Public Health Emergency has ended.
2. For those units of government which have statutory authority to adopt an ordinance for the preapproved payment of claims, the board may provide written approval to the fiscal officer to pay certain claims during the Public Health Emergency. The board must allow those claims at its first meeting after the Emergency has ended.

This Directive will be rescinded upon Declaration by the Governor that the Public Health Emergency has ended.

Sincerely,

Paul D. Joyce, CPA
State Examiner



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

MEMORANDUM

March 12, 2020

Re: Policy for Coronavirus

Dear Officials,

We have received several questions regarding the Coronavirus (COVID-19) and its impact on governmental activities. Currently the questions are centering on disruption of travel, work environment, and employee benefits/compensation.

We urge governing bodies to work in the very near future with their attorneys to develop a policy specific to this emerging pressing situation. It should incorporate those items that could be of concern in the coming months. We would advise that this policy have broad language that may reference more specific materials so that the policy does not need to be constantly updated and approved to address the quickly changing real-time issues. The policy should be adopted through normal processes as provided by statute, including public meetings. IC 5-14-1.5-5(d) provides for emergency meetings if those become necessary. Also, if you have collective bargaining, do not forget to consider the agreement's impact.

We will not take audit exception to these policies and resulting responses that are due to the Coronavirus.

We will be providing in a separate communication Monday suggestions and items to consider.

Please continue to send any questions to the Directors, they may be reached at 317-232-2512.

The wellbeing of our citizens is paramount to us all.

Sincerely,

Paul D. Joyce, CPA
State Examiner



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MEMORANDUM

TO: All Units

FROM: Paul D. Joyce, CPA, State Examiner

RE: Items to Consider when Governing Bodies are Developing Actions/Policies Regarding Coronavirus

DATE: March 16, 2020

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Provided are suggestions and items to consider as referred to in the memorandum provided on March 12, 2020.

It must be stressed the urgency to both monitor and address situations as they arise. This is a very fluid situation, changing constantly. Governing bodies will need to be flexible in their approach. Any guidance we provide must be taken in that context and should not be taken as restrictive.

If it is determined that there are needed actions that do not need a formal policy or that there are actions that should be done in conjunction with a formal policy, as long as there is written evidence that a governing body is appropriately approving actions in an appropriate forum, those are acceptable.

For example, school boards who decide to pay employees when schools are closed or impose specific directives or procedures in response to the coronavirus epidemic should do so in a public meeting and the board's action must be in writing. The written action of the board may be in the form of a resolution or board meeting minutes. It is not necessary to do a formal board policy as this action will be temporary and not one that will be ongoing and continuous in the future.

Any policies/actions should have in mind to maintain operations of government as normal or near normal as possible while maintaining the wellbeing of governmental employees and the public.

Here are some items to consider when developing policies/actions for personnel specific to the coronavirus:

What will be done regarding compensation and leave time of employees if there is a mandatory closure of the building? If there is already normally scheduled time off, such as spring break, then for that period of time compensation and leave would be proceed as normal. For mandatory closure outside of normally scheduled time off then guidelines specific to the emergency situation would come into effect.

First to consider, is there specific guidance regarding the coronavirus by the U.S. Department of Labor (DOL)?

DOL website is recommending review of leave policies and consideration of increased flexibility. Q & A regarding pandemics and the fair standards labor act as well as the family medical leave act can be found at dol.gov/agencies/whd/pandemic.

Part of this flexibility is considering what work might be done from home and what will require work from the office in order to conduct business.

Questions to be asked and instituted into policy/action items:

Are there essential employees that must work from a certain location?

Are there trade off days where certain employees would work at the office one day and others another to allow for social distancing but also allow for those things that are easier to be completed in the office to still be done that way?

Are there prohibitions against a certain number of employees meeting in close proximity and the need to utilize virtual meetings, even when in the office?

What duties can be done remotely?

How will employees be informed that they will be working remotely? Who will be making the decision, who will be communicating that information and how will it be communicated?

When working remotely will the work schedule be the same? How will employees "check in"? What common way should they be communicating (phone, email, virtual system, etc.)? How often should supervisors communicate with those who report to them?

What security issues are there? Will documents be allowed to leave the office? Is there secure IT systems in place that allow for remote access? What equipment is needed to work remotely? Can employees utilize their own devices?

For employees that cannot work from home due to nature of duties performed, but there is mandatory closure, what will leave time/benefits/compensation be allowed? We have been asked several times if we will take exception to the compensation of employees that must stay home but their duties do not allow for working from home. We won't take exception to extension of paid leave time that is in accordance with allowable approved policies/actions and provisions.

As this document is being written, Congress is considering passage of paid leave time that would provide for sick time off as well as time off for a parent when there is mandatory shut down of a child's school, with either advance funding or reimbursement funding for entities with certain staffing levels.

You should consider tracking costs that are directly associated with this emergency as no one at this time knows what type of reimbursements or stimulus may be put into effect by the federal government.

Again, you must work with your attorneys and keep monitoring for changes.

Also, your individual associations are monitoring this situation and many will provide guidance that will cover specific legal aspects to consider, such as for libraries what is their responsibilities regarding patrons. Please, carefully review the guidance they are providing you.

We will work with you to provide guidance that incorporates maximum flexibility, but remember, even in emergency times we all should strive to provide good stewardship of those responsibilities and assets that have been entrusted to us.

Contact us with any questions you might have at 317-232-2513.



MEMORANDUM

TO: Units requiring a Federal Single Audit
FROM: Mike Bozyski, CPA, Deputy State Examiner
RE: Cost of Federal Audits
DATE: March 10, 2020

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If you are required to have an audit of your federal awards, the cost of our services as it relates to your Federal Single Audit will be increasing this year. This memo is intended to provide some general updates; the cost of your specific audit will be discussed with you at the beginning of the audit. A Federal Single Audit is required when federal awards of \$750,000 or more are spent during your fiscal year. Time spent auditing your financial statements will continue to be billed at the statutory daily rate for taxing units of \$175 in addition to fees for technology and processing costs (IC 5-11-4-3).

The cost of our services as it relates to auditing your federal programs shall be charged the actual direct and indirect allowable cost under 2 CFR 200.425 (IC 5-11-4-3). This rate is currently set at \$95 per hour or \$712.50 per day. Governmental units requiring a Federal Single Audit will see an increase in their audit bill due to this rate change. Again, the cost of your audit will be discussed with you at the beginning of the audit.

For taxing units, the cost of your audit will be billed to the county and withheld from your tax distribution. Non-taxing units will continue to be billed directly. You will receive a statement of engagement cost listing the federal programs audited and the cost of that audit. Audit costs are an allowable cost for many federal programs. You may be able to recover some or all of these costs from federal funds.

In order to determine if audit costs can be charged to a federal program and the procedures for doing so, you should contact the federal agency or pass-through entity for each federal award. This would be the entity that provides you with the federal award and would be the entity that you have an agreement with related to the award.

The federal programs we audit as major programs are determined using a risk-based approach as required by 2 CFR 200.518. Because of this, different programs could be audited as major programs each year. You should be proactive in obtaining information from the entity providing the federal award if you believe you want to use federal award funds to cover audit costs for any of your federal programs.

Some programs may require the audit costs to be included in the budget of direct costs for the grant, and other programs may require that audit costs be included in the determination of indirect cost rates.

Knowing this information in advance will allow you to properly use federal funds, when allowed, to cover audit costs when programs are selected to be audited as major. It will also allow you to plan accordingly for those programs that do not allow audit costs to be charged.

Please contact Mike Bozyski at 317-232-2507 should you have any questions.