



SBOA Update

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Contact Information



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About the State Board of Accounts

- Created in 1909 in response to widespread corruption
- 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.
- Responsibilities
 - Perform audit/exams of all governmental units
 - Prescribe forms and procedures used by governmental units
 - Various other duties including recounts, providing training for local officials, consulting services, etc.



Organizational Flowchart

- SBOA Board (State Examiner, 2 Deputies)
- Directors (2 per area)
 - Schools and Townships
 - Cities/Towns and Special Districts
 - Counties
- Audit Coordinators (5)
- Investigation Coordinators (2)
- Field Examiners (230)

Backlog



- Backlogged Audits Complete!
- More Time to:
 - Focus audit time on compliance
 - Updating of Manuals (Township last updated in 2010)
 - Implement Technology Tools to improve service



- Communication and Training Tool
 - Video conferencing
 - File sharing
 - One-on-One meetings
- We recommend downloading the Cisco Webex Meetings Desktop Application from
 - <https://www.webex.com/downloads.html>

Audit Positions



Township Telephone, Cellular, and
Internet Expenses



- Prior Position – 50% reimbursable
- Effective October 5, 2017
- Local policy adopted



Renting an Office

- Board must determine in writing what amount of rent expenses are considered reasonable (Policy)
- **Only the trustee can receive rent.**
 - Not any other employees, even if living in same residence!.
- Indiana Code 36-6-8-3(a) states...”The annual appropriations to **a township executive** for the expenses of renting an office and telephone and telegraph expenses must, as nearly as is possible, be equal to the actual cost of those items. If the township executive uses a part of the executive’s residence for an office, the township legislative body shall appropriate a reasonable sum for that office space.”



“Annual Report” vs. Annual Report

1. Present Annual Report to Township Board IC 36-6-4-12
2. Publish Annual Report IC 5-3-1 and IC 36-6-4-13
3. File Annual Financial Report (AFR in Gateway) with the State Examiner IC 5-11-1-4

- <https://www.in.gov/sboa/files/TwpBULL%20December%202018-updated.pdf>

Nepotism



- Cannot have relatives as employees in **direct line of supervision**
IC 36-1-20.2-10
- Nepotism exception for townships IC 36-1-20.2-15
 - If the **office is in your home**, you can hire a family member, but they **cannot receive more than \$5,000** in compensation for the year.
- Grandfathered in if:
 - Maintained **continuous employment**.
 - Employed before Nepotism law took effect July 1, 2012.



Nepotism/Contracting With a Unit

- Nepotism Policy IC 36-1-20.2-9
- Contracting With a Unit Policy IC 36-1-21-4
- **Annually required to certify** that you did not violate those policies.

“Donations”



- **Public funds cannot be donated** or given to other organizations or individuals unless specifically authorized by law.
- Community service statute IC 36-6-4-8
 - Funds **must be appropriated** for Community Services
 - Services **must not already be provided** by another governmental entity

Transfer of Appropriation



- Chapter 4 Township Manual:
- Within same fund
 - Within Major Budget Classification – Trustee decision
 - Between Major Budget Classification – Township Board Approval



Temporary Loans

- "The fiscal body of a political subdivision may, by . . . resolution, **permit the transfer of a prescribed amount**, for a prescribed period, to a fund in need of money **for cash flow purposes** from another fund
IC 36-1-8-4
- Requirements
 - (1) It must be necessary to borrow money.
 - (2) There must be sufficient money on deposit.
 - (3) Must end during the budget year of the year in which the transfer occurs.
 - (4) The amount must be returned to the other fund at the end of the year.
 - (5) Only revenues derived from the levying and collection of property taxes or special taxes or from operation of the political subdivision may be transferred.

Credit Cards



1. The governing **board must authorize** credit card use through an ordinance or resolution, which has been approved in the minutes.
2. Issuance and **use should be handled by an official or employee designated** by the board.
3. The **purposes** for which the credit card may be used must be **specifically stated in the ordinance or resolution**.
4. When the purpose for which the credit card has been issued has been accomplished, **the card should be returned** to the custody of the responsible person.



Credit Cards (Continued)

5. ...Should **maintain an accounting system or log** which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.
6. Credit cards should **not be used to bypass the accounting system**. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. **Payment should not be made on the basis of a statement or a credit card slip only**. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, **an annual fee may be paid**.

Reconciling Items



- Consistent and Immaterial
- Document progress and carry difference



Advance payments

- *Compensation and any other payments for goods and services must not be paid in advance of receipts of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)*
- Cannot pay for goods/services in advance!
- Exception **if normal industry practice** /w controls implemented

Forms



- SBOA Does not provide forms directly
 - Available for **purchase from Public Printer** (such as Boyce Forms)
- Chapter 3 Township Manual
 - Includes: Ledger (Township Form 1-C), Form 17 (Salary Resolution), Mileage Claim, Checks, Receipts, Purchase Order, Employee Earnings Record, Township Assistance Applications, Receipt Register, Capital Asset Ledger, Contractor Bid Forms, Etc.
- Appendix: https://www.in.gov/sboa/files/twp2010_a01.pdf

Prescribed Forms



- Exact Replica or create your own.
- Create your own?
 - Form approval process
 - https://www.in.gov/sboa/files/tsb2014_304.pdf

Township Form 1-C



- Spreadsheet software utilization
http://www.in.gov/sboa/files/tsb2012_298.pdf
- Excel spreadsheets may NOT be used as the official TWP record

Computer System vs Manual Ledger



- Manual Ledgers
- Computer Software
 - Needs to comply with Chapter XIV (14) of the Township Manual
 - Output forms need to be consistent with approved forms



Official Bond



- Official Bond requirements:
 - Be payable to the State of Indiana IC 5-4-1-10
 - Approved by County Auditor IC 5-4-1-8
 - Filed with County Recorder within 10 days of issuance IC 5-4-1-5.1
- Amount shall be equal to **\$30,000** for each \$1,000,000 or receipts during the last complete fiscal year IC 5-4-1-18
 - Minimum = \$30,000
 - Maximum = \$300,000 (unless approved)

Bank Accounts



- Located in Township IC 5-13-8-9
- Electronic payments IC 36-1-8-11.5
- Treasurer of State's Approved Depositories
 - <https://www.in.gov/tos/deposit/2377.htm>



Allowable Investments

- Allowable Investments IC 5-13-9
 - Money Market Funds
 - Repurchase Agreements
 - Certificates of Deposit
 - Others as defined in the statute
- Must be held at a **designated depository**
 - Unallowable → directly invest with an investment company that is not a designated depository.
 - Example: Purchase not made through a designated depository. The investment companies are allowed to work with a unit but cannot sell or hold these investments.

Advertising Requirements



- Open Door Law IC 5-14-1.5-5
 - Public Meetings → 48 hours notice (Sign/advertisement)
- Public Access Counselor
 - <https://www.in.gov/pac/>



Advertising Requirements (Continued)

- IC 5-3-1-2 (Publish in paper)
 - **Elections** – 10 days
 - **Sale of Bonds** – 15 days and 3 days before sale
 - **Receive bids** – **Twice** at least 1 week apart and 7 days before received
 - **Establish Cumulative/Sinking Fund** – **twice** at least 1 week apart and 3 days before hearing
- **AFR** – 4 weeks after third Tuesday following third Monday (**2 newspapers**)
- Budget information – refer to DLGF Budget and Tax Rate Calendar
 - If IC 5-3-1-3 not mentioned – follow 10 day requirement for other meetings that require publishing in the paper

2019 Legal Publication Rates



- Rates limit what newspapers can charge
- Added to website – Under “Resources” on Township Page
 - <https://www.in.gov/sboa/4445.htm>



Rainy Day Funds (RDF)

- **Cannot** be transferred to RDF:
 - Township Assistance
 - Fire Protection Territory funds
 - Cemetery funds Conveyed under IC 23-14-64-3
- **Can** be transferred to RDF:
 - Township/General
 - Fire and Fire Cumulative
 - Local funds w/o restrictions
 - Park and Recreation*
- Transfers limited to 10% of total budget IC 36-1-8-5.1

Lucrative Office



- *Attorney General's Dual Office Holding Guide:*
http://www.in.gov/attorneygeneral/files/Dual_Office_Holding_Guide_2010.pdf
- IC 3-5-9-5, Cannot be an Elected Official and an employee **of the same unit.**

Policies



- Nepotism
- Contracting with a Unit
- Internal Control
- Purchasing/Procurement
 - IC 5-22, 2 CFR 300.318
- Travel
 - Includes lodging/meal reimbursements
- Capital Asset
 - Must take inventory once every two years
- Employee Benefit
- Bad Debt
- Investment policy
 - If you want to invest for longer than 2 years IC 5-13-9-5.7
- Leave and Overtime Pay
 - If offered, if not, negotiated labor contracts suffice
- Materiality Threshold
 - IC 5-11-1-27
- Debit/Credit Cards
 - Bulletin (next slide)

Internal Controls



Step 1:

1. Adopt minimum standards
2. Internal Control Training – IC 5-11-1-27

Step 2:

Create internal control policies!!



Internal Controls (Continued)

- Logical Process when designing controls:
 1. Identify an Objective (Risk Assessment)
 2. Determine the level of risk you are willing to accept
 - Any potential material errors should be addressed!
 3. Design Controls to accomplish Objective
 4. Put Controls in place
 5. Monitor that the controls are achieving the objective
 6. Revise controls based upon monitoring assessment

Internal Control Resources



- SBOA Internal Controls Standards webpage
 - www.in.gov/sboa/5072.htm and/or www.in.gov/sboa/4445.htm
- SBOA Internal Controls webinar
 - Embedded on above pages and can be found on YouTube:
 - <https://www.youtube.com/watch?v=L0N80PBbPHQ>
- Standards for Internal Control in the Federal Government (the Green Book)
 - www.gao.gov/assets/670/665712.pdf



- How do I look up State Statutes?

- <http://iga.in.gov/>

Website Overview



<https://www.in.gov/sboa/4445.htm>



Questions?