



# Cities and Towns Regional Workshops Spring 2017

State board of Accounts



## Local Policies Alcohol Purchases

- The governing body of a unit must have a written policy concerning the purchase of alcohol using public funds. This policy must address the exact situations in which alcohol can be purchased and outline any liability issues that may arise with using public funds to purchase alcohol.

## Local Policies Bad Debts and Uncollectible Accounts

- ▶ The governing body of a unit must have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balance.
- ▶ Documentation must exist for all efforts made by the unit to collect amounts owed prior to any write-offs.
- ▶ Write-offs or adjustments to records which are not documented or warranted may be the personal obligation of the responsible official or employee.

## Local Policies Bad Debts and Uncollectible Accounts

- ▶ Rate Ordinance      IC 8-1.5-3-8
- ▶ Water Utility      Local Policy or IURC rules if applicable
- ▶ Electric Utility      Local Policy or IURC rules if applicable
- ▶ Gas Utility      Local Policy or IURC rules if applicable
- ▶ Storm Water Utility      IC 8-1.5-5
- ▶ Sewage Utility      IC 36-9-23
  - ▶ IC 36-9-23-33(m) board may write off fee or penalty less than \$40
- ▶ Trash Services      Local Policy or IC 36-9-23 if in rate ordinance

## Local Policies Capital Assets

- The governing body of a unit must have a written policy concerning capital assets that includes at a minimum, the threshold at which an item is considered a capital asset.
- June 2016 Cities and Towns Bulletin, Part One
- Capital Assets Ledger, Form 211
- Annual Inventory
- Keep Up To Date for every purchase or sale of assets which meet threshold

## Local Policies Capital Assets Ledger

**CITY AND TOWN  
CAPITAL ASSETS LEDGER**

FUND \_\_\_\_\_

Form Prescribed by State Board of Accounts City and Town Form 211 (Revised 2003)

Date of Purchase	Description Includes: Name of Department or Office if General Fund	Serial Identification Number	Location of Asset	Original Cost of Asset	Estimated Life of Asset	Date of Disposal of Asset	Amount Received on Disposal or Trade in	Types of Capital Assets						Total Capital Assets	
								Land	Infrastructure	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Construction in Progress		
1															
2															
3															
4															
5															
6															
7															
8															
9															
10															
11															
12															

SAMPLE

## Local Policies Contracting with a Unit - IC 36-1-21

Effective July 1, 2012, all units are required to have a 'Contracting with a Unit' policy. This policy must discuss a unit contracting with the relative of an elected official. The statute provides requirements, such as filing a conflict of interest disclosure, but the unit can adopt more stringent requirements.

- ▶ March 2016 Cities and Towns Bulletin
- ▶ Resolution or Ordinance
- ▶ Upload into Gateway
- ▶ Necessary for approval of budget by DLGF

## Local Policies Credit Cards

- ▶ The governing body must authorize credit card use through an **ordinance**.
- ▶ The **purposes** for which the credit card may be used must be specifically stated in the ordinance.
- ▶ If authorized in the ordinance, an **annual fee** may be paid.
- ▶ Issuance and use must be handled by an official or employee **designated** by the governing body.



## Local Policies Credit Cards (continued)

- When the purpose for which the credit card has been issued has been accomplished, the card must be returned to the custody of the responsible person.



## Local Policies Credit Cards (continued)

- The designated responsible official or employee must 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.

## Local Policies Credit Cards (continued)

- ▶ **Credit cards must 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 body and other officials with timely and accurate accounting information and monitoring of the accounting system.
- ▶ **Payment cannot be made on the basis of a statement or a credit card slip only.** Procedures for payments must 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 may be the personal obligation of the responsible officer or employee.

## Local Policies Credit Cards (continued)

- ▶ Best Practices –
  - ▶ [http://www.in.gov/sboa/files/Best\\_Practices\\_Credit\\_cards.pdf](http://www.in.gov/sboa/files/Best_Practices_Credit_cards.pdf)

Authorization  
Controls  
Risk  
Reconciliation of Records

## Local Policies Debit and Procurement Cards

- ▶ Similar criteria to Credit Cards
- ▶ Special Considerations for Claims Process - IC 5-11-10-1.6
- ▶ Internal Controls
- ▶ Payment Prior to Board Approval
  - ▶ Cities IC 36-4-8-14
  - ▶ Towns IC 36-5-4-12

## Local Policies Internal Controls – IC 5-11-1-27

- ▶ IC 5-11-1-27 requires all Indiana political subdivisions to adopt the minimum level of internal control standards developed by the state board of accounts as published in the *Uniform Internal Control Standards for Indiana Political Subdivisions*.
- ▶ Each political subdivision must adopt these standards, train appropriate personnel, and implement policies and procedures consistent with the standards.
- ▶ March 2016 Cities and Towns Bulletin



## Local Policies Investments Policy

- IC 5-13-9-5.7
- Pursuant to this statute, a unit has the option to adopt an investment policy that authorizes the investment of public funds for more than two years, but not more than five years.



## Local Policies Leave and Overtime Policy

Each unit must adopt a written policy regarding the accrual and use of leave time and compensatory time and the payment of overtime. Negotiated labor contracts approved by the governing body would be considered as written policy. The policy must conform to the requirements of all state and federal regulatory agencies.

IC 5-10-6-1

Ordinance required

Prescribed Forms

Special Considerations for Police and Fire

Department of Labor



## Local Policies Leave and Overtime – Prescribed Form 99A

- This form must be kept by each office or department for each employee in order to properly prepare "Payroll Schedule and Voucher, General Form No. 99." It records the hours or days worked, sick leave, vacation and days lost. It may also be used to comply with the requirements of IC 5-11-9-4 regarding recording hours worked each day by an employee.

## Local Policies Payroll Form 99A

Prescribed by the State Board of Accounts General Payroll Form No. 99A (Rev. 1985)

(Unit) \_\_\_\_\_

**EMPLOYEE'S SERVICE RECORD** YEAR \_\_\_\_\_

REMARKS Workweek Begins: Hour of Day _____ ; Day of Week _____														NAME AS ON SOCIAL SECURITY CARD (Mr., Mrs., Miss)						EMPLOYEE NUMBER												
Basis of Pay: (Hr., Day, Week, Bi-Weekly, Month)														ADDRESS						ZIP CODE												
Date of Birth:														SOC. SEC. NO.						CLASSIFICATION												
Normal Work Schedule *														OFFICE, BOARD OR DEPT.						BEGIN. DATE EMPL.		LEAVE ACCRUAL DATE										
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	REGULAR VACATION LEAVE			SICK LEAVE			OTHER LEAVE										
	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	EARNED	TAKEN	BALANCE	EARNED	TAKEN	BALANCE	TAKEN	EXPLANATION								
BALANCE BROUGHT FORWARD FROM LAST YEAR _____																																
JAN.																																
FEB.																																

## Local Policies Payroll Form 99B

EMPLOYEE'S EARNINGS RECORD														
UNIT _____				BASIS OF PAY (PER MONTH, WEEK, HOUR) _____				MR., MRS., MISS _____						
OFFICE, BOARD OR DEPARTMENT _____				OTHER COMPENSATION TYPE _____				ADDRESS _____						
(SEE OTHER SIDE FOR INSTRUCTIONS)				AMOUNT _____				CITY _____ ZIP CODE _____						
FORM PRESCRIBED BY STATE BOARD OF ACCOUNTS				EXEMPTION STATUS FEDERAL _____ STATE _____				SOC. SEC. NO. _____						
General Payroll Form 99B (Rev. 1992)														
	DATE OF WARRANT	PAYROLL PERIOD ENDING	C o d e	NONCASH BENEFITS	GROSS PAY	TOTAL	DEDUCTIONS						AMOUNT OF WARRANT	WARRANT NUMBER
							FEDERAL WITH TAX	SOCIAL SECURITY	MEDICARE	STATE WITH TAX	COUNTY WITH TAX	INSURANCE		
	FORWARD													
1														
2														
3														
4														

## Local Policies Materiality Threshold

- IC 5-11-1-27
- This statute requires a unit report to the SBOA all material variances, losses, shortages, or thefts. Through State Examiner Directive 2015-6, the State Examiner has required that each unit adopt their own materiality threshold for the purposes of this statute. If no materiality threshold is adopted by the governing body, the threshold is automatically zero.
- State Examiner Directive [http://www.in.gov/sboa/files/Directive\\_2015-6.pdf](http://www.in.gov/sboa/files/Directive_2015-6.pdf)

## Local Policies Materiality Threshold Considerations

- ▶ Designation of a person (or position) to which all irregular variances, losses, shortages, and thefts are reported. Multiple individuals may be designated if each individual follows the overall materiality policy.
- ▶ Establishment of two dollar thresholds at which point the designated person will report the incident to the State Board of Accounts.
  - ▶ Incidents involving cash
  - ▶ Incidents involving all other (non-cash) assets

## Local Policies Materiality Threshold Considerations

- ▶ Creation of an outline of steps that will be taken upon receipt of such a report. Such steps may include:
  - ▶ logging-in all reports into a spreadsheet that is permanently maintained by the political subdivision;
  - ▶ confirming the dollar amount of the variance, loss, shortage, or theft;
  - ▶ evaluating the report against the established dollar thresholds, and sending a letter to the SBOA when the report exceeds the threshold;
  - ▶ investigating the cause of any variance, loss, shortage, or theft;
  - ▶ implementing corrective actions or internal control procedures to correct the cause(s) of the variance, loss, shortage, or theft; and
  - ▶ maintaining copies of relevant documentation, resolution of incidents, and any report to the State Board of Accounts in a centralized data folder

## Local Policies

### Materiality Threshold – Additional Notes

- ▶ Indiana Code § 5-11-1-27(l) requires public officials who have actual knowledge of or reasonable cause to believe that there has been a misappropriation of public funds to immediately send **written notice** of the misappropriation to the [State Board of Accounts](#) and the [prosecuting attorney](#).
- ▶ If a political subdivision does not develop a policy on materiality, then the threshold is \$0.00 and the political subdivision must report **all** irregular variances, losses, shortages, and thefts to the State Board of Accounts.

## Local Policies

### Nepotism – IC 36-1-20.2

- ▶ Effective July 1, 2012, all units are required to have a 'Nepotism' policy. This policy must discuss the employment of relatives. This statute provides requirements, but the unit can adopt more stringent requirements.
- ▶ March 2016 Cities and Towns Bulletin
- ▶ Resolution or Ordinance
- ▶ Upload into Gateway
- ▶ Necessary for approval of budget by DLGF



## Local Policies Personal Property Use

- ▶ Assets of the unit may not be used in a manner unrelated to the functions and purposes of the unit.
- ▶ Each unit must have policies in place governing the use and safekeeping of assets. This should include the use of logs, i.e. vehicle use, and de minimis use as appropriate.



## Local Policies Procurement Policy

- ▶ 2 CFR 200.318
- ▶ Each unit that accepts federal money must comply with 2 CFR 300.318 which requires each unit have their own documented procurement procedures.



## Local Policies Small Purchases Policy

- ▶ Best Practices
  - ▶ [http://www.in.gov/sboa/files/Best\\_Practices\\_SMALL\\_PURCHASES.pdf](http://www.in.gov/sboa/files/Best_Practices_SMALL_PURCHASES.pdf)
- ▶ Authorization
- ▶ Controls
- ▶ Risk
- ▶ Accountability



## Local Policies Travel Policy

- ▶ Each unit must adopt a written travel policy in conformity with applicable laws. Reimbursement for lodging and meals must be based upon actual receipts for amounts paid unless otherwise authorized by law.
- ▶ March 2016 Cities and Towns Bulletin

## Donations, Contributions, Gifts

June 2016 Bulletin, Part One

Unrestricted donations are defined as those to which the donor has not attached terms, conditions, or purposes.

Restricted donations are defined as those to which the donor has attached terms, conditions, or purposes.

Income or revenues in the form of tax distributions, tax receipts, fees, rentals, contractual payments, etc., are not to be considered donations.

## Donations

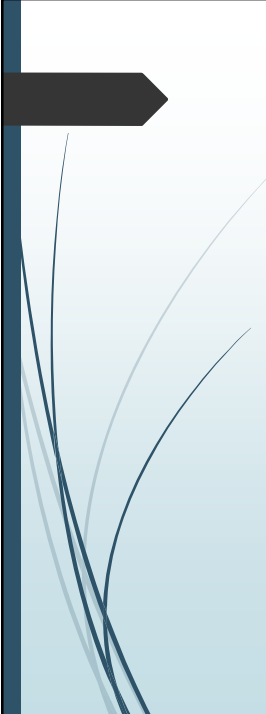
- ▶ The governing body of the unit has the option and responsibility to either accept or reject, in writing, any proposed donation.



## Donations - Restricted

If the donation is a restricted donation, the board must agree, in writing, to the terms, conditions, or purposes attached to the proposed donation.

Restricted donations can only be accepted for purposes within the scope of general statutory authority.



## Donations - Restricted

A restricted donation shall be placed into a separate fund after such fund is established by the legislative body of the unit. Any appropriate descriptive name may be given the donation fund. The donation can be expended only for the purpose and under the terms and conditions agreed to on accepting the donation.

It is our audit position that no further appropriation is required for expenditure of a restricted donation for the designated purpose.

Claims must be filed and approved in the regular manner.





## Donations - Unrestricted

Unrestricted donations shall be receipted into the applicable operating fund of the unit (i.e. city or town operating (general) fund; cemetery operating fund, park and recreation operating fund, airport operating fund, etc.).

Expenditure of such donated revenue from the operating fund shall be made only after an appropriation has been provided for the purpose of the expenditure.

Claims must be filed and approved in the regular legal manner.



## Donations – Control Fund

If the volume of restricted donations justifies it, a "control" fund may be established for all restricted donations.

Separate, individual accounts would then be established to account for each restricted donation or each type of restricted donation.

The total activities of the separate accounts -- receipts disbursements, balances -- should be reflected on the control fund.



## Donations – Investment Income

Income from investments of restricted donations should be receipted into the same fund in which the principal of the donation 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 funds established. One fund should be designated as "trust interest." In this situation, expenditures would only be permitted from the Trust Interest (Income) Fund".



## Donations - Custodian

The municipality's fiscal officer should be the custodian of the unit's funds and securities.



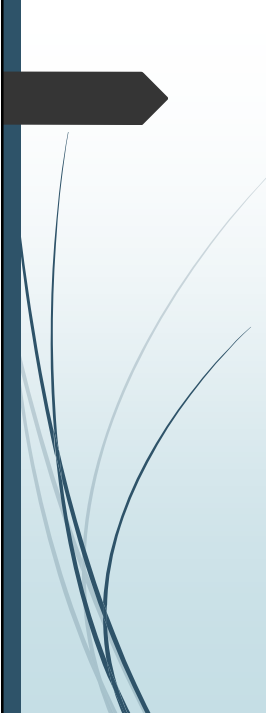
## Common Engagement Results and Comments

- Condition of Records
- Annual Financial Report
- Timely Deposit
- Appropriations
- Penalties, Interest, and Other Charges



## Condition of Records – Posting Errors

- Transactions not posted
- Transactions not recorded in the proper amounts
- Transactions posted more than once
- Transactions recorded in the incorrect fund
- Transactions not posted timely
- All Funds not accounted for in the General Ledger
- Undocumented or unidentified adjustments
- Electronic Funds Transfers
- Bank of New York Transactions



## Condition of Records - Bank Reconciliations

- ▶ IC 5-13-6-1(e)
- ▶ All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories



## Condition of Records – Lack of Supporting Documentation

- ▶ Receipts
- ▶ Disbursements

Form Prescribed by State Board of Accounts Town Form No. 217 (Rev. 1997)

**RECEIPT**  
OFFICE OF TOWN CLERK-TREASURER

NO. \_\_\_\_\_

\_\_\_\_\_ FUND

Rockville, IN \_\_\_\_\_  
month day yr

Payment Type and Amount					
Cash Amount	Check/Draft Amount	MO Amount	Credit Card Bank Card Amount	EFT Amount	Other

RECEIVED FROM \_\_\_\_\_ \$ \_\_\_\_\_

THE SUM OF \_\_\_\_\_ DOLLARS

ON ACCOUNT OF \_\_\_\_\_ 100

TOWN CLERK-TREASURER  
(ORIGINAL)

---

NO. \_\_\_\_\_

\_\_\_\_\_ FUND

DATE ISSUED \_\_\_\_\_

ISSUED TO \_\_\_\_\_

ON ACCOUNT OF \_\_\_\_\_

AMT. OF RECEIPT	AMOUNT POSTED										

## Condition of Records - Disbursements

► IC 5-11-10-1.6

(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.

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

Prescribed by State Board of Accounts

Town Form No. 39 (Rev. 1995)

VOUCHER NO. \_\_\_\_\_ WARRANT NO. \_\_\_\_\_

ALLOWED \_\_\_\_\_  
 IN THE SUM OF \$ \_\_\_\_\_

\$ \_\_\_\_\_

ON ACCOUNT OF APPROPRIATION FOR

\_\_\_\_\_  
 Council Members

COST DISTRIBUTION LEDGER CLASSIFICATION  
 IF CLAIM PAID MOTOR VEHICLE HIGHWAY FUND

Acct. No.	Account Title	Amount



## Timely Deposit

- IC 5-13-6-1 (d) and (g)
- A city or town is not required to deposit funds on the business day following receipt if the funds on hand do not exceed five hundred dollars (\$500).
- However, the funds on hand must be deposited not later than the business day following the day that the funds exceed five hundred dollars (\$500)



## Appropriations

Cities - Unless a statute provides otherwise, IC 36-4-8-2 requires an appropriation to be made before money can be paid out of the city treasury upon a warrant of the fiscal officer.

Towns - IC 36-5-4-2 states that unless a statute provides otherwise, town monies may be disbursed only after an appropriation made by ordinance of the town legislative body.


## Appropriations not to Exceed Budget

- ▶ IC 6-1.1-18-4
- ▶ Except as otherwise provided in this chapter, the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article.

## Appropriations – When Not Required

- ▶ 1. Premiums on official bonds. (IC 5-4-5-3)
- ▶ 2. Purchased meals, lodging, and mileage for conferences called by the State Board of Accounts. (IC 5-11-14-1)
- ▶ 3. Federal and State grants, if advanced and not received as a reimbursement of expenditures.
- ▶ 4. Refund of money erroneously received. (IC 6-1.1-18-9)
- ▶ 5. Correction of errors in posting. (IC 6-1.1-18-9)
- ▶ 6. Investment of funds.
- ▶ 7. Repayment of temporary loans.
- ▶ 8. Transfer from a city or town user fee fund to a program fund listed in IC 33-37-8-3.
- ▶ 9. Establishment of a cash change fund. (IC 36-1-8-2)
- ▶ 10. Establishment of a petty cash fund. (IC 36-1-8-3)





## Appropriations – Other Provisions

- IC 6-1.1-18-6 Transfers from one major budget classification to another within the same department or office.
  - Approved at regular public meeting
  - Notice or approval from DLGF not required
  
- IC 6-1.1-18-7 Appropriation of Insurance Claim Proceeds
  - Received as a result of damage to property
  - Fiscal officer may appropriate if funds are to be used to repair or replace the damaged property; funds must be expended within twelve months



## Appropriations – Other Provisions

- IC 6-1.1-18-7.5 Appropriation of Federal and State Grants
  - Reimbursement Grant
  
  - Advance Grants



## Appropriations - Encumbrances

- ▶ Cities and Towns Bulletin, June 2010
- ▶ Cities and Towns Bulletin, December 2013



## Appropriations

- ▶ Cities and Towns Bulletin, June 2010
- ▶ DLGF Memorandum and Training [www.in.gov/dlgf](http://www.in.gov/dlgf)
- ▶ Cities and Towns Bulletin, December 2014

## Penalties, Interest, and Other Charges

The Council may adopt an ordinance allowing money to be disbursed for lawful purposes prior board allowance.

Towns IC 36-5-4-12

Cities IC 36-4-8-14

## INTERNAL CONTROLS – Questions?

- ▶ Training
- ▶ Policies
- ▶ Receipts
- ▶ Disbursements
  - ▶ Payroll
  - ▶ Credit Cards
- ▶ Case Study

## 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 the *Cities and Towns Bulletin*:

- City and Town officers                      March 2014
- Police and Fire                                March 2014