

STATE BOARD OF ACCOUNTS

PAYROLL

***2025 Spring Auditor's
Conference
Part 1 -Virtual***

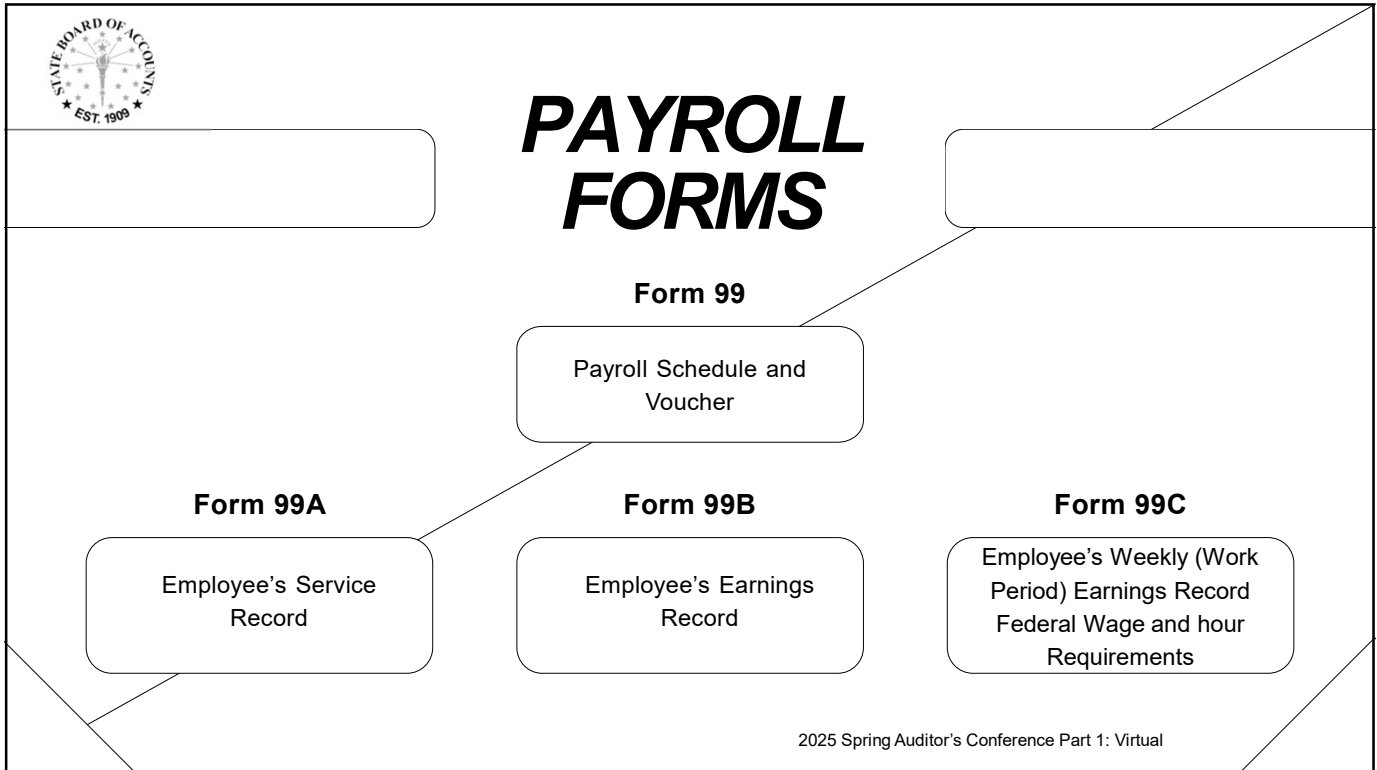
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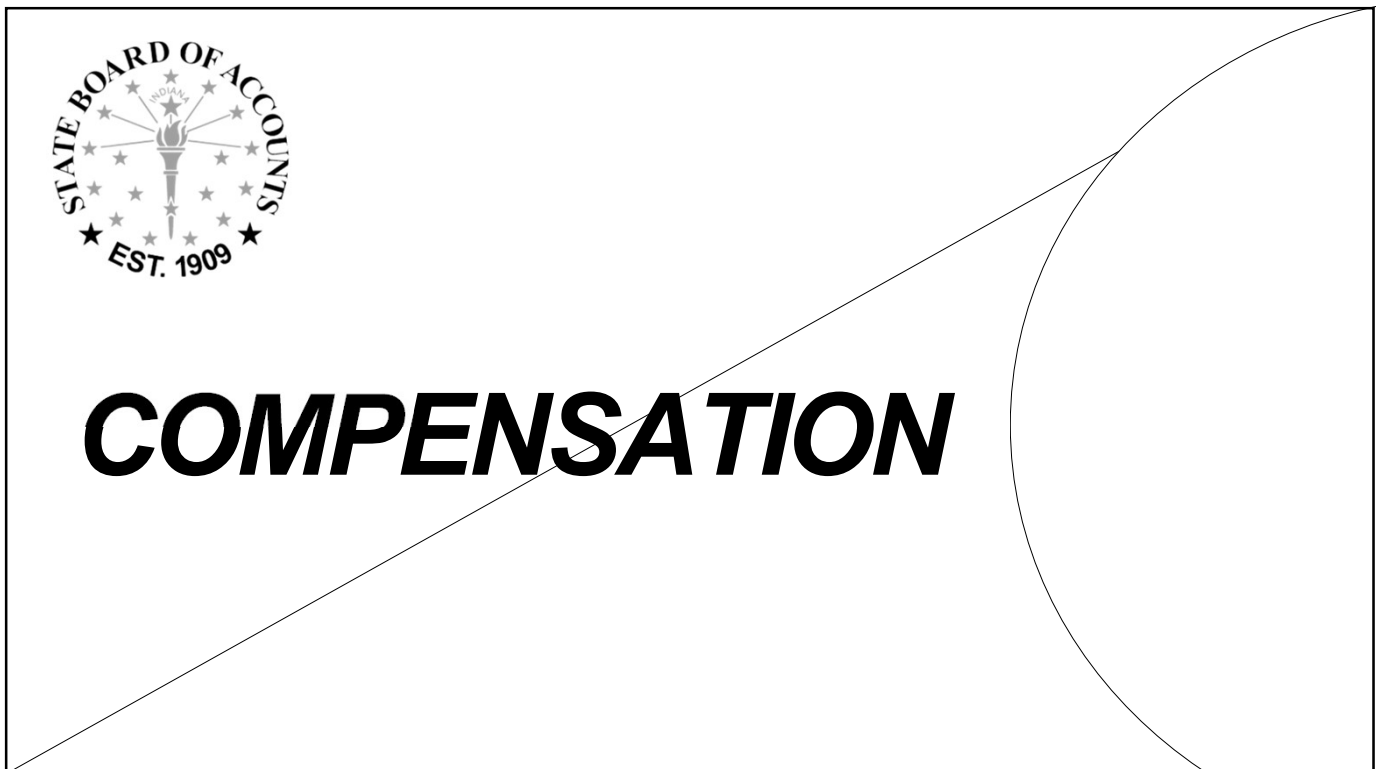
PAUL D. JOYCE, CPA STATE EXAMINER

Indiana's State Examiner and the agency head for the State Board of Accounts, Paul Joyce coordinates and manages the post-audits and examinations of over 4,000 state and local governmental entities in Indiana.

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COMPENSATION

- Compensation is anything of value provided to an employee in return for services/employment
- Salary/wages, any financial benefit the employer provides to the employee, health insurance, pension, paid time off, bonuses, fringe benefits or non-monetary awards.
- Reimbursement of employee expenses is not considered compensation
 - Travel costs such as air fare, mileage, hotel costs and meals while in travel status
 - Parking
 - Reimbursement for goods and services purchased for the County
 - Uniform costs that are not considered adaptable for general use
- The source of compensation does not determine if an individual is an employee or an independent contractor. Additional duties assigned and paid from a grant or special revenue fund can be possible.



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FRINGE BENEFITS

- We can try to clarify issues for you, but you will need to contact the IRS for authoritative guidance
- IRS Fringe Benefit Guide: <https://www.irs.gov/pub/irs-pdf/p5137.pdf>
- Compensation: All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. Accounting and Uniform Compliance Guidelines, Chapter 1



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SALARY ORDINANCE

- IC 36-2-5-3 provides that the county fiscal body shall fix the compensation of officers, deputies and employees, fix the number of officers, deputies and employees, describe and classify positions and services, and adopt schedules of compensation
- IC 36-2-5-11 provides that the salary ordinance is a separate ordinance from the budget and takes into consideration the statements and recommendations of the county executive that were presented to the commissioners by July 2 under IC 36-2-5-4 (Form 144)
- The salary ordinance fixes the compensation of all officers, deputies and other employees subject to this chapter and number of deputies and other employees for each office, department, commission or agency, except for part-time and hourly employee whose employment is limited only by the amount of funds appropriated for their compensation.



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CHANGE IN COMPENSATION

- IC 36-2-5-13 provides for changes to the compensation.
- Compensation does not include (1) payment of an insurance premium (2) payments for longevity, professional certification, or educational advancement that are separately identified on a salary ordinance or resolution (3) payment of a stipend or per diem allowed by statute.
- Professional certification or education advancements
 - Assessors – certification (IC 36-2-5-3.5)
 - Surveyors – registered under IC 25-21.5 or IC 25-31
 - Coroner – licensed to practice medicine
 - Sheriff – Contract/Percentage of Prosecutor's Pay (IC 36-2-5-14)



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W-2's & SALARY ORDINANCE

- W-2 reports the actual wages received in a calendar year (cash basis). The salary ordinance authorizes the compensation for hours/days worked in that calendar year. They do not have to match as payment for hours/days worked in one year may be paid in a subsequent year
- Elected officials receive their annual compensation over the number of pays in the year. You should not pay in advance of days worked, but you can pay for work up to the pay date if your county chooses to do so. This may require a catch up pay at year end.
- Salaried positions can have paid time off (PTO) and that must be determined for each pay period. If they are exempt from overtime, they could be paid in the same manner as elected officials, however you will have to allow for any lost time if they have no PTO to claim and mis work.
- Nonexempt employees and hourly employees – you will need time to process their time as it can vary each pay.



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COMPENSATION FROM OTHER FUNDS

- Payroll claims can be allocated to more than one fund.
- Record of hours worked for regular duties and special duties should be kept to support payroll
- An employee should not be paid for the same hour for separate duties
- Grant funds have compliance requirements and documentation requirements that must be met
- Working for separate departments is possible, but hours must be maintained for each department



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WAGES MAY NOT BE PAID IN ADVANCE

- IC 36-2-8-6 states: “ A county officer or a deputy or employee of a county officer is entitled to payment for services only after the officer, deputy or employee has rendered those services.”
- IC 5-7-3-1 states: “ Public officers may not draw or receive their salaries in advance.”
- Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual states: “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”



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THE 27TH PAY

- SBOA recommends that the county set the salary ordinance for salaried individuals at a bi-weekly amounts
- In years where there are 27 pays, the biweekly pay is not lowered as a result of the 27th pay
- Salaries for even dollar amounts are more difficult to pay exactly over 26 or 27 pays without needing the last pay to be reconciled for rounding and the salary ordinance:

40,000 divided over 26 pays = 1,538.4615

- Be consistent in how you pay
- If possible, include the pay period as well as the pay date on the paycheck.



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COMPENSATION & BUDGETS

- Budgets for compensation, with exception of over time and part time, can be more precisely determined than many other budget estimates, so line items for wages are more accurate.
- The appropriation itself does not determine how much compensation an employee receives.
- Depending on when the wage is paid, budgets for the current year or the previous year may be used without audit exception.
- You can have unspent appropriation for wages at year end, or you may need additional appropriation for wages.
- If your county has budgeted for wages for days/hours worked in the calendar year, we will not take audit exception to encumbering unused appropriation for the first one or two payments in the subsequent year.



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TIME RECORDS

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TIME RECORDS

- IC 5-11-9-4 provides that records be maintained showing which hours were worked each day by officers and employees of the county.
- Where should time records be maintained?
 - As long as the files can be provided for audit, it does not matter if they are maintained by the department or the auditor.



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RECORD OF HOURS WORKED

- The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. Accounting and Uniform Compliance Guidelines Manual, Chapter 1
- Elected officials do not need to track their time worked.
- Workers who hold more than one position must log their hours separately
- Exempt and non-exempt employees do need to track their days worked and their paid time off
 - Form 99 Payroll Schedule
 - Form 99A Employee Service Record



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TIME SHEETS

- Time sheets or timecards are not prescribed forms, however, all county employees, except for elected officials, are required to track hours worked.
- Local form, should include hours worked for each day within a pay period
- Not the same as the earnings record or weekly earnings record.



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TIME CLOCKS/TIME KEEPING SYSTEM

- We do not prescribe time keeping systems or require the use of a time clock.
- How time is maintained would be a local policy, we would audit to the local policy.
- The Departments, County Auditor, and Commissioners would need to work together to implement a county wide policy.



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ELECTED OFFICIALS

- An elected officer is not required to report hours worked and may not be compensated on the number of hours worked.
- The compensation of an elected official may not be changed in the year for which it is fixed. The county council may change the compensation of other county officers, deputies and employees by a majority vote.



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POLICIES

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VACATION, HOLIDAYS, & SICK LEAVE



- IC 5-10-6-1 (b) states:
 “Employees of the political subdivisions of the state may be granted a vacation with pay, sick leave, paid holidays, and other similar benefits by ordinance of the legislative body of a county, city, town, township, or controlling board of a municipally owned utility, board of directors or regents of a cemetery, or board of trustees of any library district.”
- The county must adopt a policy regarding leave time rules and other benefits, SBOA will audit compliance with the adopted local policy.

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LEAVE AND COMP TIME POLICIES

- IC 36-2-8-2 “The county auditor and county treasurer may pay salaries and wages to county officers and employees monthly, twice each month, every two(2) weeks, or weekly. “
- Chapter 1 of the Accounting and Uniform Compliance Guidelines for County Auditors states: “All types of employee benefits must be detailed in a written policy. Payments for expenses not authorized in a written policy cannot be allowed. The governing body must adopt policies governing sick leave, vacation leave, and any other types of paid leave.”
- Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual: “Each unit must adopt a written policy regarding the accrual and use of leave time and compensatory time and the payment of overtime. Negotiated written contracts approved by the governing board would be considered as written policy. The policy must conform to the requirements of all state and federal regulatory agencies.”



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THANK YOU

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