

CITIES AND TOWNS 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.

JUNE TRAINING SCHOOL

The June Training School is scheduled to take place June 7 through June 11 in Evansville. **HOWEVER THIS MAY CHANGE** due to the Public Health Emergency.

We will keep you informed about any changes by sending a mass email through SBOA Communications. Please be sure to check your spam folder as mass emails are sometimes captured in those folders for security purposes.

TRAINING FOR NEWLY ELECTED CLERK TREASURERS

The State Board of Accounts extends its gratitude to AIM and the ILMCT for organizing the following events.

January Workshop for Newly Elected Clerk Treasurers

The State Board of Accounts held a one-day workshop for newly elected clerk treasurers in conjunction with the AIM Newly Elected Official Bootcamp. The PowerPoint presentations are available on our website at www.in.gov/sboa on the Cities or Towns page under Presentations and Training Materials.

ILMCT Institute and Academy

The State Board of Accounts was pleased to participate in the Nuts and Bolts class offered at the ILMCT Institute and Academy in March. The PowerPoint presentation is available on our website at www.in.gov/sboa on the Cities or Towns page under Presentations and Training Materials.

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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 city or town 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 will 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.

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. These single-employer pension plans include the 1925 Police Pension and 1937 Firefighters Pension plans. 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.

CAPITAL ASSETS – CEMETERIES

City or Town owned cemeteries are considered capital assets and need to be properly recorded on General Form 369 – Capital Assets Ledger. The cemeteries are to be reported on General Form 369 – Capital Assets Ledger at the actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

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An article was published in the June 2019 Cities and Towns Bulletin (Page 27) to assist in determining the estimated historical cost of the capital asset when the actual cost of the capital asset is not known: [https://www.in.gov/sboa/files/June%202019bulletin%20II%20\(003\).pdf](https://www.in.gov/sboa/files/June%202019bulletin%20II%20(003).pdf)

General Form 369 – Capital Assets Ledger does not have a separate classification for cemeteries, so the cemetery ground will be recorded on the capital asset ledger under land, any structures on the cemetery grounds under buildings, and roads and drainage systems will be recorded under infrastructure. There will be no effect on the value of the asset as plots are sold. The purchase of a burial plot is a real estate transaction; however, cemetery plot deeds grant burial rights that create an easement for the specific purpose of burial but do not alter the municipality's ownership of the cemetery as a whole.

Each city or town is required to adopt a capital asset policy that details the threshold at which an item is considered a capital asset. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records.

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 cities and towns 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.

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

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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 city or town, 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.

IC 36-4-8-5(a)(2) applies to cities and IC 36-5-4-4(a)(2) applies to towns. Both statutes require claims to be filed in the manner prescribed by IC 5-11-10-2 at least five (5) days before the meeting of the applicable approving body. However, if the city or town council has passed an ordinance to allow certain claims to be paid by the fiscal officer between board meetings in accordance with IC 36-4-8-14 (cities) or IC 36-5-4-12 (towns), then the five (5) day requirement does not apply for those particular types of claims.

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...*

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(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.”

City and town fiscal officers have the option of certifying either on each Accounts Payable Voucher or by signing the certification section of the Accounts Payable Voucher Register.

CLAIMS FOR PAYMENTS TO STATE AND FEDERAL AGENCIES

The State Board of Accounts’ audit position is that when statutory payments are due to state or federal agencies, there is no requirement for the state or federal agency to file an invoice or claim for such payments. This audit position would include payments for social security obligations, public employees’ retirement fund contributions, federal, state, or county taxes withheld, sales tax, utility receipts tax, and other such amounts due state or federal agencies.

The disbursing officer should prepare an accounts payable voucher and attach any copies of payroll deduction reports, federal or state invoices, communications, etc., to document the payment. The accounts payable voucher will provide a posting media indicating to whom paid, fund on which drawn, accounts to be charged, and the approval by the proper boards.

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 cities and towns.

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). 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.

Cities and towns should constantly be aware of all the areas of employment in the city or town 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 fo 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>

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HANDLING LAW ENFORCEMENT CONTINUING EDUCATION PROGRAM FEES

1. Each court is to assess a \$4 law enforcement continuing education program fee on each action in which a defendant is found to have: A. committed a crime; B. violated a statute defining an infraction; or C. violated an ordinance of a municipal corporation. (IC 33-37-5-8(c))
2. Monthly, a county, city, or town court clerk is to transmit the law enforcement continuing education fees collected to the county, city, or town fiscal officer. (IC 33-37-4-1, IC 33-37-4-2, IC 33-37-4-3)
3. The fiscal officer shall deposit the fees into either the County User Fee Fund or the City or Town User Fee Fund. (IC 33-37-4-1, IC 33-37-4-2, IC 33-37-4-3)
4. A law enforcement agency may receive funds from a County User Fee Fund or a City or Town User Fee Fund by filing a claim with the county, city, or town fiscal officer. The claim shall include a “verified statement” of cause numbers for fees collected that are attributable to the law enforcement efforts of that agency. Payment of the claimed amount from a County User Fee Fund or a City or Town User Fee Fund may be made without appropriation.
5. Claims should be filed monthly, quarterly, or semiannually.
6. On receipt of the amount claimed by the law enforcement agency, the city or town fiscal officer shall place the amount received into the Local Law Enforcement Continuing Education Fund. (IC 5-2-8-2)
7. Funds received by a law enforcement agency shall be used for the continuing education and training of law enforcement officers employed by the agency and for equipment and supplies for law enforcement purpose. (IC 5-2-8-6)
8. Amounts claimed for expenditures for the Local Law Enforcement Continuing Education Fund must have been appropriated prior to expenditure either through the normal budget process or by additional appropriation. (IC 33-37-8-4)
9. Any funds remaining in the Local Law Enforcement Continuing Education Fund at year end do not revert.

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LAW ENFORCEMENT CONTINUING EDUCATION PROGRAM FEES – FILING VERIFIED STATEMENTS OF CAUSE NUMBERS

Since the statutes (IC 5-2-8, IC 33-37-8) are silent regarding by whom or in what manner the “verified statement of cause numbers” will be prepared, the State Board of Accounts has adopted the following suggested procedures to handle such filings:

1. The applicable law enforcement agency should prepare the claim. At a minimum, the claim should indicate each fee collected by date of payment, cause number, defendant name, and receipt number if available.
2. The claim should be filed by the law enforcement agency with the fiscal office of the governmental unit.
3. The fiscal officer shall transmit the claim to the court clerk in order for the claim to be verified.
4. Once the court clerk verifies the fees claimed on the claim, the claim shall be transferred back to the fiscal officer for processing in the same manner as all other claims, i.e. submitted for board approval and subsequent payment.
5. An alternative to steps 3 and 4 has been approved for some units. In this instance, when the court clerk transmits the monthly collection of law enforcement continuing education fees to the fiscal officer, the court clerk includes a listing of the fees transmitted by date of payment, cause number, defendant name, and the law enforcement agency to which the fees are attributable. By doing this, the fiscal officer is able to verify the fees claimed by the various law enforcement agencies and is not required to go back to the court clerk.

It would also be permissible for the law enforcement agency to attach a copy of such listing that is provided by a court to a claim once the law enforcement agency verified the accuracy of the data contained in the listing.



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



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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.