

The background features a large, faint watermark of the Seal of the State Board of Accountancy, Indiana. The seal is circular and contains the text "STATE BOARD OF ACCOUNTANTS" around the perimeter and "INDIANA" in the center. It is surrounded by a ring of stars.

SBOA Updates

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**Government Technical Assistance and
Compliance (GTAC) Director**

Contact Information



- Website – <https://www.in.gov/sboa/4445.htm>
- Phone – (317) 232-2512
- Email – Schools.Townships@sboa.in.gov

Income Tax Distributions for Certified Shares – SBOA Memo



- Local Income Tax (LIT) Certified Shares must be receipted into the Township Fund.
 - Only applies to “certified shares”. Not PTRC or other distributions.
- The Township Fund can be used for any Township purpose.
- <https://www.in.gov/sboa/files/Accounting-for-Income-Tax-Distributions-for-Certified-Shares.pdf>

Township Ledger



- Financial and Appropriation Record (2017 Township Form 1C) – is **currently being revised**.
- When printed, appropriation columns were omitted, and pages did not align properly.
 - We are working with Boyce to update this form.
 - We recommend not purchasing the “2020” version until these edits are made.

State Mileage Reimbursement Rate



- IC 36-6-8-3(b) states: “The township executive is entitled a sum for mileage in the performance of official duties equal to the sum per mile paid to state officers and employees.”
- **DOES NOT APPLY WHEN TOWNSHIP EXECUTIVE USES A TOWNSHIP VEHICLE IN THE PERFORMANCE OF OFFICIAL DUTIES!!**
- Effective February 1, 2022 mileage rate to **\$0.41 per mile**.
- Effective March 1, 2020 state lodging rate to **\$96/night** with additional increases to certain areas.
- Always available online on the IDOA website:
 - <https://www.in.gov/idoa/2459.htm>

Common Fraud Scheme Direct Deposits



- Payroll Diversion (Third-party payroll fraud)
- *Scammer sends an email, that looks like it is coming from an employee's account, requesting that their direct deposit information be changed.*
- You can mitigate the risk of this type of fraud by **verifying that the request came from the employee** (in-person or telephone confirmation).

Indiana Office of Technology – Local Government Services



- The Indiana Office of Technology (IOT) provides services to local units of government.
- Website services
 - **FREE*** - offers for a small monthly fee: website support, online payment processing, analytics/3rd party tools, application development...
- Email services
 - **Secure** /w @in.gov domain
- QPAs Assistance
 - Purchasing through State approved Contractors, hardware, software, telecom needs
- Cybersecurity Consulting
 - Response assistance
- Geographic Information System (GIS) services
- <https://www.in.gov/sboa/files/iot-services-3-24-22.pdf>



Township Compliance

Designation of Trustee



- Increased amount of Trustee resignations and sickness (Pandemic).
- Many Trustees have not designated an individual to perform their duties in case they become incapacitated.

Designation of Trustee IC 36-6-4-18



(a) Within thirty (30) days after taking office, **the executive shall designate a person who shall perform the executive's duties whenever the executive is incapable of performing the executive's functions** because the executive:

- (1) is absent from the township; or
- (2) becomes incapacitated.

The executive shall give **notice of the designation to the chair of the township legislative body, the county sheriff, and any other persons that the executive chooses**. The designee shall have all the powers of the executive. The executive is responsible for all acts of the designee. The executive may change the designee under this section at any time.

(b) The designee shall perform the executive's duties until:

- (1) the executive is no longer absent from the township; or
- (2) an acting executive is appointed by the county executive under section 16 of this chapter.

Designation of Trustee



- We have not received any Attorney General opinions indicating that a Trustee could appoint a board member as a designee.
 - Potential constitutional conflicts could exist concerning the holding of two lucrative offices.
- Official Opinion 87-22 discussed possibility of designating another Trustee.
- If any compensation is paid to the designee there may be a violation of Article 2, § 9 of the Constitution of Indiana.
- You should appoint someone who is a resident and not currently holding another lucrative office.

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.

Trustee Compensation
IC 36-6-4-17



(b) An executive is entitled to receive the following:

(1) The executive's salary.

(2) Reimbursement for expenses that are **reasonably incurred** by the executive for the following:

(A) The **operation** of the executive's office.

(B) **Travel and meals** while attending seminars or conferences on township matters.

(C) A sum for **mileage** as permitted under IC 36-6-8-3(b).

The executive may not make any other personal use of township funds without prior approval by the legislative body of the township.

Trustee Compensation



- Other things to remember:
 - Salary **cannot be paid in advance.**
 - Salary **cannot exceed the Salary Resolution** adopted by the board (Form 17).
 - Salary for all employees (including board members) are required to have **taxes withheld and a W-2s issued.**

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."

Prescribed 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/twpappendix-2021.pdf>

Prescribed Forms



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

Donations



- Public funds **CANNOT** be donated or given to other organizations or individuals unless specifically authorized by law.

USE OF FUNDS APPROPRIATED FOR COMMUNITY SERVICES



- IC 36-6-4-8(a) allows the township trustee to use the township's share of state, county, and township tax revenues for all categories of community services, if these funds are appropriated for these services by the township board
- The trustee may use the funds for both operating and capital expenditures
- IC 36-6-4-8(b) states with the consent of the township board, the township may contract with corporations for health and community services **not specifically provided by another governmental entity**

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**

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



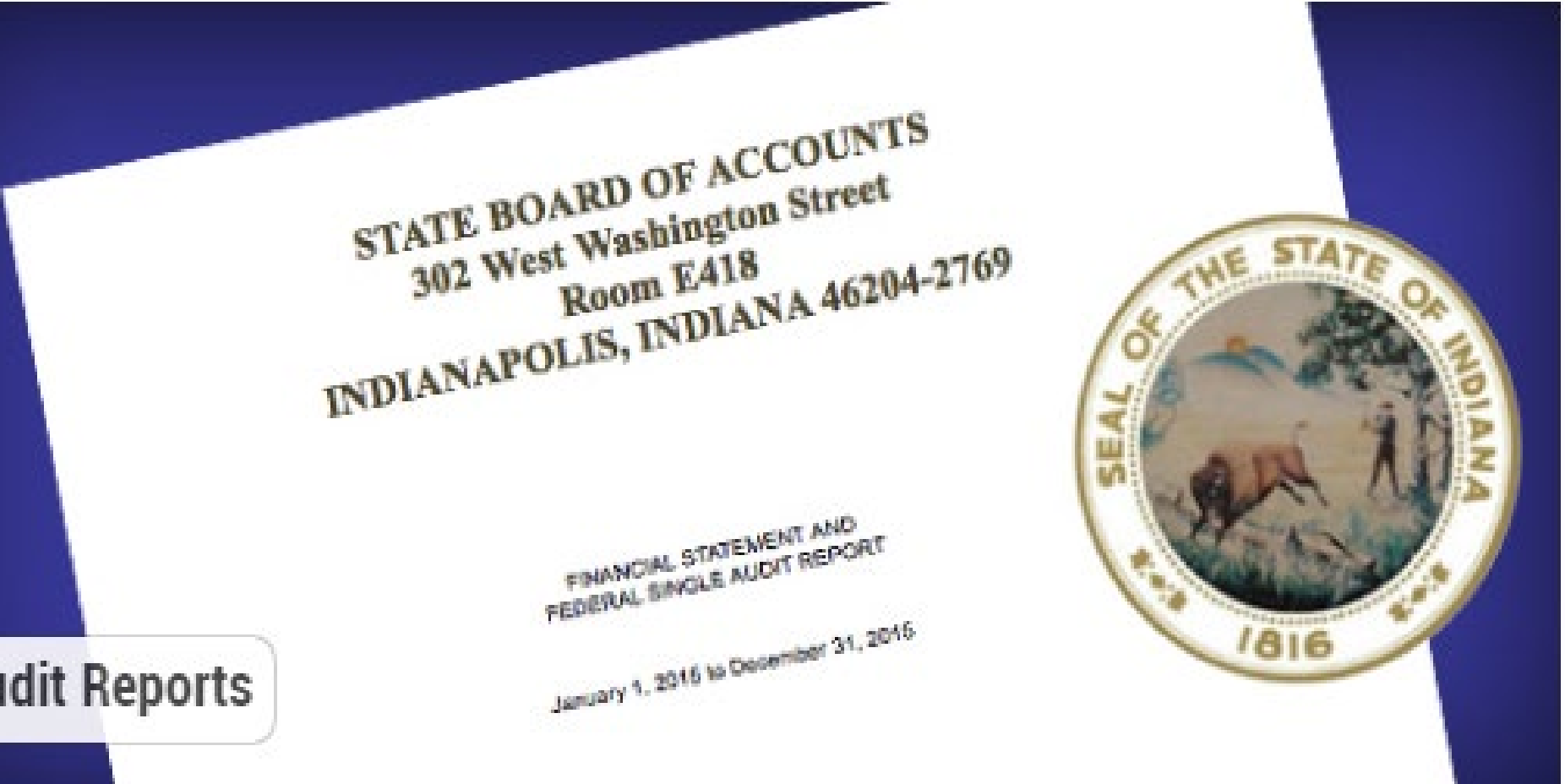
5. Should **maintain an accounting system or log** which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.
6. Credit cards should **not be used to bypass 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**.

Electronic Methods of Payment



- We have received questions about the use of electronic payment methods such as **Venmo or PayPal**.
- IC 36-1-8-11 allows Townships to collect payments via credit cards and other electronic methods.
- This form of payment **must be authorized by the Township board**.
- Develop a policy:
 - Only authorized employees should have the authority for the electronic method.
 - Still required to meet all receipting, timely recording, depositing requirements in statute and the Township manual.
- For audit purposes, we would recommend that you ensure that you can trace collections from the receipt to the bank deposit.

Common Compliance Review Comments



Audit Reports

Findings



1. Audit Result and Comment (ARC)

- **Written Comment**

2. Management Letters

- **Letter** to official/board
- Did not rise to the level of “Significant and Impactful”

3. Verbal Comments

- **Verbally communicated**
- Didn't rise to level of management level, but still warrants attention to official

4. Federal findings

Failure to Report Misappropriation of Funds



- IC 5-11-1-27(I)
- **Audit Finding 100% of instances**
- Telephone, email, website acceptable

Annual Financial Report Errors



- *“The Annual Financial Report filed on Gateway for 20XX contained errors and did not match the Township’s records”.*
- Email Gateway@sboa.IN.gov – for AFR questions!

Internal Control Related to Township Disbursements



- *“The Township has **failed to implement the controls** necessary to insure the proper disbursement of township funds. No review or control procedures have been implemented to insure the validity of the disbursements for authorized purposes.”*

Cash Disbursements



- *The Trustee made a **cash withdrawal** on _____, from the operating bank account for \$5,000. On the same date a deposit ticket was completed noting a cash deposit into the bank account. All disbursements should be made by the issuance of a check.*
- **Disbursements**, other than properly authorized petty cash disbursements, **shall be by check or warrant, not by cash or other methods unless specifically authorized by law.**
(Accounting and Uniform Compliance Guidelines Manual for _____, Chapter 1)

Disbursements in Excess of Budget Appropriations



- *Indiana Code 6-1.1-18-4 states in part: “...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.”*

Fire Protection Contracts



- *"Contracts for annual fire protection with the _____ and the _____ Volunteer Fire Department **were not presented.** Contracts for annual fire protection were presented, but **were not signed by the Trustee or the Township Board.** The contract with the _____ Volunteer Fire Department **lacked an annual amount.**"*
- **Payments made or received for contractual services must be supported by a written contract.** Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for _____, Chapter 1)

Lack of Supporting Documentation



- *Payments were observed which did not contain adequate **supporting documentation**, such as receipts, invoices, and other public records for 20XX.*

Establishment of Salaries



- *The Township Board **did not fix the salaries** of the Township officials and employees for the year 20XX, as required by Indiana Code 36-6-6-10(b).*
- **Trustee's annual salary covers all the duties listed in IC 36-6-4-3.**

W2s not issued



- *Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1).*
- **Must withhold taxes from employees and issue W2s**
- IRS requires a 1099 to be issued to employee that receives over \$600 of nonemployee payments – this includes the rent paid to Trustees.

Township Assistance Standards



- *“Township Assistance Standards were not established in accordance with Indiana Code 12-20-5.5-1”.*
- *Requirements:*
 1. *Proposed by the township trustee,*
 2. *Adopted by the township board,*
 3. *Filed with the board of county commissioners,*
 4. *Reviewed and updated annually to reflect changes in the cost of basic necessities in the township and changes in the law,*
 5. *Published in a single written document*
 6. *Posted in a place prominently visible in all offices where township assistance applications are taken or processed.*

Policies



- The Township did not have a Contracting Policy for 20XX.
- The Township did not have a Materiality Policy for 20XX.
- The Township did not have a Credit/Debit/Gift Card Policy for 20XX.
- The Township did not have a Travel Policy for 20XX.
- The Township did not have a Investment Policy for 20XX.
- The Township did not have a Employee Benefits Policy for 20XX.
- The Township did not have a Overtime Policy for 20XX.
- The Township did not have a Bad Debt Policy for 20XX.
- The Township did not have a Capital Asset Policy for 20XX.

Certification and Training on Internal Control Standards



- *“The Township had **not adopted the acceptable minimum level of internal control standards** as defined by the Indiana State Board of Accounts. Additionally, **Township employees**, whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belong to the Township, **had not received training over internal control standards** that was developed or approved by the Indiana State Board of Accounts..”*

Receipts Not Deposited Timely



- *Indiana Code 5-13-6-1(c) states in part: "... public funds collected by township trustees shall be deposited in the designated depository on or **before the first and fifteenth day of each month.**"*

Penalties, Interest, and Other Charges



- *The Township paid penalties, interest, and other charges to various vendors in the amount of \$_____ because the Trustee did not **remit payments to vendors on a timely basis.***

Surety Bonds



- *The Trustee's Surety Bond was insufficient per the Indiana Code 5-4-1-1. The bond recorded in the County Recorder's office for 20XX was for \$_____ instead of the **required \$30,000**. In addition, no bond was recorded for 20XX.*

Depository Reconciliations



- *“Depository reconciliations of the fund balances to the bank account balances were not presented for review for ____ months during the review period. Records do not indicate reconcilements were done for 20XX”.*
- **Monthly reconciliations should be uploaded in Gateway** under the Risk Assessment area of the AFR.

AFR and 100-R Not Filed Timely



- 1-5 days late → Verbal Comment
- 6-29 days late → Management Letter
- 30+ days late → Audit Comment
- Report Assistance → Gateway@sboa.in.gov

Condition of Records



- *“Financial records presented were incomplete and not reflective of the activity of the Township. Deficiencies included:*
 1. *Transactions not recorded.*
 2. *Receipts/Expenditures posted to incorrect funds”.* ,
- At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for _____, Chapter 1)

Township Board Minutes



- *“Minutes of meetings of the Township Board were either incomplete or nonexistent. Actions by the Township Board were not always clearly documented...”*
- Indiana Code 36-6-6-8 states: "The legislative body shall keep a permanent record of its proceedings in a book furnished by the executive. The secretary of the legislative body shall, under the direction of the legislative body, record the minutes of the proceedings of each meeting in full and shall provide copies of the minutes to each member of the legislative body before the next meeting is convened. After the minutes are approved by the legislative body, the secretary of the legislative body shall place the minutes in the permanent record book. The chair of the legislative body shall retain the record in the chair's custody."

Funds Sources and Uses



- Sources and *uses of funds must be limited to those authorized* by the enabling law, ordinance/resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for ____, Chapter 1)

Overpayment Collections



- Units must **collect any overpayments** made. (Accounting and Uniform Compliance Guidelines Manual for ____, Chapter 1)

Overdrawn Cash Balances



- *The cash balance of **any fund may not be reduced below zero**. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)*

Interest on Investments



- *“**Interest** on the Township's certificate of deposit investment **was being added to the investment principal** during 20XX. This accumulated interest was not being recorded in the appropriate fund.”*
- Interest on investments should not be added automatically to the investment. Instead, **interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund.** (Accounting and Uniform Compliance Guidelines Manual for _____, Chapter 1)

Website Overview



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

Resource Library



SBOA Resource Library



The State Board of Accounts (SBOA) is pleased to present an online resource library for our clients and the citizens of Indiana. The following information can be now searched in the resource library.

- SBOA Uniform Compliance Guidelines (including previously issued bulletin articles)
- State Examiner Directives
- Best Practice Documents
- Indiana Code Section Summaries
- Frequently Asked Questions
- Other Miscellaneous Materials

Resource Library - Tutorial Video



<https://www.youtube.com/watch?v=bf82lq6pQZk>

Resource Library - Exercise



<https://www.in.gov/sboa/library/>

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Questions?