

o o o o

STATE BOARD OF ACCOUNTS



Public Works, Purchasing, and Capital Assets

Tanner Huber, CPA
Jonathan Wineinger

Government Technical Assistance and Compliance Directors
Indiana State Board of Accounts





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.



CONTACT INFORMATION

- Email
 - Schools.townships@sboa.in.gov
- Phone
 - (317) 232-2512
- Website
 - <https://www.in.gov/sboa/political-subdivisions/schools/>
- Please grab a business card today!



TODAYS TOPICS

PUBLIC PURCHASING

PUBLIC WORKS

GENERAL CAPITAL
ASSET INFORMATION



PUBLIC PURCHASING





APPLICABILITY

- IC 5-22-1-1 provides that except for scenarios mentioned within IC 5-22-1, IC 5-22 applies to every expenditure of funds by a governmental body





EXCEPTIONS – IC 5-22-1-3

- Contracts Between Governmental Bodies
- Public Works Projects
- Collective Bargaining Agreements
- Labor Agreements with Employees
- Investment of Public Funds



DEFINITIONS – IC 5-22-2

- “Purchase” – includes buy, procure, rent, lease, or otherwise acquire
- “Purchasing Agency” – a governmental body that is authorized to enter into contracts by IC 5-22, rules adopted by IC 5-22, or by another law
- “Purchasing Agent” – an individual authorized by a purchasing agency to act as an agent for the purchasing agency in the administration of duties of the purchasing agency.



IC 5-22-3-3

- Authorizes the governmental body to adopt rules to regulate purchases of the governmental body
 - Rules adopted **CANNOT** be inconsistent with any statutory requirements
 - Rules adopted can be written to apply to all purchases, or to specific purchases



○ ○ ○ ○ FEDERAL GRANTS

- Uniform Guidance requires written purchasing procurement policies over these expenditures
- 2 CFR 200.318(a)
 - “The non-Federal entity must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or subaward....”



○ ○ ○ ○ PURCHASE OF SERVICES

- IC 5-22-6
 - The purchasing agency may purchase services using any procedure that the governmental body considers appropriate
- IC 5-22-2-30
 - “Services” – the furnishing of labor, time, or effort by a person, not involving the delivery of specific supplies other than printed documents or other items that are merely incidental to the required performance.





○ ○ ○ ○ PUBLIC PURCHASES UNDER \$50,000

- IC 5-22-8-2(b) allows the purchasing agent to make a purchase under small purchase policies established by the purchasing agency or under rules adopted by the governmental body



○ ○ ○ ○ PUBLIC PURCHASES BETWEEN \$50,000 AND \$150,000

- IC 5-22-8-3 – may purchase supplies under this section through the invitation of quotes from at least three persons known to deal in the lines of supplies to be purchased
 - Invitations for quotes **MUST** be mailed at least seven (7) days before the time fixed to receive quotes
 - Purchasing agent **SHALL** award the contract to the lowest responsible and responsive offeror
 - The purchasing agency may reject all quotes
 - If no quotes are received, the purchasing agent may purchase supplies under IC 5-22-10-10





PUBLIC PURCHASES EXCEEDING \$150,000

- IC 5-22-7 governs competitive bidding
- IC 5-22-7-2 provides that a purchasing agent shall issue an invitation for bids
- The invitation must include:
 - Purchase description
 - All contractual terms and conditions
 - Statement of the bid evaluation
 - Time and place the bids will be opened
 - Statement concerning whether the bid must be accompanied by a certified check or other evidence of financial stability
 - Statement concerning the conditions which a bid may be canceled or rejected





PUBLIC PURCHASES EXCEEDING \$150,000 (CONTINUED)

- IC 5-22-7-5 – requires notice of the invitation to be published in accordance with IC 5-3-1
- IC 5-3-1-2(e) – requires notice of receiving bids to be published two times, at least one week apart, with the second publication at least seven days before the date the bids will be received



○ ○ ○ ○ PUBLIC PURCHASES EXCEEDING \$150,000 (CONTINUED)

- IC 5-22-7-6 – requires the public opening of bids, in the presence of one or more witnesses, at the time and place designated in the invitation for bids
- IC 5-22-7-7 – requires bids to be accepted without alteration, and evaluated based on the objective requirements stated in the invitation
- IC 5-22-7-8 – the contract **MUST** be awarded to the lowest responsible and responsive bidder



○ ○ ○ ○ PUBLIC PURCHASES EXCEEDING \$150,000 (CONTINUED)

- IC 5-22-7-9
 - Requires the purchasing agency to maintain the name of each bidder, amount of each bid, and any other information required by IC 5-22
 - The information required to be maintained is subject to public inspection after the contract is awarded
- IC 5-22-8-1 – purchases and purchase requirements may not be divided as to constitute a small purchase



CHECKLIST FOR INVITATION FOR BIDS

**SAMPLE
SUGGESTED FORMAT**

Checklist for Invitation for Bids

Type of Supply _____

Requesting Agency _____

_____ Purchase Description

_____ Evaluation Criteria to Be Used (Circle Selections)

Inspection
Testing
Quality
Workmanship
Delivery
Requirements Imposed on Trusts

_____ Applicable Contract Terms and Conditions

_____ Time and Place for Opening Bid

_____ Evidence of Financial Responsibility Required? (Circle Selection)

Certified Check
Bid Bond
Other _____ (specify)

_____ Performance Bond Required?

_____ Statement of Conditions Under Which Invitation May Be Canceled

_____ Statement of Conditions Under Which Bid May Be Rejected in Whole or in Part

_____ Notice of Invitation for Bids Published

First Date of Publication _____
Second Date of Publication _____

_____ Form of Non-Collusion Affidavit

Source: IC 5-22-7-2



○○○○ SPECIAL PURCHASING METHODS

- IC 5-22-10-1 – purchasing agent may make a purchase under IC 5-22-10 without soliciting bids
- IC 5-22-10-2 – provides that special purchases **MUST** be made with competition as practicable under the circumstance



○○○○ SPECIAL PURCHASING METHODS (CONTINUED)

- IC 5-22-10-3
 - School Corporation **MUST** maintain a file with a written determination for the basis for the special purchase, and the selection of the particular contract
 - Records of contracts under IC 5-22-10 **MUST** be kept for a minimum of five years and contain
 - Each contractor's name
 - Amount and type of each contract
 - Description of the supplies purchased



○○○○ SPECIAL PURCHASING METHODS (CONTINUED)

- IC 5-22-10-4 – Emergency Conditions
 - Threat to public health, welfare, or safety
- IC 5-22-10-5 – Savings to Governmental Body
 - Unique opportunity exists to obtain supplies or services at a substantial savings
- IC 5-22-10-6 – Auctions
 - A special purchase may be made at an auction



○ ○ ○ ○ SPECIAL PURCHASING METHODS (CONTINUED)

- IC 5-22-10-8 – Compatibility of Equipment, Accessories, or Replacement Parts
 - Compatibility of equipment, accessories, or replacement parts is a substantial consideration in the purchase; **and** only one source meets the reasonable equipment requirements
- IC 5-22-10-10 – No offer received
 - School Corporation has solicited bids, but did not receive a responsive offer under other required purchasing methods



○○○○ SPECIAL PURCHASING METHODS (CONTINUED)

- IC 5-22-10-13 – Single Source
 - There is only one source for the supply and the purchasing agent determines in writing that there is only one source for the supply
- IC 5-22-10-17 – Acceptance of Gift
 - May acquire supplies by accepting a gift for the purchasing agent's governmental body



CONTRACT FILE LIST

SAMPLE
SUGGESTED FORMAT

SPECIAL PURCHASE CONTRACT FILE LIST

Contract No.	Date of Contract	Contractor Name	Contract Amount	Type of Contract	Description of Supplies	IC Reference Basis for Special Purchase	Basis of Selection of Contractor

Source: IC 5-22-10-3

DISPOSAL OF SURPLUS PERSONAL PROPERTY – IC 5-22-22

- ONLY applies to the disposal of personal property
- DOES NOT APPLY TO REAL PROPERTY SUCH AS LAND AND STRUCTURES



DISPOSAL OF SURPLUS PERSONAL PROPERTY – IC 5-22-22 (CONTINUED)

- Section 3 authorizes the sale of property that:
 - Has been left in the custody of an officer or employee of the governmental body and has remained unclaimed for more than one year, or
 - Belongs to the governmental body but is no longer needed or is unfit for the purpose it was intended



DISPOSAL OF SURPLUS PERSONAL PROPERTY – IC 5-22-22 (CONTINUED)

- IC 5-22-22-8 – Worthless Property
 - Property is of no market value if the value of the property is less than the estimated costs of its sale and transportation
 - May be demolished or junked



DISPOSAL OF SURPLUS PERSONAL PROPERTY – IC 5-22-22 (CONTINUED)

- IC 5-22-22-6 – applies when selling:
 - One item under \$1,000
 - A group of items under \$5,000
- May sell the surplus property at a public or private sale without advertising



DISPOSAL OF SURPLUS PERSONAL PROPERTY – IC 5-22-22 (CONTINUED)

- Surplus Property with an estimated value over \$1,000 or a group of items over \$5,000
 - IC 5-22-22-4 – may engage an auctioneer, and advertising must include a detailed description of the property being sold
 - IC 5-22-22-4.5 – may utilize an internet auction site that is approved by IOT and linked to their electronic gateway. Posting on the site must include a detailed description of property being sold
 - IC 5-22-22-5 – may sell at public sale or by sealed bids and must advertise in accordance with IC 5-3-1. All sales must be made to the highest responsible bidder.





DISPOSAL OF SURPLUS PERSONAL PROPERTY – IC 5-22-22 (CONTINUED)

- IC 5-22-22-10 – Exchange of Property Between Governmental Units
 - May sell or transfer property with another governmental body upon terms and conditions agreed upon by the governing bodies
 - Governing bodies must adopt substantially identical resolutions
 - The transfer or exchange may be for any amount of property of cash agreed upon by the governmental bodies



DISPOSAL OF SURPLUS PERSONAL PROPERTY – IC 5-22-22 (CONTINUED)

- [Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations](#)
- Proceeds generated by the sale or rental of property ***MUST*** be receipted into the fund which originally purchased the property unless otherwise provided by law



○○○○ PURCHASE OF LAND OR STRUCTURE – IC 36-1-10.5-5 AND IC 36-1-10.5-6

- Applies to purchases of land and structures with a total price exceeding \$25,000
- School Board shall pass a resolution stating it is interested in purchasing of a specified land or structure
- Purchasing agent must then appoint two appraisers to determine the fair market value
- Appraisals shall be returned within 30 days and kept on record for at least 5 years
- Purchasing agent shall give a copy of both appraisals to the School Board
- The purchasing agent **MAY NOT** purchase any land or structure for a price greater than the average of the two appraisals received





PUBLIC WORKS



DEFINITIONS – IC 36-1-12-1.2

- “Board” – the School Board
- “Contractor” – person who is party to a public work contract with the School Board
- “Subcontractor” – person who is a party to a contract with the contractor and furnishes and performs labor on the public work project, including material men who supply contractors and subcontractors
- “Property” – all personal property, fixtures, furnishings, inventory, equipment, and real property



○○○○ DEFINITION OF A PUBLIC WORK – IC 36-1-12-2

- “Public Work” – the construction, reconstruction, alteration, or renovation of a public building or other structure that is paid for out of a public fund
- This term includes any public work leased by a School Corporation under a lease containing an option to purchase



PUBLIC WORKS

CATEGORIES

Based on Estimated Cost

Small Projects

Under \$50,000

Quotes Process

\$50,000-\$300,000

Bid Process

Over \$300,000

SMALL PROJECTS – IC 36-1-12-5

- Board SHALL invite quotes from at least three (3) persons known to deal in the class of work by either:
 - Mailing a notice stating the plans and specifications are on file in a specified office not less than 7 days before the time fixed for receiving quotes; or
 - Soliciting three quotes by telephone, fax, or email
- Board cannot require submission of quotes prior to meeting
- Board must award to lowest responsible and responsive quoter





SMALL PROJECTS – IC 36-1-12-5 (CONTINUED)

- The Board may reject all quotes
 - May then negotiate and enter into an agreement for work on the open market if the reasons for rejecting the quotes are established in writing
- The Board can purchase or lease supplies in accordance with IC 5-22 and perform the public works using its own workforce
 - Must have a group of employees on staff who are capable of performing the construction, maintenance, and repair of all applicable work



PROJECTS BETWEEN \$50,000 AND \$300,000 – IC 36-1-12-4.7

- Board **SHALL** invite quotes from at least 3 persons known to deal in the class of work proposed
 - Invitation is to be through mailing a notice stating the plans and specifications are on file in a specified office
 - Notice must be mailed not less than 7 days before the time fixed for receiving quotes
- Board cannot require submission of quotes prior to the meeting
- Board must award project to lowest responsible and responsive quote
 - Board may reject all quotes, but the Board **CANNOT** negotiate and enter into agreements in open market at this threshold



○ ○ ○ ○ PUBLIC WORKS PROJECTS OVER \$300,000 – IC 36-1-12-4

- Board must prepare general plans and specifications
 - Specifications which might unduly limit competition must be avoided
 - Plans and specifications must be filed in a place reasonably accessible to the public
- Board must publish notice in accordance with IC 5-3-1 calling for sealed proposals
 - Notice must state the time and place fixed for receiving bids
- Anticipated size under \$25,000,000 → no more than six weeks between 1st publication and receiving bids
- Anticipated size \$25,000,000+ → no more than ten weeks between 1st publication and receiving bids



○ ○ ○ ○ PUBLIC WORKS PROJECTS OVER \$300,000 – IC 36-1-12-4 (CONTINUED)

- Board shall require from submitters:
 - Financial Statement
 - Statement of Experience
 - Proposed Plan for Performing the Public Work
 - Equipment Bidder has Available for the Performance of the Public Work
- Board cannot require bid before meeting
- Board can delay the opening if it is determined in writing that it is in their best interest, and if they announce the new time and place at the originally assigned meeting



○ ○ ○ ○ PUBLIC WORKS PROJECTS OVER \$300,000 – IC 36-1-12-4 (CONTINUED)

- Bid opening meeting has to be a public meeting
 - Bids are required to be opened and read aloud
- Board must award bid to lowest responsible and responsive bidder
 - Otherwise, board must state in the minutes at the time the award is made the factors used to determine which bidder is the lowest responsive and responsible bidder to justify the award
 - Board can reject all bids



○ ○ ○ ○ PUBLIC WORKS PROJECTS OVER \$300,000 – IC 36-1-12-4 (CONTINUED)

- Is a bidder responsive?
 - Did the submitted bid conform in all material respects to the specifications?
 - Did the submitted bid comply specifically with the invitation to bid and instructions to bidders?
 - Did the bidder comply with all applicable laws and regulations pertaining to award of public contract?
- Is a bidder responsible?
 - Does the bidder have the ability and capacity to perform the work?
 - Does the bidder have integrity and character? What kind of reputation does the bidder have?
 - Does the bidder have competence and experience?



○ ○ ○ ○ PUBLIC WORKS PROJECTS OVER \$300,000 – IC 36-1-12-4 (CONTINUED)

- Board shall require the bidder to submit an affidavit stating:
 - That the bidder has not entered into a combination or agreement...
 - Relative to the price to be bid by a person
 - To prevent a person from bidding
 - To induce a person to refrain from bidding
 - That the bidder's bid is made without reference to any other bid



○ ○ ○ ○ PUBLIC WORKS PROJECTS OVER \$300,000 – IC 36-1-12-4.5

- A bond or certified check must be filed with each bid in the amount determined and specified by the Board if the cost is estimated at \$200,000 or more
 - Amount may not be set at more than 10% of the contract price
 - Must be made payable to the School Corporation
 - Checks of unsuccessful bidders shall be returned to them by the Board
 - Checks of the successful bidder must be held until the delivery of the performance bond
- If the cost of the project is under \$200,000, a bond or certified check can be required if added to the plans and specifications by the Board



◦◦◦◦ MISC. PUBLIC WORKS PROVISIONS

- IC 36-1-12-6 – when a Board awards contract, they must provide the successful bidder a Notice to Proceed within 60 days
 - Exception: If bonds are being issued in conjunction with the project, it is within 90-150 days
 - If the Board fails to meet this, the bidder may reject the contract and withdraw their bid within 15 days after the deadline to issue the Notice to Proceed
- IC 36-1-12-7 – Public work performed or contracted for on a public building more than \$100,000 may be undertaken by the Board only in accordance with plans and specifications approved by an architect or engineer



MIŠC. PUBLIC WORKS PROVISIONS (CONTINUED)

- IC 36-1-12-10 – All plans and specifications for public buildings must be approved by the Indiana Department of Health, Department of Homeland Security, and other state agencies designated by statute
- IC 36-1-12-11 – Within 60 days after completion of a public works building project over \$100,000, a complete set of final record drawings must be filed with the department of homeland security
- IC 36-1-12-9 – Emergencies
 - Upon declaration of an emergency, Board may contract for a public work without advertising for bids if bids or quotes are invited from at least 2 persons known to deal in the public work required
 - Minutes must show declaration of emergency and names of persons invited to bid or quote



○ ○ ○ ○ PUBLIC WORK BY OWN WORKFORCE

- If the public work is less than \$200,000 including:
 - Actual costs of materials, labor, equipment and rentals
 - Reasonable rate for use of trucks and heavy equipment owned
 - All other expenses incidental to the performance of the project
- AND if the School Corporation has its own workforce who are capable of performing the construction, maintenance, and repair of the public work
- Then the School Corporation can perform the public work with their own workforce, without going through the bidding or quoting process





GENERAL CAPITAL ASSET INFORMATION



WHAT IS A CAPITAL ASSET?

- “Capital Asset” per GASB 34:
 - *“The term capital assets includes land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.”*
- “Infrastructure Assets” per GASB 34:
 - *“Infrastructure assets are long-live capital assets that are normally stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets.”*
 - Examples: Roads, Bridges, Tunnels, Drainage Systems, Water and Sewage Systems, Dams, Lighting Systems



PROPERLY MAINTAINING CAPITAL ASSETS

- Construction in Progress (CIP)
 - Used to track costs for work that has not been completed in the current reporting fiscal year
 - When construction is completed, CIP is reduced, and the appropriate capital asset category is added to.
- [Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations](#)
 - “Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset”
 - Capitalization threshold is a **MANAGEMENT DECISION**



PROPERLY MAINTAINING CAPITAL ASSETS (CONTINUED)

- Other Items to Consider:
 - Who is responsible for maintaining the capital asset ledger?
 - Other procedures and internal controls to ensure all information is available to that person
 - Useful life of the assets (at a minimum by category, be consistent)
 - How to account for depreciation in the year an asset was purchased
- General Form 369
 - Form may be electronically duplicated or School Corporation may use another format **as long as the information (and function) that is required on the prescribed form is maintained**

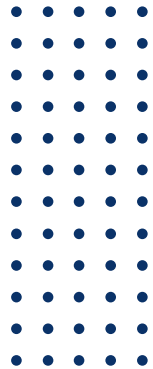


GENERAL FORM 369



CAPITAL ASSETS LEDGER														
FUND _____														
DEPARTMENT OR BUILDING _____														
Date of Purchase	Description of Asset	Serial Number	Location of Asset	Original Cost of Asset	Estimated Life of Asset	Date of Disposal of Capital Asset	Amount Received on Disposal or Trade in	Types of Capital Assets					Books and Other	Total Capital Assets
								Land	Infrastructure	Buildings	Improvements Other Than Buildings	Machinery Equipment & Vehicles		
1														
2														
3														
4														
5														
6														
7														
8														
9														
10														
11														
12														
13														
14														
15														
16														
17														
18														
19														
20														
21														
22														
23														
24														
25														
26														
27														
28														
29														
30														

SAMPLE



PROPERLY MAINTAINING CAPITAL ASSETS (CONTINUED)

- Develop an inventory of all capital assets owned
- Obtain an estimate of the replacement costs
- Determine the year of acquisition
- Multiply the estimated replacement cost by the deflator multiplier coinciding with the year of acquisition/manufacturing from the [Table of Cost Indexes \(pg. 16\)](#)
- Depreciation is an accounting method of allocating the cost of a tangible or physical asset (Buildings, Equipment, Infrastructure, Other) over the life of the asset
- Accumulated Depreciation represents how much of an asset's value has been used up since obtained





PROPERLY MAINTAINING CAPITAL ASSETS (CONTINUED)

- Depreciable Assets
 - Buildings
 - Improvements Other Than Buildings
 - Machinery, Equipment, and Vehicles
 - Infrastructure
 - Books and Other
- Non-Depreciable Assets
 - Land – assumed to have an unlimited useful life
 - Construction in Progress – Asset has to be placed in service to be depreciated



PROPERLY MAINTAINING CAPITAL ASSETS (CONTINUED)

- Yearly Amount of Depreciation
 - $\text{Historical Cost of the Asset} / \text{Estimated Useful Life (Years)}$
- Accumulated Depreciation
 - Total Depreciation to Date
- Must maintain a documented basis for asset valuation and estimated useful lives



RESOURCES

Contact Info:

Email –
schools.townships@sboa.in.gov

Phone –
(317) 232-2512

SBOA YouTube
Channel:

[Link to Channel](#)

SBOA Capital Asset
Webinar:

[Link to Video](#)

QUESTIONS

