

CITIES AND TOWNS BULLETIN

ISSUED BY STATE BOARD OF ACCOUNTS

September 2024

STATE BOARD OF ACCOUNT CONTACT INFORMATION

SBOA Homepage: www.in.gov/sboa

(for information specific to Cities & Towns, select Political Subdivisions and then select City or Town as applicable)

Government Technical Assistance & Compliance (GTAC) Directors:

Beth Goss and Mitch Wilson

Email Address: cities.towns@sboa.in.gov – *NOTE: if you are emailing questions, please send them to this email address and not our individual work emails.*

Phone Number: (317)232-2513

Gateway Help Desk: gateway@sboa.in.gov or AnnualReports@sboa.in.gov

(either email address will take you to the helpdesk)

SBOA Communications: communications@sboa.in.gov

UPCOMING TRAINING

October 8th through the 10th we will be attending the AIM Ideas Summit in Fort Wayne, Indiana at the Grand Wayne Center. We will be available at our resource table on October 9th for any questions or concerns you might have.

The ILMCT Virtual Fall District Meeting will be held from October 22nd through October 24th. We will be presenting on October 23rd and hope to cover some topics that were not covered due to time constraints at our SBOA School this past June.

WEBSITE CHANGES

The look of our website has changed a little, however all the same information is still available. The most recent change is when looking for information related to your unit type, you will want to click the drop-down arrow by the words “Entities we Examine”. Here you can select your unit type and then navigate to information related to your local governmental unit. Some items you will find are State Examiner Directives, Uniform Compliance Guidelines Manuals (UCG Manuals), quarterly bulletins, and previous presentations and training materials.

BUDGETS

It is budget season again and we have seen an increase in calls and emails relating to budgets and appropriations. If you have questions relating to your budget, consider reaching out to your DLGF representative as they would be best to answer those questions.

ELECTRONIC PAYMENTS TO VENDORS

Indiana Code 36-12-3-16.5 covers the payment of claims via electronic transfer. Note that subdivision © requires a unit to utilize the normal claims process, even for electronic funds transactions. Among other limitations, this means that it is impermissible for a third party to “pull” money out of a unit’s bank account. Instead, the fiscal agent must initiate or direct the unit’s financial institution to disburse the funds.

CONFLICT OF INTEREST DISCLOSURES

Indiana Code 35-44.1-1-4 prohibits public servants, their spouses, their minor dependents, and any person who receives more than half of their financial support from a public servant from having a pecuniary interest in contracts or purchases of the government entity for which the public servant works. However, subsection (d) of the statute creates a safe harbor through a conflict of interest disclosure. A public servant who completes a disclosure form is protected. The disclosure must be properly filled out, approved in a public meeting, and filed with the State Board of Accounts. There is a link on the Indiana Gateway for Government Units (Gateway) website to upload disclosures (link: https://gateway.ifionline.org/sboa_coi/). In order to protect the public servant, the disclosure should be accepted in a public meeting *before* final action on the contract or purchase and should be uploaded within fifteen days after final action.

In addition, IC 36-1-21 applies in a similar fashion to elected officials in counties, cities, towns, and townships (“units”). IC 36-1-21-5 allows a unit to enter into a contract with certain relatives of an elected official *only* if a disclosure is properly completed and the appropriate agency of the unit certifies either (1) that the price offered by the relative was the lowest or (2) the reasons why the relative was selected. For purposes of IC 36-1-21 only, the following the individuals are considered relatives of an elected official:

- (1) A spouse.
- (2) A parent or stepparent.
- (3) A child or stepchild.
- (4) A brother, sister, stepbrother, or stepsister (including half-siblings)
- (5) A niece or nephew.
- (6) An aunt or uncle.
- (7) A daughter-in-law or son-in-law.

We receive a lot of questions asking if certain situations require a conflict-of-interest disclosure. Each situation varies; however, it never hurts to file the disclosure. So, when in doubt, fill it out!

LIENS

The wastewater utility lien process is outlined in state code, with IC 36-9-23-31 through IC 36-9-23-34 containing most of these rules. Once a lien has been certified to the county auditor you should not accept payment on the account. A certified check would be receipted and deposited by the County. Then the County will distribute the money due to the City/Town during the next semiannual tax settlement.

In addition to wastewater liens, IC 36-1-6-2 (a) allows for liens involving property ordinance violations.

The SBOA is not aware of any applicable statutes that relate to a water lien process. Typically, in these situations water services would be shut off by the municipality.

GATEWAY DEPARTMENT HEAD ACCESS

Bank reconcilements are a major component of the Gateway uploads to which this includes those bank reconcilements for the various departments of a municipality. Gateway allows for department heads to hold “editor” rights in Gateway where they would be able to upload their bank reconcilements. The Clerk-Treasurer (as the Gateway submitter) can grant editor rights to those department heads if they wished to do so by filling out the Delegation Form (link below) and sending that to our Gateway Helpdesk (Gateway@sboa.in.gov)

Link to Delegation Form: <https://www.in.gov/sboa/files/DelegationForm.pdf>

EMERGENCY REPAIRS – PUBLIC WORKS

The Indiana Code includes special purchasing provisions in emergency public work situations. IC 36-1-12-2 provides a definition of public works and IC 36-1-2-4.5 provides a definition of an emergency.

Whether or not the political subdivision can declare a situation an emergency in order to bypass the bidding requirements of the public works statutes is fact specific. IC 36-1-12-9 provides for the governing body to contract for public works without advertising bids or quotes. We would recommend working with an attorney in order to maintain compliance with these statutes.

During an audit we would be looking for the formal declaration of emergency noted within the official board minutes and the names of the persons invited to bid or provide quotes. Documentation should be maintained including the original bids or quotes and the board’s determination of the project award. Any insurance proceeds received should be receipted into the fund the originally paid the cost and per IC 6-1.1-18-7 would be considered appropriated for 12 months after received for the sole purpose of repairing or replacing the property that was insured. Any additional funds above the insurance proceeds would need to follow normal additional appropriation procedures.

EXAMINATION OF RECORDS AND STATEMENT OF ENGAGEMENT COST

At the end of an audit engagement the State Board of Accounts sends a notice of Statement of Engagement Cost to each political subdivision, including the County. This statement details a summary of the engagement including the number of days spent on the audit, the daily/hourly rate, and any report processing fees. We would like to point out that this statement is not an invoice that is to be paid by the entities.

A separate invoice for payment of these audit costs will be sent to the County for payment in accordance with IC 5-11-4. Immediately upon receipt of the certified statement, the county auditor shall issue a warrant on the county treasurer payable to the treasurer of state out of the general fund of the county for the amount stated in the certificate. The county auditor shall reimburse the county general fund, except for the expense of examination and investigation of county offices, out of the money due the taxing units at the next semiannual settlement of the collection of taxes.

If the county reasonably believes or knows that it does not have on hand or will not have collected enough taxes by the next distribution date for a taxing unit included on the examination of records billing, then the county auditor will send the certified statement to the taxing unit. The taxing unit should then contact the State Board of Accounts for directions on paying for the cost of the examination directly to the State Board of Accounts, instead of using settlement. It is important that the cost be paid off prior to the next audit. If the audit costs, due the State Board of Accounts, are not paid prior to the subsequent audit, it impairs the independence of the State Board of Accounts. This will delay future audits.

As the amount of federal funding to local governments has increased so has the need for single audits and more frequent audits which has helped drive up audit costs. We are now beginning to see this result in semiannual tax distributions that are not sufficient to pay the audit costs. It is important to plan and budget accordingly for these costs. It might be beneficial once an examination of records has been completed for the taxing unit to go directly to the county auditor if sufficient taxes will not be collected to pay the estimated costs of the examination of records. Having this conversation before receiving the certified statement from the county auditor can prepare the taxing unit for the payment of these costs. You can discuss with your field examiner during the exit, how you may best meet the costs. This may involve the use of other funds such as Rainy Day or if there are ARPA funds remaining under the revenue loss category, those can also be used to pay audit costs. If you have questions after the exit, please feel free to reach out to your State Board of Accounts Director for further assistance in looking for funds that can pay the audit costs.

When determining how these costs will be paid, it is also important to plan for the next year. During this determination, take into consideration the amount of federal assistance that you have disbursed during the year. If you have expended \$750,000 or more of federal awards (whether the award is direct or passed-through another entity) in a year the taxing unit is required to have a single audit conducted in accordance with the Federal Office of Management and Budget's Uniform Guidance. Single audits require an annual audit. If your unit does not need a Single Audit, there may be a longer time between your examinations. Since these costs could become an annual expense for the taxing unit, future budgets would need to be adjusted for those costs.

IC 5-11 4-3(b) is the statute that explains the process of the county paying for exam fees which states: "The state examiner shall certify to the auditor of each county the amount

chargeable to each taxing unit within the county for the expense of its examinations as provided in this chapter. Immediately upon receipt of the certified statement, the county auditor shall issue a warrant on the county treasurer payable to the treasurer of state out of the general fund of the county for the amount stated in the certificate. The county auditor shall reimburse the county general fund, except for the expense of examination and investigation of county offices, out of the money due the taxing units at the next semiannual settlement of the collection of taxes.”

The statute does not specifically restrict the use of any of the funds taken from settlement and a distribution is not viewed the same as a disbursement from the fund so we will not take exception to taking a distribution from a fund other than general. We do however recommend avoiding taking from the debt funds without discussing with the unit first as these funds are levied for the exact amount needed to cover a political subdivisions debt.

As always, we encourage the counties to work with their political subdivisions to keep everyone operating effectively and efficiently

GET WITH GAAP

Pam Barber, Vicki Urbanik

The SBOA GAAP Efficiency Team (GET) serves cities, towns, and special districts that prepare financial statements following generally accepted accounting principles. GET serves as a liaison between local officials and their audit teams to resolve questions and concerns regarding the audit process and GASB and SBOA guidance. Per I.C. 5-1-11.5, municipalities with populations of more than 75,000 are required to file annual financial reports in accordance with GAAP to issue new bonds. This statute currently applies to eight Indiana cities. Five other Indiana cities currently report on the GAAP basis voluntarily.

Local units are reminded that per 2 CFR 200.512, the federal deadline for units to submit audited reports to the Federal Audit Clearinghouse is the earlier of 30 days after receipt of the report or nine months after the end of the audit period. GET anticipates that 11 Indiana cities reporting on the GAAP basis will meet the September 30, 2024, deadline.

Cities required to report in accordance with GAAP: Bloomington, Carmel, Evansville, Fishers, Fort Wayne, Hammond, Indianapolis, South Bend

Cities reporting on GAAP voluntarily: Greenwood, Jeffersonville, Lafayette, Mishawaka, Noblesville

The following cities have already submitted their reports to FAC for 2023: Carmel, Fishers, Fort Wayne, Greenwood, Indianapolis, Noblesville

Anticipated on time: Evansville, Hammond, South Bend, Jeffersonville, Mishawaka

Late: Bloomington, Lafayette