

# HOUSE BILL No. 1264

---

## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 5-11-1-27; IC 6-1.1-17-16.2.

**Synopsis:** Local government internal controls. Requires the legislative body of a local government to ensure appropriate training of personnel concerning the internal control system. Requires the attorney representing a local government to annually certify that certain internal controls of the local government are in place. Specifies certain reporting and followup related to a report of misappropriation of local government funds. Prohibits the department of local government finance approval of a local government budget until receipt of certification that applicable training has been completed.

**Effective:** July 1, 2015.

---

---

## Koch

---

---

January 13, 2015, read first time and referred to Committee on Government and Regulatory Reform.

---

---



First Regular Session of the 119th General Assembly (2015)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2014 Regular Session and 2014 Second Regular Technical Session of the General Assembly.

# HOUSE BILL No. 1264



A BILL FOR AN ACT to amend the Indiana Code concerning state and local administration.

*Be it enacted by the General Assembly of the State of Indiana:*

1 SECTION 1. IC 5-11-1-27, AS ADDED BY P.L.117-2011,  
2 SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
3 JULY 1, 2015]: Sec. 27. (a) As used in this section, "local government"  
4 means a county, city, town, or township.  
5 (b) In the compliance guidelines authorized under section 24 of this  
6 chapter, the state board of accounts shall define the acceptable  
7 minimum level of  
8 (1) internal control standards and  
9 (2) internal control procedures  
10 for internal control systems of local governments, **including the**  
11 **following:**  
12 (1) **Control environment.**  
13 (2) **Risk assessment.**  
14 (3) **Control activities.**  
15 (4) **Information and communication.**



1           **(5) Monitoring.**

2           The internal control standards and procedures shall be developed to  
3           promote government accountability and transparency.

4           **(c) The legislative body of a local government shall ensure that  
5           personnel are trained concerning:**

6                 **(1) all statutes and rules relevant to the work of the individual  
7                 personnel; and**

8                 **(2) the local government's internal control system.**

9           **(d) The attorney who represents a local government shall, not  
10           later than December 31, of each year, certify in writing to the state  
11           board of accounts that the minimum standards and procedures  
12           defined under subsection (b) are in place in the local government.**

13           ~~(e)~~ **(e)** All erroneous or irregular variances, losses, shortages, or  
14           thefts of local government funds or property shall be reported  
15           immediately to the state board of accounts. The state board of accounts  
16           shall:

17                 (1) determine the amount of funds involved and report the amount  
18                 to the appropriate government and law enforcement officials;

19                 (2) determine the internal control weakness that contributed to or  
20                 caused the condition; and

21                 (3) make written recommendations to the appropriate legislative  
22                 body or appropriate official overseeing the internal control system  
23                 addressing:

24                         (A) the method of correcting the condition; and

25                         (B) the necessary internal control policies and internal control  
26                         procedures that must be modified to prevent a recurrence of  
27                         the condition.

28           ~~(f)~~ **(f)** The legislative body or the appropriate official overseeing the  
29           internal control system shall immediately implement the policies and  
30           procedures recommended by the state board of accounts under  
31           subsection ~~(e)(3)(B)~~: **(e)(3)(B)**.

32           **(g) A public officer who has actual knowledge of or reasonable  
33           cause to believe that there has been a misappropriation of public  
34           funds or assets of the public office, including:**

35                 **(1) information obtained as a result of a police report;**

36                 **(2) an internal audit finding; or**

37                 **(3) another source indicating that a misappropriation has  
38                 occurred;**

39           **shall immediately send written notice of the misappropriation to  
40           the inspector general and the prosecuting attorney serving in the  
41           area governed by the local government.**

42           **(h) The prosecuting attorney notified under subsection (g) may**



1 request from the inspector general assistance with auditing in  
 2 connection with the misappropriation.

3 (i) If a misappropriation is reported under subsection (g), the  
 4 attorney general, upon the request of the inspector general:

5 (1) may file a civil action to recover the misappropriated  
 6 funds from the responsible party; and

7 (2) shall seek restitution of:

8 (A) costs incurred by the inspector general; and

9 (B) all costs and reasonable attorney's fees incurred by the  
 10 attorney general;

11 in connection with the misappropriation.

12 SECTION 2. IC 6-1.1-17-16.2, AS ADDED BY P.L.172-2011,  
 13 SECTION 33, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 14 JULY 1, 2015]: Sec. 16.2. (a) The department of local government  
 15 finance may not approve the budget of a taxing unit or a supplemental  
 16 appropriation for a taxing unit until the taxing unit files an annual  
 17 report under IC 5-11-1-4 or IC 5-11-13 for the preceding calendar year,  
 18 unless the taxing unit did not exist as of March 1 of the calendar year  
 19 preceding the ensuing calendar year by two (2) years. This section  
 20 applies to a taxing unit that is the successor to another taxing unit or  
 21 the result of a consolidation or merger of more than one (1) taxing unit,  
 22 if an annual report under IC 5-11-1-4 or IC 5-11-13 has not been filed  
 23 for each predecessor taxing unit.

24 (b) The department of local government finance may not  
 25 approve the budget of a taxing unit or a supplemental  
 26 appropriation for a taxing unit until the taxing unit certifies to the  
 27 department of local government finance that the:

28 (1) training that is:

29 (A) required by IC 5-11-1-27(c); and

30 (B) applicable to the taxing unit;

31 has been completed; and

32 (2) certification required by IC 5-11-1-27(d) has occurred.

