



Reprinted
February 4, 2015

HOUSE BILL No. 1104

DIGEST OF HB 1104 (Updated February 3, 2015 4:33 pm - DI 87)

Citations Affected: IC 4-3; IC 4-12; IC 4-30; IC 4-35; IC 4-37; IC 5-10.5; IC 5-11; IC 5-20; IC 5-22; IC 5-28; IC 6-3.5; IC 6-8.1; IC 6-9; IC 8-1.5; IC 8-10; IC 9-15; IC 9-16; IC 13-23; IC 14-13; IC 14-14; IC 15-13; IC 16-19; IC 20-39; IC 20-49; IC 21-7; IC 21-16; IC 22-14; IC 28-11; IC 33-44; IC 36-7; IC 36-8; IC 36-10.

Synopsis: Financial examinations and sheriff's merit board. Permits the state board of accounts to determine the frequency with which the state board of accounts conducts financial examinations based on risk based criteria approved by the audit and financial reporting subcommittee of the legislative council. Provides a procedure for a public entity (other than a school corporation) that has an internal control officer and an internal control department to have examinations performed by a certified public accountant instead of the state board of accounts. Adds provisions for allowing a public entity to have an examination: (1) conducted outside the time frame provided for by statute or state board of accounts guidelines, due to federal requirements, continuing disclosure requirements, or as a condition of a public bond issuance; or (2) conducted in accordance with generally accepted accounting principles. Provides that the results of an examination of the state board of accounts are confidential until approved and released for publication by the state examiner. Permits disclosure under certain circumstances. Prohibits a relative of: (1) an active county police officer; or (2) the sheriff; from serving as a member of the sheriff's merit board.

Effective: July 1, 2015.

Lehman, Klinker, Riecken, Mahan

January 8, 2015, read first time and referred to Committee on Government and Regulatory Reform.

January 27, 2015, amended, reported — Do Pass.

February 3, 2015, read second time, amended, ordered engrossed.

HB 1104—LS 6640/DI 51



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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. 1104

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

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

1 SECTION 1. IC 4-3-17-4 IS AMENDED TO READ AS FOLLOWS
2 [EFFECTIVE JULY 1, 2015]: Sec. 4. (a) The articles of incorporation
3 or bylaws of the corporation, as appropriate, must provide that:
4 (1) the exclusive purpose of the corporation is to provide grants
5 and serve as a resource for education programs on drug and
6 alcohol abuse, by providing assistance to persons or entities
7 involved with:
8 (A) coordinating the activities of all parties having a role in
9 drug and alcohol abuse education and prevention; and
10 (B) educating and assisting local communities in educating
11 Indiana citizens on the problems of drug and alcohol abuse;
12 (2) the board must include:
13 (A) the governor or the governor's designee;
14 (B) the state health commissioner or the commissioner's
15 designee; and

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- 1 (C) additional persons appointed by the governor, who have
2 knowledge or experience in drug or alcohol education
3 programs;
4 (3) the governor shall designate a member of the board to serve
5 as chairman of the board;
6 (4) the board shall select any other officers it considers necessary,
7 such as a vice chairman, treasurer, or secretary;
8 (5) the chairman of the board may appoint any subcommittees that
9 the chairman considers necessary to carry out the duties of the
10 corporation;
11 (6) with the approval of the governor, the corporation may appoint
12 a president, who shall serve as the chief operating officer of the
13 corporation and who may appoint staff or employ consultants to
14 carry out the corporation's duties under this chapter, including
15 personnel to receive or disseminate information that furthers the
16 goals of the corporation;
17 (7) the corporation may receive funds from any source (including
18 state appropriations), may enter into contracts, and may expend
19 funds for any activities necessary, convenient, or expedient to
20 carry out its purposes;
21 (8) any amendments to the articles of incorporation or bylaws of
22 the corporation must be approved by the board;
23 (9) the corporation shall submit an annual report to the governor,
24 lieutenant governor, and chairman of the legislative council
25 before December 31 of each year;
26 (10) the corporation shall conduct an annual public hearing to
27 receive comments from interested parties regarding the annual
28 report, and notice of the hearing shall be given at least fourteen
29 (14) days before the hearing in accordance with IC 5-14-1.5-5(b);
30 and
31 (11) the corporation is subject to ~~an annual~~ audit by the state
32 board of accounts, and the corporation shall bear the full costs of
33 this audit.
34 An annual report described in subdivision (9) that is submitted to the
35 chairman of the legislative council must be in an electronic format
36 under IC 5-14-6.
37 (b) The corporation may perform other acts necessary, convenient,
38 or expedient to carry out its purposes under this chapter and has all the
39 rights, powers, and privileges granted to corporations by IC 23-17 and
40 by common law.
41 (c) With the approval of the governor, the corporation may merge
42 with an entity with similar purposes. If the corporation merges with



1 another entity under this subsection, the governor shall revoke the
2 certification under section 7 of this chapter.

3 SECTION 2. IC 4-12-4-15, AS AMENDED BY P.L.229-2011,
4 SECTION 51, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
5 JULY 1, 2015]: Sec. 15. The funds, accounts, management, and
6 operations of the state department of health under this chapter are
7 subject to ~~annual~~ audit by the state board of accounts.

8 SECTION 3. IC 4-12-15-2, AS ADDED BY P.L.187-2013,
9 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
10 JULY 1, 2015]: Sec. 2. (a) The office may establish a nonprofit
11 subsidiary corporation that is exempt from federal income taxation
12 under Section 501(c)(3) of the Internal Revenue Code, to solicit and
13 accept private funding, gifts, donations, bequests, devises, and
14 contributions.

15 (b) A subsidiary corporation established under this section:

16 (1) shall use money received under subsection (a) to carry out in
17 any manner the purposes and programs of the office;

18 (2) shall report to the budget committee each year concerning:

19 (A) the use of money received under subsection (a); and

20 (B) the balances in any accounts or funds established by the
21 subsidiary corporation; and

22 (3) may deposit money received under subsection (a) in an
23 account or fund that is:

24 (A) administered by the subsidiary corporation; and

25 (B) not part of the state treasury.

26 (c) A subsidiary corporation established under this section is
27 governed by a board of directors comprised of members appointed by
28 the office.

29 (d) Employees of the office shall provide administrative support for
30 a subsidiary corporation established under this section.

31 (e) The state board of accounts shall ~~annually~~ audit a subsidiary
32 corporation established under this section.

33 SECTION 4. IC 4-30-17-11 IS AMENDED TO READ AS
34 FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 11. (a) Each eligible
35 recipient that is approved to receive money from the build Indiana fund
36 under section 10 of this chapter must, as a condition of receiving
37 money from the build Indiana fund, enter into a funding agreement
38 with the budget agency.

39 (b) The agreement required under subsection (a) must obligate the
40 eligible recipient to do the following:

41 (1) Complete the project in conformity with the information in the
42 project statement reviewed and approved under section 10 of this



- 1 chapter and any subsequent agreements reviewed by the budget
 2 committee and approved by the governor, upon recommendation
 3 of the budget agency.
- 4 (2) Acknowledge, on a form prescribed by the budget agency, the
 5 receipt and deposit of money received from the build Indiana
 6 fund. The written acknowledgment must include proof that the
 7 funds have been deposited in the financial institution listed in the
 8 documents described in subdivision (1) and must be submitted to
 9 the budget agency within ten (10) business days after receipt of
 10 the money.
- 11 (3) Account for money received from the build Indiana fund in
 12 accordance with generally accepted accounting principles, the
 13 accounting guidelines established by the state board of accounts,
 14 or an alternative method of accounting approved by the state
 15 board of accounts.
- 16 (4) Be subject to the audit and the reporting requirements under
 17 IC 5-11-1 (state board of accounts), ~~for each year~~ beginning with
 18 the year in which money from the build Indiana fund is received
 19 and ending with the year in which the project is completed.
- 20 (5) Upon request, provide for the contact person specified in the
 21 project statement or another person who is knowledgeable about
 22 the project to appear and give testimony to the budget committee
 23 concerning the project.
- 24 (6) Submit to the budget agency, on a form prescribed by the
 25 budget agency, verification of the completion of the project not
 26 later than ten (10) business days after the project is complete.
- 27 (7) If a project is not completed by the anticipated completion
 28 date specified in the documents described in subdivision (1),
 29 submit to the budget agency, on a form prescribed by the budget
 30 agency, information as to the reason the project is not complete
 31 and the revised completion date of the project. The form must be
 32 submitted before the anticipated completion date specified in the
 33 documents described in subdivision (1).
- 34 (8) Pay reasonable attorney's fees and other reasonable expenses
 35 incurred to enforce the provisions of the agreement described in
 36 subdivisions (1) through (7), collect reimbursement of project
 37 funds under subsection (d), or prosecute a violation of the
 38 agreement.
- 39 (c) The budget agency shall monitor compliance with the agreement
 40 required under subsection (a).
- 41 (d) In addition to any other remedy provided by law, if the eligible
 42 recipient fails to comply with a condition of the agreement required



1 under subsection (a), the budget agency may, under the procedures set
 2 forth in IC 4-21.5, require the entity to repay all the funds distributed
 3 to the eligible recipient under this chapter. The budget agency shall
 4 give notice of the order under IC 4-21.5-3-4. Money repaid under this
 5 section shall be deposited in the build Indiana fund.

6 SECTION 5. IC 4-30-19-2, AS AMENDED BY P.L.84-2005,
 7 SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 8 JULY 1, 2015]: Sec. 2. The state board of accounts shall ~~conduct an~~
 9 ~~annual~~ audit of the operations of the lottery and shall receive a copy of
 10 any independent financial audit and any security report prepared under
 11 this article. The commission shall pay the full costs of the audit
 12 required under this section.

13 SECTION 6. IC 4-35-7-12, AS AMENDED BY P.L.210-2013,
 14 SECTION 13, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 15 JULY 1, 2015]: Sec. 12. (a) The Indiana horse racing commission shall
 16 enforce the requirements of this section.

17 (b) A licensee shall before the fifteenth day of each month distribute
 18 the following amounts for the support of the Indiana horse racing
 19 industry:

20 (1) An amount equal to fifteen percent (15%) of the adjusted
 21 gross receipts of the slot machine wagering from the previous
 22 month at each casino operated by the licensee with respect to
 23 adjusted gross receipts received after June 30, 2013, and before
 24 January 1, 2014.

25 (2) The percentage of the adjusted gross receipts of the slot
 26 machine wagering from the previous month at each casino
 27 operated by the licensee that is determined under section 16 or 17
 28 of this chapter with respect to adjusted gross receipts received
 29 after December 31, 2013.

30 (c) The Indiana horse racing commission may not use any of the
 31 money distributed under this section for any administrative purpose or
 32 other purpose of the Indiana horse racing commission.

33 (d) A licensee shall distribute the money devoted to horse racing
 34 purses and to horsemen's associations under this subsection as follows:

35 (1) Five-tenths percent (0.5%) shall be transferred to horsemen's
 36 associations for equine promotion or welfare according to the
 37 ratios specified in subsection (g).

38 (2) Two and five-tenths percent (2.5%) shall be transferred to
 39 horsemen's associations for backside benevolence according to
 40 the ratios specified in subsection (g).

41 (3) Ninety-seven percent (97%) shall be distributed to promote
 42 horses and horse racing as provided in subsection (f).



1 (e) A horsemen's association shall expend the amounts distributed
 2 to the horsemen's association under subsection (d)(1) through (d)(2) for
 3 a purpose promoting the equine industry or equine welfare or for a
 4 benevolent purpose that the horsemen's association determines is in the
 5 best interests of horse racing in Indiana for the breed represented by the
 6 horsemen's association. Expenditures under this subsection are subject
 7 to the regulatory requirements of subsection (h).

8 (f) A licensee shall distribute the amounts described in subsection
 9 (d)(3) as follows:

10 (1) Forty-six percent (46%) for thoroughbred purposes as follows:

11 (A) Sixty percent (60%) for the following purposes:

12 (i) Ninety-seven percent (97%) for thoroughbred purses.

13 (ii) Two and four-tenths percent (2.4%) to the horsemen's
 14 association representing thoroughbred owners and trainers.

15 (iii) Six-tenths percent (0.6%) to the horsemen's association
 16 representing thoroughbred owners and breeders.

17 (B) Forty percent (40%) to the breed development fund
 18 established for thoroughbreds under IC 4-31-11-10.

19 (2) Forty-six percent (46%) for standardbred purposes as follows:

20 (A) Three hundred seventy-five thousand dollars (\$375,000)
 21 to the state fair commission to be used by the state fair
 22 commission to support standardbred racing and facilities at the
 23 state fairgrounds.

24 (B) One hundred twenty-five thousand dollars (\$125,000) to
 25 the state fair commission to be used by the state fair
 26 commission to make grants to county fairs to support
 27 standardbred racing and facilities at county fair tracks. The
 28 state fair commission shall establish a review committee to
 29 include the standardbred association board, the Indiana horse
 30 racing commission, and the Indiana county fair association to
 31 make recommendations to the state fair commission on grants
 32 under this clause.

33 (C) Fifty percent (50%) of the amount remaining after the
 34 distributions under clauses (A) and (B) for the following
 35 purposes:

36 (i) Ninety-six and five-tenths percent (96.5%) for
 37 standardbred purses.

38 (ii) Three and five-tenths percent (3.5%) to the horsemen's
 39 association representing standardbred owners and trainers.

40 (D) Fifty percent (50%) of the amount remaining after the
 41 distributions under clauses (A) and (B) to the breed
 42 development fund established for standardbreds under



- 1 IC 4-31-11-10.
- 2 (3) Eight percent (8%) for quarter horse purposes as follows:
- 3 (A) Seventy percent (70%) for the following purposes:
- 4 (i) Ninety-five percent (95%) for quarter horse purses.
- 5 (ii) Five percent (5%) to the horsemen's association
- 6 representing quarter horse owners and trainers.
- 7 (B) Thirty percent (30%) to the breed development fund
- 8 established for quarter horses under IC 4-31-11-10.
- 9 Expenditures under this subsection are subject to the regulatory
- 10 requirements of subsection (h).
- 11 (g) Money distributed under subsection (d)(1) and (d)(2) shall be
- 12 allocated as follows:
- 13 (1) Forty-six percent (46%) to the horsemen's association
- 14 representing thoroughbred owners and trainers.
- 15 (2) Forty-six percent (46%) to the horsemen's association
- 16 representing standardbred owners and trainers.
- 17 (3) Eight percent (8%) to the horsemen's association representing
- 18 quarter horse owners and trainers.
- 19 (h) Money distributed under this section may not be expended
- 20 unless the expenditure is for a purpose authorized in this section and is
- 21 either for a purpose promoting the equine industry or equine welfare or
- 22 is for a benevolent purpose that is in the best interests of horse racing
- 23 in Indiana or the necessary expenditures for the operations of the
- 24 horsemen's association required to implement and fulfill the purposes
- 25 of this section. The Indiana horse racing commission may review any
- 26 expenditure of money distributed under this section to ensure that the
- 27 requirements of this section are satisfied. The Indiana horse racing
- 28 commission shall adopt rules concerning the review and oversight of
- 29 money distributed under this section and shall adopt rules concerning
- 30 the enforcement of this section. The following apply to a horsemen's
- 31 association receiving a distribution of money under this section:
- 32 (1) The horsemen's association must annually file a report with
- 33 the Indiana horse racing commission concerning the use of the
- 34 money by the horsemen's association. The report must include
- 35 information as required by the commission.
- 36 (2) The horsemen's association must register with the Indiana
- 37 horse racing commission.
- 38 The state board of accounts shall ~~annually~~ audit the accounts, books,
- 39 and records of the Indiana horse racing commission, each horsemen's
- 40 association, a licensee, and any association for backside benevolence
- 41 containing any information relating to the distribution of money under
- 42 this section.



1 (i) The commission shall provide the Indiana horse racing
2 commission with the information necessary to enforce this section.

3 (j) The Indiana horse racing commission shall investigate any
4 complaint that a licensee has failed to comply with the horse racing
5 purse requirements set forth in this section. If, after notice and a
6 hearing, the Indiana horse racing commission finds that a licensee has
7 failed to comply with the purse requirements set forth in this section,
8 the Indiana horse racing commission may:

9 (1) issue a warning to the licensee;

10 (2) impose a civil penalty that may not exceed one million dollars
11 (\$1,000,000); or

12 (3) suspend a meeting permit issued under IC 4-31-5 to conduct
13 a pari-mutuel wagering horse racing meeting in Indiana.

14 (k) A civil penalty collected under this section must be deposited in
15 the state general fund.

16 SECTION 7. IC 4-37-2-4, AS AMENDED BY P.L.166-2013,
17 SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
18 JULY 1, 2015]: Sec. 4. The corporation is subject to ~~an annual~~
19 compliance ~~audit~~ **audits** by the state board of accounts.

20 SECTION 8. IC 4-37-8-5, AS AMENDED BY P.L.166-2013,
21 SECTION 6, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
22 JULY 1, 2015]: Sec. 5. The foundation is subject to ~~an annual~~
23 compliance ~~audit~~ **audits** by the state board of accounts.

24 SECTION 9. IC 5-10.5-4-1, AS AMENDED BY P.L.53-2014,
25 SECTION 64, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
26 JULY 1, 2015]: Sec. 1. The board shall do all of the following:

27 (1) Appoint and fix the salary of a director.

28 (2) Employ or contract with employees, auditors, technical
29 experts, legal counsel, and other service providers as the board
30 considers necessary to transact the business of the fund without
31 the approval of any state officer, and fix the compensation of
32 those persons.

33 (3) Establish a general office in Indianapolis for board meetings
34 and for administrative personnel.

35 (4) Provide for the installation in the general office of a complete
36 system of:

37 (A) books;

38 (B) accounts, including reserve accounts; and

39 (C) records;

40 to give effect to all the requirements of this article and to ensure
41 the proper operation of the fund.

42 (5) Provide for a report at least annually to each member of the



- 1 amount credited to the member in the annuity savings account in
 2 each investment program under IC 5-10.2-2.
- 3 (6) With the advice of the actuary, adopt actuarial tables and
 4 compile data needed for actuarial studies that are necessary for
 5 the fund's operation.
- 6 (7) Act on applications for benefits and claims of error filed by
 7 members.
- 8 (8) Have the accounts of the fund audited ~~annually~~ by the state
 9 board of accounts and if the board determines that it is advisable,
 10 have the operation of a public pension or retirement fund of the
 11 system audited by a certified public accountant.
- 12 (9) Publish for the members a synopsis of the fund's condition.
- 13 (10) Adopt a budget on a calendar year or fiscal year basis that is
 14 sufficient, as determined by the board, to perform the board's
 15 duties and, as appropriate and reasonable, draw upon fund assets
 16 to fund the budget.
- 17 (11) Expend money, including income from the fund's
 18 investments, for effectuating the fund's purposes.
- 19 (12) Establish personnel programs and policies for the employees
 20 of the system.
- 21 (13) Submit a financial report before November 1 each year to the
 22 governor, the interim study committee on pension management
 23 oversight established by IC 2-5-1.3-4 in an electronic format
 24 under IC 5-14-6, and the budget committee. The report under this
 25 subdivision must set forth a complete operating and financial
 26 statement covering its operations during the most recent fiscal
 27 year, and include any other information requested by the chair of
 28 the interim study committee on pension management oversight
 29 established by IC 2-5-1.3-4 in an electronic format under
 30 IC 5-14-6.
- 31 (14) Provide the necessary forms for administering the fund.
- 32 (15) Submit to the auditor of state or the treasurer of state
 33 vouchers or reports necessary to claim an amount due from the
 34 state to the system.
- 35 SECTION 10. IC 5-11-1-7 IS AMENDED TO READ AS
 36 FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 7. (a) The state
 37 examiner shall appoint assistants not exceeding the number required to
 38 administer this article. The assistants are to be known as "field
 39 examiners" and are at all times subject to the order and direction of the
 40 state examiner. Field examiners shall inspect and examine accounts of
 41 all state agencies, municipalities, and other governmental units,
 42 entities, or instrumentalities.



1 (b) The state examiner may engage or, **in accordance with section**
 2 **24 of this chapter**, allow the engagement of private examiners to the
 3 extent the state examiner determines necessary to satisfy the
 4 requirements of this article. These examiners are subject to the
 5 direction of the state examiner while performing examinations under
 6 this article.

7 (c) The state examiner may engage experts to assist the state board
 8 of accounts in carrying out its responsibilities under this article.

9 SECTION 11. IC 5-11-1-9, AS AMENDED BY P.L.280-2013,
 10 SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 11 JULY 1, 2015]: Sec. 9. (a) The state examiner, personally or through
 12 the deputy examiners, field examiners, or private examiners, shall
 13 examine all accounts and all financial affairs of every public office and
 14 officer, state office, state institution, and entity.

15 (b) An examination of an entity deriving:

16 (1) less than fifty percent (50%); or

17 (2) subject to subsection (h), at least fifty percent (50%) but less
 18 than two hundred thousand dollars (\$200,000) if the entity is
 19 organized as a not-for-profit corporation;

20 of its disbursements during the period subject to an examination from
 21 appropriations, public funds, taxes, and other sources of public expense
 22 shall be limited to matters relevant to the use of the public money
 23 received by the entity.

24 (c) The examination of an entity described in subsection (b) may be
 25 waived ~~or deferred~~ by the state examiner if the state examiner
 26 determines in writing that all disbursements of public money during the
 27 period subject to examination were made for the purposes for which the
 28 money was received. However, the:

29 (1) Indiana economic development corporation created by
 30 IC 5-28-3 and the corporation's funds, accounts, and financial
 31 affairs; and

32 (2) department of financial institutions established by
 33 IC 28-11-1-1 and the department's funds, accounts, and financial
 34 affairs;

35 shall be examined biennially by the state board of accounts.

36 (d) On every examination under this section, inquiry shall be made
 37 as to the following:

38 (1) The financial condition and resources of each municipality,
 39 office, institution, or entity.

40 (2) Whether the laws of the state and the uniform compliance
 41 guidelines of the state board of accounts established under section
 42 24 of this chapter have been complied with.



1 (3) The methods and accuracy of the accounts and reports of the
2 person examined.

3 The examinations shall be made without notice.

4 (e) If during an examination of a state office under this chapter the
5 examiner encounters an inefficiency in the operation of the state office,
6 the examiner may comment on the inefficiency in the examiner's report.

7 (f) The state examiner, deputy examiners, any field examiner, or any
8 private examiner, when engaged in making any examination or when
9 engaged in any official duty devolved upon them by the state examiner,
10 is entitled to do the following:

11 (1) Enter into any state, county, city, township, or other public
12 office in this state, or any entity, agency, or instrumentality, and
13 examine any books, papers, documents, or electronically stored
14 information for the purpose of making an examination.

15 (2) Have access, in the presence of the custodian or the
16 custodian's deputy, to the cash drawers and cash in the custody of
17 the officer.

18 (3) During business hours, examine the public accounts in any
19 depository that has public funds in its custody pursuant to the
20 laws of this state.

21 (g) The state examiner, deputy examiner, or any field examiner,
22 when engaged in making any examination authorized by law, may issue
23 subpoenas for witnesses to appear before the examiner in person or to
24 produce books, papers, or other records (including records stored in
25 electronic data processing systems) for inspection and examination.
26 The state examiner, deputy examiner, and any field examiner may
27 administer oaths and examine witnesses under oath orally or by
28 interrogatories concerning the matters under investigation and
29 examination. Under the authority of the state examiner, the oral
30 examinations may be transcribed with the reasonable expense paid by
31 the examined person in the same manner as the compensation of the
32 field examiner is paid. The subpoenas shall be served by any person
33 authorized to serve civil process from any court in this state. If a
34 witness duly subpoenaed refuses to attend, refuses to produce
35 information required in the subpoena, or attends and refuses to be
36 sworn or affirmed, or to testify when called upon to do so, the examiner
37 may apply to the circuit court having jurisdiction of the witness for the
38 enforcement of attendance and answers to questions as provided by the
39 law governing the taking of depositions.

40 (h) ~~This subsection applies to audited years beginning after June 30,~~
41 ~~2009.~~ The definitions in IC 20-24-1 apply throughout this subsection.
42 Appropriations, public funds, taxes, and other sources of public money



1 received by a nonprofit corporation as a charter school or organizer of
 2 a charter school for the purposes of a charter school may not be
 3 counted for the purpose of applying subsection (b)(2). Unless the
 4 nonprofit corporation receives other public money that would qualify
 5 the nonprofit corporation for a full examination of all accounts and
 6 financial affairs of the entity under subsection (b)(2), an examination
 7 of a charter school or organizer of a charter school must be limited to
 8 matters relevant to the use of the public money received for the charter
 9 school. This subsection does not prohibit the state examiner, personally
 10 or through the deputy examiners, field examiners, or private examiners,
 11 from examining the accounts in which appropriations, public funds,
 12 taxes, or other sources of public money are applied that are received by
 13 a nonprofit corporation as a charter school or organizer of a charter
 14 school relating to the operation of the charter school.

15 SECTION 12. IC 5-11-1-16, AS AMENDED BY P.L.104-2014,
 16 SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 17 JULY 1, 2015]: Sec. 16. (a) As used in this article, "municipality"
 18 means any county, township, city, town, school corporation, special
 19 taxing district, or other political subdivision of Indiana.

20 (b) As used in this article, "state" means any board, commission,
 21 department, division, bureau, committee, agency, governmental
 22 subdivision, military body, authority, or other instrumentality of the
 23 state, but does not include a municipality.

24 (c) As used in this article, "public office" means the office of any
 25 and every individual who for or on behalf of the state or any
 26 municipality or any public hospital holds, receives, disburses, or keeps
 27 the accounts of the receipts and disbursements of any public funds.

28 (d) As used in this article, "public officer" means any individual
 29 who holds, receives, disburses, or is required by law to keep any
 30 account of public funds or other funds for which the individual is
 31 accountable by virtue of the individual's public office.

32 (e) As used in this article, "entity" means any provider of goods,
 33 services, or other benefits that is:

- 34 (1) maintained in whole or in part at public expense; or
- 35 (2) supported in whole or in part by appropriations or public funds
 36 or by taxation.

37 The term does not include the state or a municipality (as defined in this
 38 section).

39 (f) As used in this article, a "public hospital" means either of the
 40 following:

- 41 (1) An institution licensed under IC 16-21 and which is owned by
 42 the state or an agency of the state or one which is a municipal



1 corporation. A hospital is a municipal corporation if its governing
 2 board members are appointed by elected officials of a
 3 municipality.

4 (2) A state institution (as defined in IC 12-7-2-184).

5 (g) As used in this article, "audit committee" refers to the audit and
 6 financial reporting subcommittee of the legislative council established
 7 by IC 2-5-1.1-6.3.

8 **(h) As used in this article, "audited entity" has the meaning set
 9 forth in IC 2-5-1.1-6.3.**

10 SECTION 13. IC 5-11-1-24 IS AMENDED TO READ AS
 11 FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 24. (a) The state board
 12 of accounts shall establish in writing uniform compliance guidelines
 13 for the examinations and reports required by this chapter. The uniform
 14 compliance guidelines must include the standards that an entity must
 15 observe to avoid a finding that is critical of the **audited** entity for a
 16 reason other than the **audited** entity's failure to comply with a specific
 17 law.

18 (b) The state board of accounts may not establish guidelines for the
 19 auditing of an **audited** entity that are inconsistent with any federal
 20 audit guidelines that govern the **audited** entity.

21 (c) The state board of accounts must distribute the uniform
 22 compliance guidelines to each **audited** entity that the state board of
 23 accounts may audit.

24 (d) If the state board of accounts engages or authorizes the
 25 engagement of a private examiner to perform an examination under this
 26 chapter, the examination and report must comply with the uniform
 27 compliance guidelines established under subsection (a). If a person
 28 subject to examination under this chapter engages a private examiner,
 29 the contract with the private examiner must require the examination
 30 and report to comply with the uniform compliance guidelines
 31 established under subsection (a).

32 ~~(e) The state or a municipality~~ **An audited entity** may not request
 33 proposals for performing examinations of an **audited** entity ~~that is~~
 34 ~~subject to examination under this chapter~~ unless the request for
 35 proposals has been submitted to and approved by the state board of
 36 accounts.

37 ~~(f) The state or a municipality, may not enter into a contract with an~~
 38 ~~entity subject to examination under this chapter if the contract does not~~
 39 ~~permit the examinations and require the reports prescribed by this~~
 40 ~~chapter.~~

41 SECTION 14. IC 5-11-1-24.4 IS ADDED TO THE INDIANA
 42 CODE AS A NEW SECTION TO READ AS FOLLOWS



1 [EFFECTIVE JULY 1, 2015]: **Sec. 24.4. (a) This section applies only**
 2 **to an audited entity (excluding a school corporation) that has:**

- 3 (1) **an internal control officer; and**
 4 (2) **an internal control department;**

5 **established by the legislative body of the audited entity.**

6 (b) **An audited entity may request in writing that the state board**
 7 **of accounts authorize the audited entity to:**

- 8 (1) **opt out of examinations by the state board of accounts;**
 9 **and**
 10 (2) **engage a certified public accountant to conduct the**
 11 **examinations.**

12 **The request must be approved by resolution adopted by the**
 13 **legislative body for the audited entity.**

14 (c) **The state board of accounts shall, not more than sixty (60)**
 15 **days after receiving a written request under subsection (b):**

- 16 (1) **acknowledge receipt of the request; and**
 17 (2) **notify the requesting audited entity that the request is:**
 18 (A) **approved; or**
 19 (B) **disapproved.**

20 (d) **The state board of accounts shall approve a request under**
 21 **subsection (b) by an audited entity if the state examiner determines**
 22 **that:**

- 23 (1) **the audited entity filed the written request under**
 24 **subsection (b) with the state board of accounts more than one**
 25 **hundred eighty (180) days before the beginning of the audited**
 26 **entity's fiscal year;**
 27 (2) **the audited entity selects the certified public accountant in**
 28 **accordance with the selection procedure under this section;**
 29 (3) **the certified public accountant selected by the audited**
 30 **entity is:**
 31 (A) **licensed in Indiana; and**
 32 (B) **qualified to conduct examinations in accordance with**
 33 **the government auditing standards adopted by the state**
 34 **board of accounts;**
 35 (4) **the certified public accountant's examination shall:**
 36 (A) **be conducted in accordance with the guidelines**
 37 **established by the state board of accounts; and**
 38 (B) **make findings regarding the audited entity's**
 39 **compliance with the uniform compliance guidelines**
 40 **established by the state board of accounts;**
 41 (5) **the certified public accountant's examination is paid for by**
 42 **the audited entity; and**



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(6) the certified public accountant's examination of the audited entity includes:

- (A) all associated component units;**
- (B) audits required or necessary for federal financial assistance;**
- (C) findings of noncompliance with state law and uniform compliance guidelines as required by IC 5-11-5-1; and**
- (D) a separate report in accordance with the guidelines established by the state board of accounts for any items of noncompliance identified.**

(e) The audited entity must use the following selection procedures:

(1) The legislative body of the audited entity shall establish an audit committee to facilitate the selection of a certified public accountant. The audit committee shall be composed of the following three (3) members appointed by the legislative body:

- (A) One (1) member of the legislative body.**
- (B) One (1) certified public accountant who is not the fiscal officer or an employee of the audited entity.**
- (C) One (1) person who is qualified due to an involvement with financial matters who is not the fiscal officer or an employee of the audited entity.**

Each member shall be appointed for a three (3) year term and shall serve without compensation. However, a member appointed under subdivision (1)(A) who ceases to hold the office of legislative body member ceases to be a member of the audit committee. A member may not have a contractual relationship, financial interest, or political affiliation with the certified public accountant selected.

(2) The audit committee established under subdivision (1) shall do the following:

- (A) Establish factors to evaluate the audit services provided by a certified public accountant, including:**
 - (i) experience;**
 - (ii) ability to perform the required services;**
 - (iii) capability to follow the guidelines and standards adopted by the state board of accounts;**
 - (iv) ability to timely complete all necessary components of the examination; and**
 - (v) any other factors considered necessary by the audit committee.**



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(B) Publish notice of a request for proposals under IC 5-3-1 that includes:

- (i) a brief description of the audit requirements;**
- (ii) a time frame;**
- (iii) application procedures;**
- (iv) evaluation criteria; and**
- (v) any other items considered necessary by the audit committee.**

(C) Evaluate the proposals submitted by qualified certified public accountants. If compensation is a factor established under clause (A), it may not be the sole factor used to evaluate proposals.

(D) Rank and recommend in order of preference not fewer than three (3) certified public accountants considered most highly qualified on the factors established under clause (A). If fewer than three (3) certified public accountants respond to the request for proposals, the audit committee shall recommend the remaining qualified certified public accountants in order of preference.

(3) The legislative body of the audited entity shall select a qualified certified public accountant from the list recommended by the audit committee and shall negotiate a contract with the certified public accountant using one (1) of the following methods:

(A) If compensation is a factor established under subdivision (2)(A), the legislative body shall:

- (i) select; or**
- (ii) document the reason for not selecting; the highest-ranked certified public accountant.**

(B) If compensation is not a factor established under subdivision (2)(A), the legislative body shall negotiate a contract with the highest-ranked qualified certified public accountant. If unable to negotiate a satisfactory contract with the highest-ranked qualified certified public accountant, the legislative body shall:

- (i) formally terminate negotiations; and**
- (ii) negotiate with the second highest-ranked certified public accountant.**

Negotiations with the other ranked certified public accountants shall be undertaken in the same manner. The legislative body may reopen formal negotiations with any of the top three (3) ranked certified public accountants but



- 1 **may not negotiate with more than one (1) certified public**
 2 **accountant at a time.**
- 3 **(C) The legislative body may select a certified public**
 4 **accountant recommended by the audit committee and**
 5 **negotiate a contract using an appropriate alternative**
 6 **negotiation method for which compensation is not the sole**
 7 **or predominant factor.**
- 8 **(D) In negotiations with a certified public accountant, the**
 9 **legislative body may allow a designee, who is not the fiscal**
 10 **officer of the audited entity, to conduct negotiations on its**
 11 **behalf.**
- 12 **(4) If the legislative body is unable to negotiate a satisfactory**
 13 **contract with any of the recommended certified public**
 14 **accountants, the audit committee shall recommend additional**
 15 **certified public accountants, and negotiations shall continue**
 16 **in accordance with this section until an agreement is reached.**
- 17 **(5) The procurement of audit services shall be evidenced by a**
 18 **written contract embodying all provisions and conditions. For**
 19 **purposes of this section, an engagement letter signed and**
 20 **executed by both parties shall constitute a written contract.**
- 21 **The written contract shall include the following provisions:**
- 22 **(A) Specification of services to be provided and fees or**
 23 **other compensation for the services.**
- 24 **(B) Invoices for fees or other compensation shall be**
 25 **submitted in sufficient detail to demonstrate compliance**
 26 **with the terms of the contract.**
- 27 **(C) Specification of the contract period and conditions**
 28 **under which the contract may be terminated or renewed.**
- 29 **(D) The certified public accountant shall perform the**
 30 **examination in accordance with:**
- 31 **(i) the guidelines and standards adopted by the state**
 32 **board of accounts;**
- 33 **(ii) auditing standards generally accepted in the United**
 34 **States; and**
- 35 **(iii) if applicable, government auditing standards, Office**
 36 **of Management and Budget Circular A-133, and any**
 37 **other guidelines required by the industry.**
- 38 **(E) If the certified public accountant discovers or suspects**
 39 **instances of fraud, abuse of public funds, or the**
 40 **commission of a crime, the certified public accountant**
 41 **shall notify the state board of accounts:**
- 42 **(i) immediately; and**



- 1 (ii) before disclosing the discovery or suspicion to the
2 audited entity.
- 3 (F) The certified public accountant shall deliver the
4 completed examination report to the state board of
5 accounts:
- 6 (i) at the same time as the audited entity; and
7 (ii) not later than thirty (30) days after completion of the
8 examination.
- 9 The report shall be in a readable format prescribed by the
10 state board of accounts.
- 11 (G) All work papers supporting the examination report
12 shall be available for review by the state board of accounts.
- 13 (6) If a legislative body of an audited entity renews a written
14 contract with a certified public accountant that was entered
15 into in accordance with this section, the legislative body may
16 renew the contract without complying with the selection
17 procedures in this subsection.
- 18 (f) The certified public accountant must deliver the completed
19 examination report to the state board of accounts not later than
20 thirty (30) days after completion of the examination. The state
21 board of accounts shall review the examination report and may:
- 22 (1) ask questions of the certified public accountant;
23 (2) review the examination work papers; and
24 (3) take any other actions necessary to verify that the
25 guidelines and standards adopted by the state board of
26 accounts have been satisfied.
- 27 (g) If the certified public accountant's examination:
- 28 (1) satisfies the guidelines and standards adopted by the state
29 board of accounts, the state examiner shall publicly file the
30 examination report under IC 5-11-5-1; or
31 (2) fails to satisfy the guidelines and standards adopted by the
32 state board of accounts:
- 33 (A) the state board of accounts shall perform the audit;
34 and
35 (B) the audited entity shall reimburse the state board of
36 accounts for the actual and direct cost of performing the
37 examination.
- 38 (h) An audited entity that engages a certified public accountant
39 under this section shall reimburse the state board of accounts for
40 all direct and indirect costs incurred by the state board of accounts
41 for any technical assistance and support requested by the audited
42 entity.



1 **(i) An audited entity may terminate the use of a certified public**
 2 **accountant engaged under this section if:**

3 **(1) the termination is approved by resolution adopted by the**
 4 **legislative body of the audited entity; and**

5 **(2) written notice of the termination is provided to the state**
 6 **board of accounts more than one hundred eighty (180) days**
 7 **before the beginning of the audited entity's fiscal year.**

8 **(j) Conducting an examination of an audited entity by a certified**
 9 **public accountant does not prohibit the state board of accounts**
 10 **from conducting a compliance review of the audited entity or an**
 11 **examination under section 9.5 of this chapter on the schedule**
 12 **determined by the state board of accounts.**

13 SECTION 15. IC 5-11-1-25 IS AMENDED TO READ AS
 14 FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 25. (a) **This section**
 15 **and section 24.4 of this chapter do not limit the application of any**
 16 **law that requires a municipality, a public hospital, another public**
 17 **office or public officer, an entity, or another person or organization**
 18 **to be audited or otherwise examined on an annual or other basis**
 19 **by:**

20 **(1) a certified public accountant; or**

21 **(2) a person other than the state examiner or the state board**
 22 **of accounts.**

23 **(b) Subject to section 9 of this chapter and subsections (c) and**
 24 **(d), the state board of accounts shall conduct examinations of**
 25 **audited entities at the times determined by the state board of**
 26 **accounts, but not less than once every four (4) years, using risk**
 27 **based examination criteria that are established by the state board**
 28 **of accounts and approved by the audit committee. The risk based**
 29 **examination criteria must include the following risk factors:**

30 **(1) An audited entity has a newly elected or appointed fiscal**
 31 **officer.**

32 **(2) An audited entity:**

33 **(A) has not timely filed; or**

34 **(B) has filed a materially incorrect or incomplete;**

35 **annual financial report required by section 4 of this chapter.**

36 **(3) Any other factor determined by the state examiner and**
 37 **approved by the audit committee.**

38 **(c) Examinations ~~under this chapter shall~~ must be conducted**
 39 **annually for the following:**

40 **(1) The state.**

41 **(2) Cities.**

42 **(3) Counties.**



1 (4) Towns with a population greater than five thousand (5,000).

2 (5) Public hospitals.

3 **(2) An audited entity (other than a school corporation) that**
4 **requires an annual audit:**

5 **(A) because of the receipt of federal financial assistance in**
6 **an amount that subjects the audited entity to an annual**
7 **federal audit;**

8 **(B) due to continuing disclosure requirements; or**

9 **(C) as a condition of a public bond issuance.**

10 **An audited entity shall, under the guidelines established by the**
11 **state board of accounts, provide notice to the state examiner not**
12 **later than sixty (60) days after the close of the audited entity's**
13 **fiscal year that the audited entity is required to have an annual**
14 **audit under subdivision (2).**

15 (b) Subject to section 9 of this chapter, examinations under this
16 chapter shall be conducted biennially for:

17 (1) municipalities; and

18 (2) entities;

19 that are not listed in subsection (a).

20 **(d) As permitted under this section since September 1, 1986 (the**
21 **effective date of P.L.3-1986, SECTION 16), examinations of school**
22 **corporations shall be conducted biennially.**

23 SECTION 16. IC 5-11-1-28 IS ADDED TO THE INDIANA CODE
24 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
25 1, 2015]: **Sec. 28. (a) An audited entity may request that an**
26 **examination conducted by the state board of accounts be**
27 **conducted in accordance with generally accepted accounting**
28 **principles. A request by a public officer must be approved by**
29 **resolution adopted by the legislative body for the audited entity.**

30 **(b) The state board of accounts shall, not more than sixty (60)**
31 **days after receiving a request under subsection (a):**

32 **(1) acknowledge receipt of the request; and**

33 **(2) notify the requesting public officer or legislative body that**
34 **the request is:**

35 **(A) approved; or**

36 **(B) disapproved.**

37 **(c) The state board of accounts shall approve a request under**
38 **subsection (a) unless the state examiner determines that:**

39 **(1) the audited entity, under the guidelines established by the**
40 **state board of accounts, did not request the audit within sixty**

41 **(60) days after the close of the audited entity's fiscal year;**

42 **(2) the audited entity does not conduct its accounting**



1 **according to generally accepted accounting principles;**
 2 **(3) the audited entity did not maintain the audited entity's**
 3 **financial records during the preceding year on a generally**
 4 **accepted accounting principles basis;**
 5 **(4) the annual financial statements and notes to the financial**
 6 **statements are not presented or will not be presented to the**
 7 **state board of accounts for audit on the schedule agreed to by**
 8 **the state examiner; or**
 9 **(5) the audited entity does not follow the other guidelines**
 10 **established by the state board of accounts.**

11 SECTION 17. IC 5-11-5-1, AS AMENDED BY P.L.104-2014,
 12 SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 13 JULY 1, 2015]: Sec. 1. (a) Whenever an examination is made under
 14 this article, a report of the examination shall be made. The report must
 15 include a list of findings and shall be signed and verified by the
 16 examiner making the examination. A finding that is critical of an
 17 examined entity must be based upon one (1) of the following:

- 18 (1) Failure of the entity to observe a uniform compliance
 19 guideline established under IC 5-11-1-24(a).
 20 (2) Failure of the entity to comply with a specific law.

21 A report that includes a finding that is critical of an examined entity
 22 must designate the uniform compliance guideline or the specific law
 23 upon which the finding is based. The reports shall immediately be filed
 24 with the state examiner, and, after inspection of the report, the state
 25 examiner shall immediately file one (1) copy with the officer or person
 26 examined, one (1) copy with the auditing department of the
 27 municipality examined and reported upon (if the subject of the report
 28 is a municipality), and one (1) copy in an electronic format under
 29 IC 5-14-6 with the legislative services agency, as staff to the audit
 30 committee and the general assembly. Upon filing, the report becomes
 31 a part of the public records of the office of the state examiner, of the
 32 office or the person examined, of the auditing department of the
 33 municipality examined and reported upon, and of the legislative
 34 services agency, as staff to the audit committee and the general
 35 assembly. A report is open to public inspection at all reasonable times
 36 after it is filed. If an examination discloses malfeasance, misfeasance,
 37 or nonfeasance in office or of any officer or employee, a copy of the
 38 report, signed and verified, shall be placed by the state examiner with
 39 the attorney general and the inspector general. The attorney general
 40 shall diligently institute and prosecute civil proceedings against the
 41 delinquent officer, or upon the officer's official bond, or both, and
 42 against any other proper person that will secure to the state or to the



1 proper municipality the recovery of any funds misappropriated,
2 diverted, or unaccounted for.

3 (b) Before an examination report is signed, verified, and filed as
4 required by subsection (a), the officer or the chief executive officer of
5 the state office, municipality, or entity examined must have an
6 opportunity to review the report and to file with the state examiner a
7 written response to that report. If a written response is filed, it becomes
8 a part of the examination report that is signed, verified, and filed as
9 required by subsection (a). **As part of the review of the examination
10 report, the state examiner shall hold a gathering of the officer or
11 chief executive officer of the state office, municipality, or entity
12 examined, any employees or agents of the state office, municipality,
13 or entity examined who are requested to attend by the officer or
14 chief executive officer of the state office, municipality, or entity
15 examined, and the members of the legislative and fiscal bodies of
16 the municipality or entity examined. Such a gathering is referred
17 to as an "exit conference" for purposes of this subsection. The
18 following apply to an exit conference:**

19 (1) **All information discussed and materials presented or
20 delivered by any person during an exit conference are
21 confidential and may not be discussed or shared publicly until
22 the earliest of the occurrences set forth in subsection (g).
23 However, the information discussed and materials presented
24 or delivered during an exit conference may be shared with an
25 officer, employee, consultant, adviser, or attorney of the
26 officer or chief executive officer of the state office,
27 municipality, or entity examined who was not present at the
28 exit conference. An individual with whom information and
29 materials are shared must maintain the confidentiality of the
30 information and materials as provided in this subdivision
31 until the earliest of the occurrences set forth in subsection (g).**

32 (2) **An individual attending an exit conference may not
33 electronically record the exit conference.**

34 (3) **An exit conference is not a meeting (as defined in
35 IC 5-14-1.5-2(c)) for purposes of IC 5-14-1.5 or any other law.**

36 (4) **If the state examiner determines after the exit conference
37 that additional actions must be undertaken by a deputy
38 examiner, field examiner, or private examiner with respect to
39 information discussed or materials presented at the exit
40 conference, the state examiner may call for an additional exit
41 conference to be held.**

42 (5) **Not more than thirty (30) days after the initial exit**



1 conference is held under this subsection, the legislative body
 2 of the municipality or entity examined and reported upon may
 3 adopt a resolution, approved by at least a two-thirds (2/3) vote
 4 of the legislative body, requesting that an additional exit
 5 conference be held. The legislative body shall notify the state
 6 board of accounts if the legislative body adopts a resolution
 7 under this subdivision. If a legislative body adopts a
 8 resolution under this subdivision, the state board of accounts
 9 shall conduct an additional exit conference not more than
 10 sixty (60) days after the state board of accounts receives
 11 notice of the adoption of the resolution. The municipality or
 12 entity examined must pay the travel and staff costs incurred
 13 by the state board of accounts in conducting an additional exit
 14 conference under this subdivision.

15 **(6) A final report under subsection (a) may not be issued**
 16 **earlier than forty-five (45) days after the initial exit**
 17 **conference is held under this subsection.**

18 (c) Except as ~~required~~ **provided** by subsections (b), ~~and (d), and (e),~~
 19 it is unlawful for any ~~deputy examiner, field examiner, or private~~
 20 ~~examiner, person,~~ before an examination report is made public as
 21 provided by this section, to make any disclosure of the result of any
 22 examination of any public account, except:

- 23 **(1) to the state examiner; or**
 24 **(2) if directed to give publicity to the examination report by the**
 25 **state examiner or by any court;**
 26 **(3) to another deputy examiner, field examiner, or private**
 27 **examiner engaged in conducting the examination; or**
 28 **(4) if directed by the state examiner, to the chair of the audit**
 29 **committee or the members of the audit committee acting in**
 30 **executive session, or both.**

31 If an examination report shows or discloses the commission of a crime
 32 by any person, it is the duty of the state examiner to transmit and
 33 present the examination report to the ~~grand jury prosecuting attorney~~
 34 of the county in which the crime was committed. ~~at its first session~~
 35 ~~after the making of the examination report and at any subsequent~~
 36 ~~sessions that may be required:~~ The state examiner shall furnish to the
 37 ~~grand jury prosecuting attorney~~ all evidence at the state examiner's
 38 command necessary in the investigation and prosecution of the crime.

39 (d) If, during an examination under this article, a deputy examiner,
 40 field examiner, or private examiner acting as an agent of the state
 41 examiner determines that the following conditions are satisfied, the
 42 examiner shall report the determination to the state examiner:



- 1 (1) A substantial amount of public funds has been
2 misappropriated or diverted.
- 3 (2) The deputy examiner, field examiner, or private examiner
4 acting as an agent of the state examiner has a reasonable belief
5 that the malfeasance or misfeasance that resulted in the
6 misappropriation or diversion of the public funds was committed
7 by the officer or an employee of the office.
- 8 (e) After receiving a preliminary report under subsection (d), the
9 state examiner may provide a copy of the report to the attorney general.
10 The attorney general may institute and prosecute civil proceedings
11 against the delinquent officer or employee, or upon the officer's or
12 employee's official bond, or both, and against any other proper person
13 that will secure to the state or to the proper municipality the recovery
14 of any funds misappropriated, diverted, or unaccounted for.
- 15 (f) In an action under subsection (e), the attorney general may attach
16 the defendant's property under IC 34-25-2.
- 17 (g) **Except as permitted in this section, the information and**
18 **materials that are part of an exit conference under subsection (b)**
19 **and the results of an examination, including a preliminary report**
20 **under subsection (d), is are confidential until the occurrence of the**
21 **earliest of the following:**
- 22 (1) The final report **is made public** under subsection (a). ~~is~~
23 ~~issued,~~
- 24 (2) **The results of the examination are publicized under**
25 **subsection (c)(2). unless**
- 26 (3) The attorney general institutes an action under subsection (e)
27 on the basis of the preliminary report.
- 28 (h) **Except as permitted in this section, an individual, a public**
29 **agency (as defined in IC 5-14-3-2), a public employee, a public**
30 **official, or an employee or officer of a contractor or subcontractor**
31 **of a public agency that knowingly or intentionally discloses**
32 **information in violation of subsection (b) or (g), regardless of**
33 **whether the information is received orally or by any other means,**
34 **is subject to the following:**
- 35 (1) **A public agency (as defined in IC 5-14-3-2), a public**
36 **employee, a public official, or an employee or officer of a**
37 **contractor or subcontractor of a public agency commits a**
38 **Class A infraction under IC 5-14-3-10.**
- 39 (2) **If the disclosure is by a person who is not described in**
40 **subdivision (1), the person commits a Class A infraction.**
- 41 SECTION 18. IC 5-20-7-8, AS ADDED BY P.L.87-2011,
42 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE



1 JULY 1, 2015]: Sec. 8. The fund is subject to an ~~annual~~ audit by the
 2 state board of accounts. The full costs of the audit shall be paid from
 3 money in the fund.

4 SECTION 19. IC 5-22-10-3 IS AMENDED TO READ AS
 5 FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 3. (a) A purchasing
 6 agent shall maintain the contract records for a special purchase in a
 7 separate file.

8 (b) A purchasing agent shall include in the contract file a written
 9 determination of the basis for:

- 10 (1) the special purchase; and
 11 (2) the selection of a particular contractor.

12 (c) Notwithstanding any other law, a governmental body shall
 13 maintain a record listing all contracts made under this chapter for a
 14 minimum of five (5) years. The record must contain the following
 15 information:

- 16 (1) Each contractor's name.
 17 (2) The amount and type of each contract.
 18 (3) A description of the supplies purchased under each contract.

19 (d) The contract records for a special purchase are subject to ~~annual~~
 20 audit by the state board of accounts.

21 SECTION 20. IC 5-28-3-2, AS ADDED BY P.L.4-2005, SECTION
 22 34, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1,
 23 2015]: Sec. 2. (a) The corporation is a body politic and corporate, not
 24 a state agency but an independent instrumentality exercising essential
 25 public functions.

26 (b) The corporation and the corporation's funds, accounts, and
 27 financial affairs shall be examined ~~biennially~~ by the state board of
 28 accounts ~~under IC 5-11-1-11~~ **as required by IC 5-11-1-9.**

29 SECTION 21. IC 5-28-5-13, AS ADDED BY P.L.4-2005,
 30 SECTION 34, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 31 JULY 1, 2015]: Sec. 13. (a) Notwithstanding section 12 of this chapter,
 32 the board may establish a nonprofit subsidiary corporation to solicit
 33 and accept private sector funding, gifts, donations, bequests, devises,
 34 and contributions.

35 (b) A subsidiary corporation established under this section:

- 36 (1) must use money received under subsection (a) to carry out in
 37 any manner the purposes and programs under this article;
 38 (2) must report to the budget committee each year concerning:
 39 (A) the use of money received under subsection (a); and
 40 (B) the balances in any accounts or funds established by the
 41 subsidiary corporation; and
 42 (3) may deposit money received under subsection (a) in an



1 account or fund that is:

2 (A) administered by the subsidiary corporation; and

3 (B) not part of the state treasury.

4 (c) The state board of accounts shall ~~annually~~ audit a subsidiary
5 corporation established under this section.

6 SECTION 22. IC 5-28-18-7, AS AMENDED BY P.L.87-2011,
7 SECTION 6, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
8 JULY 1, 2015]: Sec. 7. (a) The small business development fund is
9 established within the state treasury. The fund is a revolving fund to:

10 (1) provide loans approved by the corporation under this chapter
11 and IC 5-28-17; and

12 (2) provide loans or loan guarantees under the small and minority
13 business financial assistance program established by
14 IC 5-28-20-9.

15 (b) The fund consists of appropriations from the general assembly
16 and loan repayments.

17 (c) The corporation shall administer the fund. The following may be
18 paid from money in the fund:

19 (1) Expenses of administering the fund.

20 (2) Nonrecurring administrative expenses incurred to carry out the
21 purposes of this chapter and IC 5-28-20.

22 (d) Earnings from loans made under this chapter shall be deposited
23 in the fund.

24 (e) The treasurer of state shall invest the money in the fund not
25 currently needed to meet the obligations of the fund in the same
26 manner as other public funds may be invested. Interest that accrues
27 from these investments shall be deposited in the state general fund.

28 (f) Money in the fund at the end of a state fiscal year does not revert
29 to the state general fund.

30 (g) The fund is subject to ~~an annual~~ audit by the state board of
31 accounts. The fund shall bear the full costs of the audit.

32 (h) With respect to loans or loan guarantees made from the fund
33 before July 1, 2011, references in law or loan documents made to the
34 microenterprise partnership program fund before July 1, 2011, shall be
35 construed after June 30, 2011, as references to the small business
36 development fund.

37 SECTION 23. IC 6-3.5-7-13.5, AS ADDED BY P.L.137-2006,
38 SECTION 12, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
39 JULY 1, 2015]: Sec. 13.5. (a) The general assembly finds that counties
40 and municipalities in Indiana have a need to foster economic
41 development, the development of new technology, and industrial and
42 commercial growth. The general assembly finds that it is necessary and



1 proper to provide an alternative method for counties and municipalities
2 to foster the following:

- 3 (1) Economic development.
- 4 (2) The development of new technology.
- 5 (3) Industrial and commercial growth.
- 6 (4) Employment opportunities.
- 7 (5) The diversification of industry and commerce.

8 The fostering of economic development and the development of new
9 technology under this section or section 13.6 of this chapter for the
10 benefit of the general public, including industrial and commercial
11 enterprises, is a public purpose.

12 (b) The fiscal bodies of two (2) or more counties or municipalities
13 may, by resolution, do the following:

- 14 (1) Determine that part or all the taxes received by the units under
15 this chapter should be combined to foster:
 - 16 (A) economic development;
 - 17 (B) the development of new technology; and
 - 18 (C) industrial and commercial growth.

19 (2) Establish a regional venture capital fund.
20 (c) Each unit participating in a regional venture capital fund
21 established under subsection (b) may deposit the following in the fund:

- 22 (1) Taxes distributed to the unit under this chapter.
- 23 (2) The proceeds of public or private grants.

24 (d) A regional venture capital fund shall be administered by a
25 governing board. The expenses of administering the fund shall be paid
26 from money in the fund. The governing board shall invest the money
27 in the fund not currently needed to meet the obligations of the fund in
28 the same manner as other public money may be invested. Interest that
29 accrues from these investments shall be deposited into the fund. The
30 fund is subject to ~~an annual~~ audit by the state board of accounts. The
31 fund shall bear the full costs of the audit.

32 (e) The fiscal body of each participating unit shall approve an
33 interlocal agreement created under IC 36-1-7 establishing the terms for
34 the administration of the regional venture capital fund. The terms must
35 include the following:

- 36 (1) The membership of the governing board.
- 37 (2) The amount of each unit's contribution to the fund.
- 38 (3) The procedures and criteria under which the governing board
39 may loan or grant money from the fund.
- 40 (4) The procedures for the dissolution of the fund and for the
41 distribution of money remaining in the fund at the time of the
42 dissolution.



1 (f) An interlocal agreement made by the participating units under
2 subsection (e) must provide that:

3 (1) each of the participating units is represented by at least one (1)
4 member of the governing board; and

5 (2) the membership of the governing board is established on a
6 bipartisan basis so that the number of the members of the
7 governing board who are members of one (1) political party may
8 not exceed the number of members of the governing board
9 required to establish a quorum.

10 (g) A majority of the governing board constitutes a quorum, and the
11 concurrence of a majority of the governing board is necessary to
12 authorize any action.

13 (h) An interlocal agreement made by the participating units under
14 subsection (e) must be submitted to the Indiana economic development
15 corporation for approval before the participating units may contribute
16 to the fund.

17 (i) A majority of members of a governing board of a regional
18 venture capital fund established under this section must have at least
19 five (5) years of experience in business, finance, or venture capital.

20 (j) The governing board of the fund may loan or grant money from
21 the fund to a private or public entity if the governing board finds that
22 the loan or grant will be used by the borrower or grantee for at least one
23 (1) of the following economic development purposes:

24 (1) To promote significant employment opportunities for the
25 residents of the units participating in the regional venture capital
26 fund.

27 (2) To attract a major new business enterprise to a participating
28 unit.

29 (3) To develop, retain, or expand a significant business enterprise
30 in a participating unit.

31 (k) The expenditures of a borrower or grantee of money from a
32 regional venture capital fund that are considered to be for an economic
33 development purpose include expenditures for any of the following:

34 (1) Research and development of technology.

35 (2) Job training and education.

36 (3) Acquisition of property interests.

37 (4) Infrastructure improvements.

38 (5) New buildings or structures.

39 (6) Rehabilitation, renovation, or enlargement of buildings or
40 structures.

41 (7) Machinery, equipment, and furnishings.

42 (8) Funding small business development with respect to:



- 1 (A) prototype products or processes;
 2 (B) marketing studies to determine the feasibility of new
 3 products or processes; or
 4 (C) business plans for the development and production of new
 5 products or processes.
- 6 SECTION 24. IC 6-3.5-7-13.6, AS ADDED BY P.L.137-2006,
 7 SECTION 13, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 8 JULY 1, 2015]: Sec. 13.6. (a) The fiscal body of a county or
 9 municipality may, by resolution, establish a local venture capital fund.
- 10 (b) A unit establishing a local venture capital fund under subsection
 11 (a) may deposit the following in the fund:
 12 (1) Taxes distributed to the unit under this chapter.
 13 (2) The proceeds of public or private grants.
- 14 (c) A local venture capital fund shall be administered by a
 15 governing board. The expenses of administering the fund shall be paid
 16 from money in the fund. The governing board shall invest the money
 17 in the fund not currently needed to meet the obligations of the fund in
 18 the same manner as other public money may be invested. Interest that
 19 accrues from these investments shall be deposited into the fund. The
 20 fund is subject to ~~an annual~~ audit by the state board of accounts. The
 21 fund shall bear the full costs of the audit.
- 22 (d) The fiscal body of a unit establishing a local venture capital fund
 23 under subsection (a) shall establish the terms for the administration of
 24 the local venture capital fund. The terms must include the following:
 25 (1) The membership of the governing board.
 26 (2) The amount of the unit's contribution to the fund.
 27 (3) The procedures and criteria under which the governing board
 28 may loan or grant money from the fund.
 29 (4) The procedures for the dissolution of the fund and for the
 30 distribution of money remaining in the fund at the time of the
 31 dissolution.
- 32 (e) A unit establishing a local venture capital fund under subsection
 33 (a) must be represented by at least one (1) member of the governing
 34 board.
- 35 (f) The membership of the governing board must be established on
 36 a bipartisan basis so that the number of the members of the governing
 37 board who are members of one (1) political party may not exceed the
 38 number of members of the governing board required to establish a
 39 quorum.
- 40 (g) A majority of the governing board constitutes a quorum, and the
 41 concurrence of a majority of the governing board is necessary to
 42 authorize any action.



1 (h) The terms established under subsection (d) for the
 2 administration of the local venture capital fund must be submitted to
 3 the Indiana economic development corporation for approval before a
 4 unit may contribute to the fund.

5 (i) A majority of members of a governing board of a local venture
 6 capital fund established under this section must have at least five (5)
 7 years of experience in business, finance, or venture capital.

8 (j) The governing board of the fund may loan or grant money from
 9 the fund to a private or public entity if the governing board finds that
 10 the loan or grant will be used by the borrower or grantee for at least one
 11 (1) of the following economic development purposes:

12 (1) To promote significant employment opportunities for the
 13 residents of the unit establishing the local venture capital fund.

14 (2) To attract a major new business enterprise to the unit.

15 (3) To develop, retain, or expand a significant business enterprise
 16 in the unit.

17 (k) The expenditures of a borrower or grantee of money from a local
 18 venture capital fund that are considered to be for an economic
 19 development purpose include expenditures for any of the following:

20 (1) Research and development of technology.

21 (2) Job training and education.

22 (3) Acquisition of property interests.

23 (4) Infrastructure improvements.

24 (5) New buildings or structures.

25 (6) Rehabilitation, renovation, or enlargement of buildings or
 26 structures.

27 (7) Machinery, equipment, and furnishings.

28 (8) Funding small business development with respect to:

29 (A) prototype products or processes;

30 (B) marketing studies to determine the feasibility of new
 31 products or processes; or

32 (C) business plans for the development and production of new
 33 products or processes.

34 SECTION 25. IC 6-8.1-3-6 IS AMENDED TO READ AS
 35 FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 6. (a) The department
 36 shall maintain, for a period of at least three (3) years, a record of all
 37 monies received and disbursed, and copies of all returns filed with the
 38 department.

39 (b) ~~At the end of each fiscal year,~~ The state board of accounts shall
 40 audit the department's record of receipts and disbursements.

41 SECTION 26. IC 6-9-42-9, AS ADDED BY P.L.182-2009(ss),
 42 SECTION 262, IS AMENDED TO READ AS FOLLOWS



1 [EFFECTIVE JULY 1, 2015]: Sec. 9. The accounts, books, and records
 2 of the complex are subject to ~~an annual~~ financial and compliance audit
 3 by the state board of accounts.

4 SECTION 27. IC 8-1.5-3-14 IS AMENDED TO READ AS
 5 FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 14. (a) A municipally
 6 owned utility under the jurisdiction of the commission for approval of
 7 rates and charges and of the issuance of stocks, bonds, notes, or other
 8 evidence of indebtedness shall file with the commission an annual
 9 report of the operation of the plant on forms prescribed by the
 10 commission. The annual reports shall be kept in the office of the
 11 commission as a public record. A municipally owned utility that has
 12 withdrawn from commission jurisdiction under IC 8-1-2-100 (before
 13 its repeal on January 1, 1983) or section 9 or 9.1 of this chapter is not
 14 required to file the annual report required by this section.

15 (b) The state board of accounts shall examine all accounts of every
 16 municipally owned utility. ~~at regular intervals~~ In the examination,
 17 inquiry shall be made as to:

- 18 (1) the financial condition and resources of the utility;
- 19 (2) whether the laws of the state have been complied with; and
- 20 (3) the methods and accuracy of the accounts and reports of the
 21 utilities examined.

22 The examination shall be made without notice, and its cost shall be
 23 paid out of the funds of the utility.

24 SECTION 28. IC 8-10-1-22, AS AMENDED BY P.L.98-2008,
 25 SECTION 32, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 26 JULY 1, 2015]: Sec. 22. (a) The ports of Indiana shall cause an audit
 27 of its books and accounts to be made at least once each year by
 28 certified public accountants, and the cost thereof may be treated as a
 29 part of the cost of construction or of operations of the ports and projects
 30 of the ports of Indiana. The accounts, books, and records of the ports
 31 of Indiana shall be audited ~~annually~~ by the state board of accounts, and
 32 the cost of such audit may be treated as a part of the cost of
 33 construction or of operations of the ports and projects of the ports of
 34 Indiana.

35 (b) The ports of Indiana shall, following the close of each fiscal
 36 year, submit an annual report of its activities for the preceding year to
 37 the governor, the budget committee, and the general assembly. An
 38 annual report submitted under this section to the general assembly must
 39 be in an electronic format under IC 5-14-6. Each report shall set forth
 40 a complete operating and financial statement for the ports of Indiana
 41 during the fiscal year it covers.

42 SECTION 29. IC 9-15-3-1 IS AMENDED TO READ AS



1 FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 1. The state board of
2 accounts shall audit all accounts of the commission. ~~annually.~~

3 SECTION 30. IC 9-16-5-1 IS AMENDED TO READ AS
4 FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 1. The state board of
5 accounts shall ~~conduct an annual~~ audit of each account of each license
6 branch operated under this article. An audit prepared under this section
7 is a public record.

8 SECTION 31. IC 13-23-7-7 IS AMENDED TO READ AS
9 FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 7. ~~Not later than~~
10 ~~December 31, 1996, and every two (2) years thereafter,~~ The state board
11 of accounts shall ~~conduct an~~ audit of the excess liability trust fund.

12 SECTION 32. IC 14-13-1-41, AS AMENDED BY P.L.13-2013,
13 SECTION 49, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
14 JULY 1, 2015]: Sec. 41. (a) The commission may establish a nonprofit
15 subsidiary corporation that is exempt from federal income taxation
16 under Section 501(c)(3) of the Internal Revenue Code, to solicit and
17 accept private funding, gifts, donations, bequests, devises, and
18 contributions.

19 (b) A subsidiary corporation established under this section:

20 (1) shall use money received under subsection (a) to carry out in
21 any manner the purposes of and programs under this chapter;

22 (2) shall report to the budget committee each year concerning:

23 (A) the use of money received under subsection (a); and

24 (B) the balances in any accounts or funds established by the
25 subsidiary corporation; and

26 (3) may deposit money received under subsection (a) in an
27 account or fund that is:

28 (A) administered by the subsidiary corporation; and

29 (B) not part of the state treasury.

30 (c) A subsidiary corporation established under this section shall be
31 governed by a board of directors comprised of:

32 (1) the members of the commission appointed under section 6 of
33 this chapter; and

34 (2) any other directors that the members of the commission
35 appoint.

36 (d) Employees of the commission shall provide administrative
37 support for a subsidiary corporation established under this section.

38 (e) The state board of accounts shall ~~annually~~ audit a subsidiary
39 corporation established under this section.

40 SECTION 33. IC 14-13-2-30, AS ADDED BY P.L.181-2009,
41 SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
42 JULY 1, 2015]: Sec. 30. The commission is responsible for the



1 safekeeping and deposit of money the commission receives under this
2 chapter. The state board of accounts shall:

- 3 (1) prescribe the methods and forms for the keeping of; and
4 (2) ~~annually~~ audit;

5 the accounts, records, and books of the commission and fund.

6 SECTION 34. IC 14-14-1-44 IS AMENDED TO READ AS
7 FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 44. (a) The:

- 8 (1) commission shall have an audit of the commission's books and
9 accounts to be made at least one (1) time each year by certified
10 public accountants; and
11 (2) state board of accounts shall audit ~~annually~~ the accounts,
12 books, and records of the commission.

13 (b) The cost of the audits may be treated as a part of the
14 administrative expense of the commission.

15 SECTION 35. IC 15-13-3-11, AS AMENDED BY P.L.6-2012,
16 SECTION 108, IS AMENDED TO READ AS FOLLOWS
17 [EFFECTIVE JULY 1, 2015]: Sec. 11. (a) The commission may
18 establish a nonprofit subsidiary corporation that is exempt from federal
19 income taxation under Section 501(c)(3) of the Internal Revenue Code,
20 to solicit and accept private funding, gifts, donations, bequests, devises,
21 and contributions.

22 (b) A subsidiary corporation established under this section:

- 23 (1) shall use money received under subsection (a) to carry out in
24 any manner the purposes and programs under this article;
25 (2) shall report to the budget committee each year concerning:
26 (A) the use of money received under subsection (a); and
27 (B) the balances in any accounts or funds established by the
28 subsidiary corporation; and
29 (3) may deposit money received under subsection (a) in an
30 account or fund that is:
31 (A) administered by the subsidiary corporation; and
32 (B) not part of the state treasury.

33 (c) A subsidiary corporation established under this section is
34 governed by a board of directors comprised of the members of the
35 commission.

36 (d) Employees of the commission shall provide administrative
37 support for a subsidiary corporation established under this section.

38 (e) The state board of accounts shall ~~annually~~ audit a subsidiary
39 corporation established under this section.

40 SECTION 36. IC 16-19-3-30, AS ADDED BY P.L.191-2013,
41 SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
42 JULY 1, 2015]: Sec. 30. (a) The state department may establish a



1 nonprofit subsidiary corporation that is exempt from federal income
 2 taxation under Section 501(c)(3) of the Internal Revenue Code, to
 3 solicit and accept private funding, gifts, donations, bequests, devises,
 4 and contributions.

5 (b) A subsidiary corporation established under this section:

6 (1) shall use money received under subsection (a) to carry out in
 7 any manner the purposes and programs of the state department,
 8 which may include programs intended to reduce infant mortality,
 9 increase childhood immunizations, reduce obesity, and reduce
 10 smoking rates;

11 (2) shall report to the budget committee each year concerning:

12 (A) the use of money received under subsection (a); and

13 (B) the balances in any accounts or funds established by the
 14 subsidiary corporation; and

15 (3) may deposit money received under subsection (a) in an
 16 account or fund that is:

17 (A) administered by the subsidiary corporation; and

18 (B) not part of the state treasury.

19 (c) A subsidiary corporation established under this section is
 20 governed by a board of directors comprised of members appointed by
 21 the governor. Employees of the state department may serve on the
 22 board of directors.

23 (d) Employees of the state department shall provide administrative
 24 support for a subsidiary corporation established under this section.
 25 Employees of the state department directly involved in the subsidiary
 26 corporation established under this section may engage in fundraising
 27 activities on behalf of the subsidiary corporation.

28 (e) The state board of accounts shall ~~annually~~ audit a subsidiary
 29 corporation established under this section.

30 SECTION 37. IC 20-39-3-4, AS ADDED BY P.L.2-2006,
 31 SECTION 162, IS AMENDED TO READ AS FOLLOWS
 32 [EFFECTIVE JULY 1, 2015]: Sec. 4. The state board of accounts shall
 33 prescribe accounting forms to be used by the county committees (as
 34 defined in IC 20-23-4-4) and shall audit the financial records of each
 35 county committee (as defined in IC 20-23-4-4). ~~at least once every~~
 36 ~~three (3) years.~~

37 SECTION 38. IC 20-49-3-14, AS ADDED BY P.L.2-2006,
 38 SECTION 172, IS AMENDED TO READ AS FOLLOWS
 39 [EFFECTIVE JULY 1, 2015]: Sec. 14. ~~A field examiner assigned by~~
 40 The state ~~examiner board of accounts~~ shall ~~annually~~ examine the
 41 status of the fund. Upon completion of the examination, the examiner
 42 performing the duty shall prepare a report of the examination. The



- 1 report must show:
- 2 (1) all necessary pertinent information;
- 3 (2) the balance of the fund's principal at the close of the previous
- 4 examination;
- 5 (3) the amount of interest and principal paid by each county to the
- 6 state board of finance since the close of the previous examination;
- 7 (4) the balance of principal due at the date of the closing of the
- 8 report;
- 9 (5) a statement of receipts and disbursements by the state board
- 10 of finance;
- 11 (6) a list of the securities found to be in the possession of the state
- 12 board of finance;
- 13 (7) the amount of each security; and
- 14 (8) the total amount of all the securities held in custody.

15 The appropriate officer of the state board of finance shall sign the list
 16 described in subdivision (6) in duplicate. The original signed list shall
 17 be deposited with the state board of accounts, and the duplicate of the
 18 signed list shall be kept in the files of the treasurer of state.

19 SECTION 39. IC 21-7-14-7, AS ADDED BY P.L.2-2007,
 20 SECTION 244, IS AMENDED TO READ AS FOLLOWS
 21 [EFFECTIVE JULY 1, 2015]: Sec. 7. The state board of accounts shall
 22 ~~annually~~ examine the status of the fund. ~~by a field examiner or field~~
 23 ~~examiners assigned by the state examiner.~~ Upon the completion of the
 24 examination, the examiners performing the duty shall prepare a report
 25 of the examination. The report must show:

- 26 (1) all necessary, pertinent information;
- 27 (2) the balance of the fund's principal at the close of the previous
- 28 examination;
- 29 (3) the amount of interest and principal paid by each county to the
- 30 state board of finance since the close of the previous examination;
- 31 (4) the balance of principal due at the date of closing of the
- 32 report;
- 33 (5) a statement of receipts and disbursements by the state board
- 34 of finance;
- 35 (6) a list of the securities found to be possessed by the state board
- 36 of finance;
- 37 (7) the amount of each security; and
- 38 (8) the total amount of all the securities held in custody.

39 The appropriate officer of the state board of finance shall sign the list
 40 described in subdivision (6) in duplicate. The original signed list shall
 41 be deposited with the state board of accounts, and the duplicate of the
 42 signed list shall be kept in the files of the treasurer of state.



1 SECTION 40. IC 21-16-5-6, AS ADDED BY P.L.2-2007,
 2 SECTION 257, IS AMENDED TO READ AS FOLLOWS
 3 [EFFECTIVE JULY 1, 2015]: Sec. 6. The corporation is subject to ~~an~~
 4 ~~annual~~ audit by the state board of accounts. The corporation shall bear
 5 the full costs of this audit.

6 SECTION 41. IC 22-14-6-7, AS ADDED BY P.L.107-2007,
 7 SECTION 14, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 8 JULY 1, 2015]: Sec. 7. The fund is subject to ~~an annual~~ audit by the
 9 state board of accounts. The fund shall pay all costs of the audit.

10 SECTION 42. IC 28-11-1-1, AS AMENDED BY P.L.6-2012,
 11 SECTION 200, IS AMENDED TO READ AS FOLLOWS
 12 [EFFECTIVE JULY 1, 2015]: Sec. 1. (a) The department of financial
 13 institutions is established.

14 (b) The department:

15 (1) is an independent agency in the executive branch of state
 16 government; and

17 (2) exercises essential public functions.

18 (c) The expenses of the department in administering the financial
 19 institutions subject to the department's oversight are paid by financial
 20 institutions through fees established by the department under
 21 IC 28-11-3-5.

22 (d) Subject to subsection (e), the department's regulatory and
 23 budgetary functions are not subject to oversight by the following:

24 (1) The office of management and budget (notwithstanding
 25 IC 4-3-22-14).

26 (2) The budget agency (notwithstanding IC 4-12-1).

27 (3) The state personnel department (notwithstanding IC 4-15-2.2).

28 (4) The Indiana department of administration (notwithstanding
 29 IC 4-13-1).

30 (5) The office of technology (notwithstanding IC 4-13.1).

31 (e) The department's funds, accounts, and financial affairs shall be
 32 examined ~~biennially~~ by the state board of accounts. ~~under~~
 33 ~~IC 5-11-1-9(c).~~

34 SECTION 43. IC 33-44-7-15 IS AMENDED TO READ AS
 35 FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 15. The state board of
 36 accounts shall ~~conduct an~~ audit of the fund at least one (1) time during
 37 each year to ensure that the fund is administered as required by this
 38 chapter. The state board of accounts may conduct audits of qualified
 39 legal services providers, law school clinics, and programs or projects
 40 in the public interest that assist in the improvement of the
 41 administration of justice as the state board of accounts considers
 42 necessary to ensure that the money distributed to qualified legal



1 services providers, law school clinics, and programs or projects in the
 2 public interest that assist in the improvement of the administration of
 3 justice is being used as required by this article.

4 SECTION 44. IC 36-7-23-47 IS AMENDED TO READ AS
 5 FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 47. The funds and
 6 accounts of the authority are subject to ~~an annual~~ audit by the state
 7 board of accounts.

8 SECTION 45. IC 36-8-10-3 IS AMENDED TO READ AS
 9 FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 3. (a) The fiscal body
 10 of each county shall, by ordinance, establish a sheriff's merit board to
 11 be known as the _____ county sheriff's merit
 12 board (inserting the name of the county).

13 (b) The board consists of five (5) members. Three (3) members shall
 14 be appointed by the sheriff, and two (2) members shall be elected by a
 15 majority vote of the members of the county police force under
 16 procedures established by the sheriff's merit board. However:

17 (1) ~~no~~ an active county police officer;

18 (2) a relative (as defined in IC 36-1-20.2-8) of an active county
 19 police officer; or

20 (3) a relative (as defined in IC 36-1-20.2-8) of the sheriff;

21 may **not** serve on the board, **either as a member appointed by the**
 22 **sheriff or elected by the county police force.** Appointments are for
 23 terms of four (4) years or for the remainder of an unexpired term. Not
 24 more than two (2) of the members appointed by the sheriff nor more
 25 than one (1) of the members elected by the officers may belong to the
 26 same political party. All members must reside in the county. All
 27 members serve during their respective terms and until their successors
 28 have been appointed and qualified. A member may be removed for
 29 cause duly adjudicated by declaratory judgment of the circuit court of
 30 the county.

31 (c) As compensation for service, each member of the board is
 32 entitled to receive from the county a minimum of fifteen dollars (\$15)
 33 per day for each day, or fraction of a day, that the member is engaged
 34 in transacting the business of the board.

35 (d) As soon as practicable after the members of the board have been
 36 appointed, they shall meet upon the call of the sheriff and organize by
 37 electing a president and a secretary from among their membership.
 38 Three (3) members of the board constitute a quorum for the transaction
 39 of business. The board shall hold regular monthly meetings throughout
 40 the year as is necessary to transact the business of the sheriff's
 41 department.

42 SECTION 46. IC 36-8-16.7-30, AS ADDED BY P.L.132-2012,



1 SECTION 20, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
2 JULY 1, 2015]: Sec. 30. (a) The state board of accounts shall audit the
3 fund ~~on an annual basis~~ to determine whether the fund is being
4 managed in accordance with this chapter. ~~For each of the two (2) state~~
5 ~~fiscal years ending:~~

6 ~~(A) June 30, 2013; and~~

7 ~~(B) June 30, 2014;~~

8 ~~the state board of accounts shall submit, not later than November 1 of~~
9 ~~each year during which the particular state fiscal year ends, a report of~~
10 ~~the audit required by this subsection to the budget committee for the~~
11 ~~budget committee's review. A report submitted under this subsection~~
12 ~~must be in an electronic format under IC 5-14-6.~~

13 (b) ~~On an annual basis, and~~ In conjunction with the board's review
14 under section 38(d) of this chapter of the state board of accounts'
15 ~~annual~~ audit of PSAPs, the board shall review 911 service in Indiana,
16 including the collection, disbursement, and use of the statewide 911 fee
17 assessed under section 32 of this chapter. The purpose of the review is
18 to ensure that the statewide 911 fee:

19 (1) does not exceed the amount reasonably necessary to provide
20 adequate and efficient 911 service; and

21 (2) is used only for the purposes set forth in this chapter.

22 (c) ~~For each of the two (2) calendar years ending:~~

23 ~~(A) December 31, 2013; and~~

24 ~~(B) December 31, 2014;~~

25 ~~the board shall submit, not later than March 1 of the year immediately~~
26 ~~following the particular calendar year, a summary report of the board's~~
27 ~~findings under the review required by subsection (b) to the budget~~
28 ~~committee for the budget committee's review. A report submitted under~~
29 ~~this subsection must be in an electronic format under IC 5-14-6.~~

30 SECTION 47. IC 36-8-16.7-38, AS ADDED BY P.L.132-2012,
31 SECTION 20, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
32 JULY 1, 2015]: Sec. 38. (a) A PSAP may use a distribution from a
33 county under this chapter only for the following:

34 (1) The lease, purchase, or maintenance of communications
35 service equipment.

36 (2) Necessary system hardware and software and data base
37 equipment.

38 (3) Personnel expenses, including wages, benefits, training, and
39 continuing education, only to the extent reasonable and necessary
40 for the provision and maintenance of:

41 (A) the statewide 911 system; or

42 (B) a wireline enhanced emergency telephone system funded



- 1 under IC 36-8-16 (before its repeal on July 1, 2012).
- 2 (4) Operational costs, including costs associated with:
- 3 (A) utilities;
- 4 (B) maintenance;
- 5 (C) equipment designed to provide backup power or system
- 6 redundancy, including generators; and
- 7 (D) call logging equipment.
- 8 (5) An emergency notification system that is approved by the
- 9 board under section 40 of this chapter.
- 10 (6) Connectivity to the Indiana data and communications system
- 11 (IDACS).
- 12 (7) Rates associated with communications service providers'
- 13 enhanced emergency communications system network services.
- 14 (8) Mobile radio equipment used by first responders, other than
- 15 radio equipment purchased under subdivision (9) as a result of the
- 16 narrow banding requirements specified by the Federal
- 17 Communications Commission.
- 18 (9) Up to fifty percent (50%) of the costs associated with the
- 19 narrow banding or replacement of radios or other equipment as a
- 20 result of the narrow banding requirements specified by the
- 21 Federal Communications Commission.
- 22 (b) A PSAP may not use a distribution from a county under this
- 23 chapter for the following:
- 24 (1) The construction, purchase, renovation, or furnishing of PSAP
- 25 buildings.
- 26 (2) Vehicles.
- 27 (c) Not later than January 31 of each year, each PSAP shall submit
- 28 to the board a report of the following:
- 29 (1) All expenditures made during the immediately preceding
- 30 calendar year from distributions under this chapter.
- 31 (2) Call data and statistics for the immediately preceding calendar
- 32 year, as specified by the board and collected in accordance with
- 33 any reporting method established or required by the board.
- 34 (d) ~~Beginning in 2013~~; The state board of accounts ~~annually~~ shall
- 35 audit the expenditures of distributions under this chapter ~~made during~~
- 36 ~~the immediately preceding calendar year~~ by each PSAP that receives
- 37 distributions under this chapter. In conducting an audit under this
- 38 subsection, the state board of accounts shall determine, in conjunction
- 39 with the board, whether the expenditures made by each PSAP are in
- 40 compliance with subsections (a) and (b). The board shall review and
- 41 further audit any ineligible expenditure identified by the state board of
- 42 accounts under this subsection or through any other report. If the board



1 verifies that the expenditure did not comply with this section, the board
 2 shall ensure that the fund is reimbursed in the dollar amount of the
 3 noncomplying expenditure from any source of funding, other than a
 4 fund described in subsection ~~(f)~~; ~~(e)~~, that is available to the PSAP or to
 5 a unit in which the PSAP is located.

6 ~~(e)~~ For each of the two ~~(2)~~ calendar years ending:

7 ~~(A) December 31, 2013; and~~

8 ~~(B) December 31, 2014;~~

9 the state board of accounts shall submit, not later than March 1 of the
 10 year immediately following the particular calendar year, a summary
 11 report of the audits required by subsection ~~(d)~~ for the particular
 12 calendar year to the budget committee for the budget committee's
 13 review. A report submitted under this subsection must be in an
 14 electronic format under IC 5-14-6.

15 ~~(f)~~ ~~(e)~~ A distribution under section 37(a)(2) of this chapter must be
 16 deposited by the treasurer of the county in a separate fund set aside for
 17 the purposes allowed by subsections (a) and (b). The fund must be
 18 known as the _____ (insert name of county) 911 fund. The county
 19 treasurer may invest money in the fund in the same manner that other
 20 money of the county may be invested, but income earned from the
 21 investment must be deposited in the fund set aside under this
 22 subsection.

23 SECTION 48. IC 36-10-9-9, AS AMENDED BY P.L. 182-2009(ss),
 24 SECTION 457, IS AMENDED TO READ AS FOLLOWS
 25 [EFFECTIVE JULY 1, 2015]: Sec. 9. (a) The treasurer of the board is
 26 the official custodian of all funds and assets of the board and is
 27 responsible for their safeguarding and accounting. The treasurer shall
 28 give bond for the faithful performance and discharge of all duties
 29 required of the treasurer by law in the amount and with surety and other
 30 conditions that may be prescribed and approved by the board. All funds
 31 and assets in the capital improvement fund and the capital
 32 improvement bond fund created by this chapter and all other funds,
 33 assets, and tax revenues held, collected, or received by the treasurer of
 34 the county for the use of the board shall be promptly remitted and paid
 35 over by the county treasurer to the treasurer of the board, who shall
 36 issue receipts for them.

37 (b) The treasurer of the board shall deposit all funds coming into the
 38 treasurer's hands as required by this chapter and by IC 6-7-1-30.1, and
 39 in accordance with IC 5-13. Money so deposited may be invested and
 40 reinvested by the treasurer in accordance with general statutes relating
 41 to the investment of public funds and in securities that the board
 42 specifically directs. All interest and other income earned on



1 investments becomes a part of the particular fund from which the
2 money was invested, except as provided in a resolution, ordinance, or
3 trust agreement providing for the issuance of bonds or notes. All funds
4 invested in deposit accounts as provided in IC 5-13-9 must be insured
5 under IC 5-13-12.

6 (c) The board shall appoint a controller to act as the auditor and
7 assistant treasurer of the board. The controller shall serve as the official
8 custodian of all books of account and other financial records of the
9 board and has the same powers and duties as the treasurer of the board
10 or the lesser powers and duties that the board prescribes. The controller
11 and any other employee or member of the board authorized to receive,
12 collect, or expend money, shall give bond for the faithful performance
13 and discharge of all duties required of the controller in the amount and
14 with surety and other conditions that may be prescribed and approved
15 by the board. The controller shall keep an accurate account of all
16 money due the board and of all money received, invested, and
17 disbursed in accordance with generally recognized governmental
18 accounting principles and procedure. All accounting forms and records
19 shall be prescribed or approved by the state board of accounts.

20 (d) The controller shall issue all warrants for the payment of money
21 from the funds of the board in accordance with procedures prescribed
22 by the board but a warrant may not be issued for the payment of a claim
23 until an itemized and verified statement of the claim has been filed with
24 the controller, who may require evidence that all amounts claimed are
25 justly due. All warrants shall be countersigned by the treasurer of the
26 board or by the executive manager. Warrants may be executed with
27 facsimile signatures.

28 (e) If there are bonds or notes outstanding issued under this chapter,
29 the controller shall deposit with the paying agent or other paying officer
30 within a reasonable period before the date that any principal or interest
31 becomes due sufficient money for the payment of the principal and
32 interest on the due dates. The controller shall make the deposit with
33 money from the sources provided in this chapter, and he shall make the
34 deposit in an amount that, together with other money available for the
35 payment of the principal and interest, is sufficient to make the payment.
36 In addition, the controller shall make other deposits for the bonds and
37 notes as is required by this chapter or by the resolutions, ordinances, or
38 trust agreements under which the bonds or notes are issued.

39 (f) The controller shall submit to the board at least annually a report
40 of the board's accounts exhibiting the revenues, receipts, and
41 disbursements and the sources from which the revenues and receipts
42 were derived and the purpose and manner in which they were



1 disbursed. The board may require that the report be prepared by an
2 independent certified public accountant designated by the board. The
3 state board of accounts shall audit ~~annually~~ the accounts, books, and
4 records of the board and prepare a financial report and a compliance
5 audit report. The board shall submit to the city-county legislative body
6 financial and compliance reports of the state board of accounts. The
7 board shall post the reports of the state board of accounts on the board's
8 Internet web site. The city-county legislative body shall discuss the
9 financial and compliance reports of the state board of accounts in a
10 public hearing. The handling and expenditure of funds is subject to
11 supervision by the state board of accounts.



COMMITTEE REPORT

Mr. Speaker: Your Committee on Government and Regulatory Reform, to which was referred House Bill 1104, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 12, delete lines 30 through 42, begin a new paragraph and insert:

"SECTION 12. IC 5-11-5-1, AS AMENDED BY P.L.104-2014, SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 1. (a) Whenever an examination is made under this article, a report of the examination shall be made. The report must include a list of findings and shall be signed and verified by the examiner making the examination. A finding that is critical of an examined entity must be based upon one (1) of the following:

- (1) Failure of the entity to observe a uniform compliance guideline established under IC 5-11-1-24(a).
- (2) Failure of the entity to comply with a specific law.

A report that includes a finding that is critical of an examined entity must designate the uniform compliance guideline or the specific law upon which the finding is based. The reports shall immediately be filed with the state examiner, and, after inspection of the report, the state examiner shall immediately file one (1) copy with the officer or person examined, one (1) copy with the auditing department of the municipality examined and reported upon (if the subject of the report is a municipality), and one (1) copy in an electronic format under IC 5-14-6 with the legislative services agency, as staff to the audit committee and the general assembly. Upon filing, the report becomes a part of the public records of the office of the state examiner, of the office or the person examined, of the auditing department of the municipality examined and reported upon, and of the legislative services agency, as staff to the audit committee and the general assembly. A report is open to public inspection at all reasonable times after it is filed. If an examination discloses malfeasance, misfeasance, or nonfeasance in office or of any officer or employee, a copy of the report, signed and verified, shall be placed by the state examiner with the attorney general and the inspector general. The attorney general shall diligently institute and prosecute civil proceedings against the delinquent officer, or upon the officer's official bond, or both, and against any other proper person that will secure to the state or to the proper municipality the recovery of any funds misappropriated, diverted, or unaccounted for.

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(b) Before an examination report is signed, verified, and filed as required by subsection (a), the officer or the chief executive officer of the state office, municipality, or entity examined must have an opportunity to review the report and to file with the state examiner a written response to that report. If a written response is filed, it becomes a part of the examination report that is signed, verified, and filed as required by subsection (a). **As part of the review of the examination report, the state examiner shall hold a gathering of the officer or chief executive officer of the state office, municipality, or entity examined, any employees or agents of the state office, municipality, or entity examined who are requested to attend by the officer or chief executive officer of the state office, municipality, or entity examined, and the members of the legislative and fiscal bodies of the municipality or entity examined. Such a gathering is referred to as an "exit conference" for purposes of this subsection. The following apply to an exit conference:**

- (1) All information discussed and materials presented or delivered by any person during an exit conference are confidential and may not be discussed or shared publicly until the earliest of the occurrences set forth in subsection (g). However, the information discussed and materials presented or delivered during an exit conference may be shared with an officer, employee, consultant, adviser, or attorney of the officer or chief executive officer of the state office, municipality, or entity examined who was not present at the exit conference. An individual with whom information and materials are shared must maintain the confidentiality of the information and materials as provided in this subdivision until the earliest of the occurrences set forth in subsection (g).
- (2) An individual attending an exit conference may not electronically record the exit conference.
- (3) An exit conference is not a meeting (as defined in IC 5-14-1.5-2(c)) for purposes of IC 5-14-1.5 or any other law.
- (4) If the state examiner determines after the exit conference that additional actions must be undertaken by a deputy examiner, field examiner, or private examiner with respect to information discussed or materials presented at the exit conference, the state examiner may call for an additional exit conference to be held.
- (5) Not more than thirty (30) days after the initial exit conference is held under this subsection, the legislative body of the municipality or entity examined and reported upon may



adopt a resolution, approved by at least a two-thirds (2/3) vote of the legislative body, requesting that an additional exit conference be held. The legislative body shall notify the state board of accounts if the legislative body adopts a resolution under this subdivision. If a legislative body adopts a resolution under this subdivision, the state board of accounts shall conduct an additional exit conference not more than sixty (60) days after the state board of accounts receives notice of the adoption of the resolution. The municipality or entity examined must pay the travel and staff costs incurred by the state board of accounts in conducting an additional exit conference under this subdivision.

(6) A final report under subsection (a) may not be issued earlier than forty-five (45) days after the initial exit conference is held under this subsection.

(c) Except as ~~required~~ **provided** by subsections (b), ~~and~~ (d), **and** (e), it is unlawful for any ~~deputy examiner, field examiner, or private examiner, person,~~ before an examination report is made public as provided by this section, to make any disclosure of the result of any examination of any public account, except:

- (1) to the state examiner; ~~or~~
- (2) if directed to give publicity to the examination report by the state examiner or by any court;
- (3) to another deputy examiner, field examiner, or private examiner engaged in conducting the examination; or**
- (4) if directed by the state examiner, to the chair of the audit committee or the members of the audit committee acting in executive session, or both.**

If an examination report shows or discloses the commission of a crime by any person, it is the duty of the state examiner to transmit and present the examination report to the ~~grand jury~~ **prosecuting attorney** of the county in which the crime was committed. ~~at its first session after the making of the examination report and at any subsequent sessions that may be required.~~ The state examiner shall furnish to the ~~grand jury~~ **prosecuting attorney** all evidence at the state examiner's command necessary in the investigation and prosecution of the crime.

(d) If, during an examination under this article, a deputy examiner, field examiner, or private examiner acting as an agent of the state examiner determines that the following conditions are satisfied, the examiner shall report the determination to the state examiner:

- (1) A substantial amount of public funds has been misappropriated or diverted.



(2) The deputy examiner, field examiner, or private examiner acting as an agent of the state examiner has a reasonable belief that the malfeasance or misfeasance that resulted in the misappropriation or diversion of the public funds was committed by the officer or an employee of the office.

(e) After receiving a preliminary report under subsection (d), the state examiner may provide a copy of the report to the attorney general. The attorney general may institute and prosecute civil proceedings against the delinquent officer or employee, or upon the officer's or employee's official bond, or both, and against any other proper person that will secure to the state or to the proper municipality the recovery of any funds misappropriated, diverted, or unaccounted for.

(f) In an action under subsection (e), the attorney general may attach the defendant's property under IC 34-25-2.

(g) **Except as permitted in this section, the information and materials that are part of an exit conference under subsection (b) and the results of an examination, including a preliminary report under subsection (d), is confidential until the occurrence of the earliest of the following:**

- (1) The final report is made public under subsection (a). ~~is issued,~~
- (2) The results of the examination are publicized under subsection (c)(2). ~~unless~~
- (3) The attorney general institutes an action under subsection (e) on the basis of the preliminary report.

(h) **Except as permitted in this section, an individual, a public agency (as defined in IC 5-14-3-2), a public employee, a public official, or an employee or officer of a contractor or subcontractor of a public agency that knowingly or intentionally discloses information in violation of subsection (b) or (g), regardless of whether the information is received orally or by any other means, is subject to the following:**

- (1) A public agency (as defined in IC 5-14-3-2), a public employee, a public official, or an employee or officer of a contractor or subcontractor of a public agency commits a Class A infraction under IC 5-14-3-10.
- (2) If the disclosure is by a person who is not described in subdivision (1), the person commits a Class A infraction."

Delete pages 13 through 14.

Page 15, delete lines 1 through 7.

Page 27, between lines 16 and 17, begin a new paragraph and insert:
"SECTION 40. IC 36-8-10-3 IS AMENDED TO READ AS



FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 3. (a) The fiscal body of each county shall, by ordinance, establish a sheriff's merit board to be known as the _____ county sheriff's merit board (inserting the name of the county).

(b) The board consists of five (5) members. Three (3) members shall be appointed by the sheriff, and two (2) members shall be elected by a majority vote of the members of the county police force under procedures established by the sheriff's merit board. However:

(1) ~~no~~ an active county police officer;

(2) a relative (as defined in IC 36-1-20.2-8) of an active county police officer; or

(3) a relative (as defined in IC 36-1-20.2-8) of the sheriff;

may **not** serve on the board, **either as a member appointed by the sheriff or elected by the county police force.** Appointments are for terms of four (4) years or for the remainder of an unexpired term. Not more than two (2) of the members appointed by the sheriff nor more than one (1) of the members elected by the officers may belong to the same political party. All members must reside in the county. All members serve during their respective terms and until their successors have been appointed and qualified. A member may be removed for cause duly adjudicated by declaratory judgment of the circuit court of the county.

(c) As compensation for service, each member of the board is entitled to receive from the county a minimum of fifteen dollars (\$15) per day for each day, or fraction of a day, that the member is engaged in transacting the business of the board.

(d) As soon as practicable after the members of the board have been appointed, they shall meet upon the call of the sheriff and organize by electing a president and a secretary from among their membership. Three (3) members of the board constitute a quorum for the transaction of business. The board shall hold regular monthly meetings throughout the year as is necessary to transact the business of the sheriff's department."

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to HB 1104 as introduced.)

MAHAN

Committee Vote: yeas 12, nays 0.

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HOUSE MOTION

Mr. Speaker: I move that House Bill 1104 be amended to read as follows:

Page 9, between lines 34 and 35, begin a new paragraph and insert:

"SECTION 10. IC 5-11-1-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 7. (a) The state examiner shall appoint assistants not exceeding the number required to administer this article. The assistants are to be known as "field examiners" and are at all times subject to the order and direction of the state examiner. Field examiners shall inspect and examine accounts of all state agencies, municipalities, and other governmental units, entities, or instrumentalities.

(b) The state examiner may engage or, **in accordance with section 24 of this chapter**, allow the engagement of private examiners to the extent the state examiner determines necessary to satisfy the requirements of this article. These examiners are subject to the direction of the state examiner while performing examinations under this article.

(c) The state examiner may engage experts to assist the state board of accounts in carrying out its responsibilities under this article."

Page 11, between lines 40 and 41, begin a new paragraph and insert:

"SECTION 11. IC 5-11-1-16, AS AMENDED BY P.L.104-2014, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 16. (a) As used in this article, "municipality" means any county, township, city, town, school corporation, special taxing district, or other political subdivision of Indiana.

(b) As used in this article, "state" means any board, commission, department, division, bureau, committee, agency, governmental subdivision, military body, authority, or other instrumentality of the state, but does not include a municipality.

(c) As used in this article, "public office" means the office of any and every individual who for or on behalf of the state or any municipality or any public hospital holds, receives, disburses, or keeps the accounts of the receipts and disbursements of any public funds.

(d) As used in this article, "public officer" means any individual who holds, receives, disburses, or is required by law to keep any account of public funds or other funds for which the individual is accountable by virtue of the individual's public office.

(e) As used in this article, "entity" means any provider of goods, services, or other benefits that is:

- (1) maintained in whole or in part at public expense; or

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(2) supported in whole or in part by appropriations or public funds or by taxation.

The term does not include the state or a municipality (as defined in this section).

(f) As used in this article, a "public hospital" means either of the following:

(1) An institution licensed under IC 16-21 and which is owned by the state or an agency of the state or one which is a municipal corporation. A hospital is a municipal corporation if its governing board members are appointed by elected officials of a municipality.

(2) A state institution (as defined in IC 12-7-2-184).

(g) As used in this article, "audit committee" refers to the audit and financial reporting subcommittee of the legislative council established by IC 2-5-1.1-6.3.

(h) As used in this article, "audited entity" has the meaning set forth in IC 2-5-1.1-6.3.

SECTION 12. IC 5-11-1-24 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 24. (a) The state board of accounts shall establish in writing uniform compliance guidelines for the examinations and reports required by this chapter. The uniform compliance guidelines must include the standards that an entity must observe to avoid a finding that is critical of the **audited** entity for a reason other than the **audited** entity's failure to comply with a specific law.

(b) The state board of accounts may not establish guidelines for the auditing of an **audited** entity that are inconsistent with any federal audit guidelines that govern the **audited** entity.

(c) The state board of accounts must distribute the uniform compliance guidelines to each **audited** entity that the state board of accounts may audit.

(d) If the state board of accounts engages or authorizes the engagement of a private examiner to perform an examination under this chapter, the examination and report must comply with the uniform compliance guidelines established under subsection (a). If a person subject to examination under this chapter engages a private examiner, the contract with the private examiner must require the examination and report to comply with the uniform compliance guidelines established under subsection (a).

(e) ~~The state or a municipality~~ **An audited entity** may not request proposals for performing examinations of an **audited** entity ~~that is subject to examination under this chapter~~ unless the request for



proposals has been submitted to and approved by the state board of accounts.

(f) ~~The state or a municipality, may not enter into a contract with an entity subject to examination under this chapter if the contract does not permit the examinations and require the reports prescribed by this chapter.~~

SECTION 13. IC 5-11-1-24.4 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]: **Sec. 24.4. (a) This section applies only to an audited entity (excluding a school corporation) that has:**

- (1) an internal control officer; and**
- (2) an internal control department;**

established by the legislative body of the audited entity.

(b) An audited entity may request in writing that the state board of accounts authorize the audited entity to:

- (1) opt out of examinations by the state board of accounts; and**
- (2) engage a certified public accountant to conduct the examinations.**

The request must be approved by resolution adopted by the legislative body for the audited entity.

(c) The state board of accounts shall, not more than sixty (60) days after receiving a written request under subsection (b):

- (1) acknowledge receipt of the request; and**
- (2) notify the requesting audited entity that the request is:**
 - (A) approved; or**
 - (B) disapproved.**

(d) The state board of accounts shall approve a request under subsection (b) by an audited entity if the state examiner determines that:

- (1) the audited entity filed the written request under subsection (b) with the state board of accounts more than one hundred eighty (180) days before the beginning of the audited entity's fiscal year;**
- (2) the audited entity selects the certified public accountant in accordance with the selection procedure under this section;**
- (3) the certified public accountant selected by the audited entity is:**
 - (A) licensed in Indiana; and**
 - (B) qualified to conduct examinations in accordance with the government auditing standards adopted by the state board of accounts;**



- (4) the certified public accountant's examination shall:
- (A) be conducted in accordance with the guidelines established by the state board of accounts; and
 - (B) make findings regarding the audited entity's compliance with the uniform compliance guidelines established by the state board of accounts;
- (5) the certified public accountant's examination is paid for by the audited entity; and
- (6) the certified public accountant's examination of the audited entity includes:
- (A) all associated component units;
 - (B) audits required or necessary for federal financial assistance;
 - (C) findings of noncompliance with state law and uniform compliance guidelines as required by IC 5-11-5-1; and
 - (D) a separate report in accordance with the guidelines established by the state board of accounts for any items of noncompliance identified.
- (e) The audited entity must use the following selection procedures:
- (1) The legislative body of the audited entity shall establish an audit committee to facilitate the selection of a certified public accountant. The audit committee shall be composed of the following three (3) members appointed by the legislative body:
 - (A) One (1) member of the legislative body.
 - (B) One (1) certified public accountant who is not the fiscal officer or an employee of the audited entity.
 - (C) One (1) person who is qualified due to an involvement with financial matters who is not the fiscal officer or an employee of the audited entity.

Each member shall be appointed for a three (3) year term and shall serve without compensation. However, a member appointed under subdivision (1)(A) who ceases to hold the office of legislative body member ceases to be a member of the audit committee. A member may not have a contractual relationship, financial interest, or political affiliation with the certified public accountant selected.
 - (2) The audit committee established under subdivision (1) shall do the following:
 - (A) Establish factors to evaluate the audit services provided by a certified public accountant, including:



- (i) experience;
- (ii) ability to perform the required services;
- (iii) capability to follow the guidelines and standards adopted by the state board of accounts;
- (iv) ability to timely complete all necessary components of the examination; and
- (v) any other factors considered necessary by the audit committee.

(B) Publish notice of a request for proposals under IC 5-3-1 that includes:

- (i) a brief description of the audit requirements;
- (ii) a time frame;
- (iii) application procedures;
- (iv) evaluation criteria; and
- (v) any other items considered necessary by the audit committee.

(C) Evaluate the proposals submitted by qualified certified public accountants. If compensation is a factor established under clause (A), it may not be the sole factor used to evaluate proposals.

(D) Rank and recommend in order of preference not fewer than three (3) certified public accountants considered most highly qualified on the factors established under clause (A). If fewer than three (3) certified public accountants respond to the request for proposals, the audit committee shall recommend the remaining qualified certified public accountants in order of preference.

(3) The legislative body of the audited entity shall select a qualified certified public accountant from the list recommended by the audit committee and shall negotiate a contract with the certified public accountant using one (1) of the following methods:

(A) If compensation is a factor established under subdivision (2)(A), the legislative body shall:

- (i) select; or
- (ii) document the reason for not selecting;

the highest-ranked certified public accountant.

(B) If compensation is not a factor established under subdivision (2)(A), the legislative body shall negotiate a contract with the highest-ranked qualified certified public accountant. If unable to negotiate a satisfactory contract with the highest-ranked qualified certified public



accountant, the legislative body shall:

- (i) formally terminate negotiations; and
- (ii) negotiate with the second highest-ranked certified public accountant.

Negotiations with the other ranked certified public accountants shall be undertaken in the same manner. The legislative body may reopen formal negotiations with any of the top three (3) ranked certified public accountants but may not negotiate with more than one (1) certified public accountant at a time.

(C) The legislative body may select a certified public accountant recommended by the audit committee and negotiate a contract using an appropriate alternative negotiation method for which compensation is not the sole or predominant factor.

(D) In negotiations with a certified public accountant, the legislative body may allow a designee, who is not the fiscal officer of the audited entity, to conduct negotiations on its behalf.

(4) If the legislative body is unable to negotiate a satisfactory contract with any of the recommended certified public accountants, the audit committee shall recommend additional certified public accountants, and negotiations shall continue in accordance with this section until an agreement is reached.

(5) The procurement of audit services shall be evidenced by a written contract embodying all provisions and conditions. For purposes of this section, an engagement letter signed and executed by both parties shall constitute a written contract.

The written contract shall include the following provisions:

(A) Specification of services to be provided and fees or other compensation for the services.

(B) Invoices for fees or other compensation shall be submitted in sufficient detail to demonstrate compliance with the terms of the contract.

(C) Specification of the contract period and conditions under which the contract may be terminated or renewed.

(D) The certified public accountant shall perform the examination in accordance with:

- (i) the guidelines and standards adopted by the state board of accounts;
- (ii) auditing standards generally accepted in the United States; and



(iii) if applicable, government auditing standards, Office of Management and Budget Circular A-133, and any other guidelines required by the industry.

(E) If the certified public accountant discovers or suspects instances of fraud, abuse of public funds, or the commission of a crime, the certified public accountant shall notify the state board of accounts:

- (i) immediately; and
- (ii) before disclosing the discovery or suspicion to the audited entity.

(F) The certified public accountant shall deliver the completed examination report to the state board of accounts:

- (i) at the same time as the audited entity; and
- (ii) not later than thirty (30) days after completion of the examination.

The report shall be in a readable format prescribed by the state board of accounts.

(G) All work papers supporting the examination report shall be available for review by the state board of accounts.

(6) If a legislative body of an audited entity renews a written contract with a certified public accountant that was entered into in accordance with this section, the legislative body may renew the contract without complying with the selection procedures in this subsection.

(f) The certified public accountant must deliver the completed examination report to the state board of accounts not later than thirty (30) days after completion of the examination. The state board of accounts shall review the examination report and may:

- (1) ask questions of the certified public accountant;
- (2) review the examination work papers; and
- (3) take any other actions necessary to verify that the guidelines and standards adopted by the state board of accounts have been satisfied.

(g) If the certified public accountant's examination:

- (1) satisfies the guidelines and standards adopted by the state board of accounts, the state examiner shall publicly file the examination report under IC 5-11-5-1; or
- (2) fails to satisfy the guidelines and standards adopted by the state board of accounts:

(A) the state board of accounts shall perform the audit; and



(B) the audited entity shall reimburse the state board of accounts for the actual and direct cost of performing the examination.

(h) An audited entity that engages a certified public accountant under this section shall reimburse the state board of accounts for all direct and indirect costs incurred by the state board of accounts for any technical assistance and support requested by the audited entity.

(i) An audited entity may terminate the use of a certified public accountant engaged under this section if:

- (1) the termination is approved by resolution adopted by the legislative body of the audited entity; and**
- (2) written notice of the termination is provided to the state board of accounts more than one hundred eighty (180) days before the beginning of the audited entity's fiscal year.**

(j) Conducting an examination of an audited entity by a certified public accountant does not prohibit the state board of accounts from conducting a compliance review of the audited entity or an examination under section 9.5 of this chapter on the schedule determined by the state board of accounts."

Page 11, delete lines 41 through 42, begin a new paragraph and insert:

"SECTION 11. IC 5-11-1-25 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 25. (a) **This section and section 24.4 of this chapter do not limit the application of any law that requires a municipality, a public hospital, another public office or public officer, an entity, or another person or organization to be audited or otherwise examined on an annual or other basis by:**

- (1) a certified public accountant; or**
- (2) a person other than the state examiner or the state board of accounts.**

(b) Subject to section 9 of this chapter and subsections (c) and (d), the state board of accounts shall conduct examinations of audited entities at the times determined by the state board of accounts, but not less than once every four (4) years, using risk based examination criteria that are established by the state board of accounts and approved by the audit committee. The risk based examination criteria must include the following risk factors:

- (1) An audited entity has a newly elected or appointed fiscal officer.**
- (2) An audited entity:**



- (A) has not timely filed; or
- (B) has filed a materially incorrect or incomplete; annual financial report required by section 4 of this chapter.
- (3) Any other factor determined by the state examiner and approved by the audit committee.

(c) Examinations ~~under this chapter shall~~ **must** be conducted annually for the following:

- (1) The state.
- ~~(2) Cities;~~
- ~~(3) Counties;~~
- ~~(4) Towns with a population greater than five thousand (5,000);~~
- ~~(5) Public hospitals;~~

(2) An audited entity (other than a school corporation) that requires an annual audit:

- (A) because of the receipt of federal financial assistance in an amount that subjects the audited entity to an annual federal audit;
- (B) due to continuing disclosure requirements; or
- (C) as a condition of a public bond issuance.

An audited entity shall, under the guidelines established by the state board of accounts, provide notice to the state examiner not later than sixty (60) days after the close of the audited entity's fiscal year that the audited entity is required to have an annual audit under subdivision (2).

(b) Subject to section 9 of this chapter, examinations under this chapter shall be conducted biennially for:

- (1) municipalities; and
- (2) entities;

that are not listed in subsection (a).

(d) As permitted under this section since September 1, 1986 (the effective date of P.L.3-1986, SECTION 16), examinations of school corporations shall be conducted biennially."

Page 12, delete lines 1 through 29, begin a new paragraph and insert:

"SECTION 15. IC 5-11-1-28 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]: **Sec. 28. (a) An audited entity may request that an examination conducted by the state board of accounts be conducted in accordance with generally accepted accounting principles. A request by a public officer must be approved by resolution adopted by the legislative body for the audited entity.**

(b) The state board of accounts shall, not more than sixty (60)



days after receiving a request under subsection (a):

- (1) acknowledge receipt of the request; and
- (2) notify the requesting public officer or legislative body that the request is:
 - (A) approved; or
 - (B) disapproved.

(c) The state board of accounts shall approve a request under subsection (a) unless the state examiner determines that:

- (1) the audited entity, under the guidelines established by the state board of accounts, did not request the audit within sixty (60) days after the close of the audited entity's fiscal year;
- (2) the audited entity does not conduct its accounting according to generally accepted accounting principles;
- (3) the audited entity did not maintain the audited entity's financial records during the preceding year on a generally accepted accounting principles basis;
- (4) the annual financial statements and notes to the financial statements are not presented or will not be presented to the state board of accounts for audit on the schedule agreed to by the state examiner; or
- (5) the audited entity does not follow the other guidelines established by the state board of accounts."

Renumber all SECTIONS consecutively.

(Reference is to HB 1104 as printed January 27, 2015.)

LEHMAN

