

HOUSE BILL No. 1108

DIGEST OF INTRODUCED BILL

Citations Affected: IC 5-11.

Synopsis: State board of accounts. Makes various changes to statutes concerning the state board of accounts (board). Adds a definition of a "responsible officer of an audited entity". Allows the audit committee to determine the amount of the bond for the state examiner, deputy examiners, and field examiners based on applicable risk considerations. Repeals a statute that addresses duties required by law on April 5, 1909. Provides that, for purposes of the risk based examination criteria, the board may perform examinations of certain audited entities more frequently than once every four years if required by a ratings agency that rates debt maintained by such an audited entity. Provides that the board may issue confidential management letters based on professional auditing standards to certain audited entities. Provides that the state examiner, deputy examiner, or field examiner may issue subpoenas to enforce the filing of certain reports. Specifies that a body corporate and politic shall be examined unless the statute that establishes the body corporate and politic expressly provides otherwise. Makes changes to statutes establishing the forfeiture of office for the failure to file certain reports, interference with an examiner, and the failure to adopt or use the system of accounting and reporting adopted by the board. Provides that, as an alternative to an order to forfeit office, a court may impose a civil penalty that does not exceed \$500 for each day that the public officer or responsible officer continues to violate an obligation with respect to an audit, examination, or other engagement by the board. Specifies that the individual is personally liable for a civil penalty imposed on the individual for such a violation. Provides that the board may collect the expenses from the audited entity that the board incurs in carrying out the audit, examination, or other engagement.

Effective: July 1, 2020.

Lehman

January 8, 2020, read first time and referred to Committee on Ways and Means.



Second Regular Session of the 121st General Assembly (2020)

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 2019 Regular Session of the General Assembly.

HOUSE BILL No. 1108

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

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

1 SECTION 1. IC 5-11-1-2, AS AMENDED BY P.L.176-2009,
2 SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 2020]: Sec. 2. The state board of accounts shall formulate,
4 prescribe, and install a system of accounting and reporting in
5 conformity with this chapter **for use by an audited entity**, which must
6 comply with the following:

7 (1) Be uniform for every public office and every public account
8 of the same class and contain written standards that an entity that
9 is subject to audit must observe.

10 (2) Exhibit true accounts and detailed statements of funds
11 collected, received, obligated, and expended for or on account of
12 the public for any and every purpose whatever, and by all public
13 officers, employees, or other individuals.

14 (3) Show the receipt, use, and disposition of all public property
15 and the income, if any, derived from the property.

16 (4) Show all sources of public income and the amounts due and
17 received from each source.



1 (5) Show all receipts, vouchers, contracts, obligations, and other
 2 documents kept, or that may be required to be kept, to prove the
 3 validity of every transaction.
 4 The state board of accounts shall formulate or approve all statements
 5 and reports necessary for the internal administration of the office to
 6 which the statements and reports pertain. The state board of accounts
 7 shall approve all reports that are published or that are required to be
 8 filed in the office of state examiner. The state board of accounts shall
 9 from time to time make and enforce changes in the system and forms
 10 of accounting and reporting as necessary to conform to law.
 11 SECTION 2. IC 5-11-1-4, AS AMENDED BY P.L.244-2017,
 12 SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 13 JULY 1, 2020]: Sec. 4. (a) The state examiner shall require from every
 14 ~~municipality and every state or local governmental unit, entity, or~~
 15 ~~instrumentality~~ **audited entity** financial reports covering the full period
 16 of each fiscal year. These reports shall be prepared, verified, and filed
 17 with the state examiner not later than sixty (60) days after the close of
 18 each fiscal year. The reports must be in the form and content prescribed
 19 by the state examiner and filed electronically in the manner prescribed
 20 under IC 5-14-3.8-7.
 21 (b) The department of local government finance may not approve
 22 the budget of a political subdivision or a supplemental appropriation
 23 for a political subdivision until the political subdivision files an annual
 24 report under subsection (a) for the preceding calendar year.
 25 (c) As used in this subsection, "bonds" means any bonds, notes, or
 26 other evidences of indebtedness, whether payable from property taxes,
 27 other taxes, revenues, fees, or any other source. However, the term does
 28 not include notes, warrants, or other evidences of indebtedness that
 29 have a maturity of not more than five (5) years and that are made in
 30 anticipation of and to be paid from revenues of the political
 31 subdivision. Notwithstanding any other law, a county or municipality
 32 may not issue any bonds unless the county or municipality has filed an
 33 annual financial report with the state examiner for the preceding fiscal
 34 year. The requirements under this subsection for the issuance of bonds
 35 by a county or municipality are in addition to any other requirements
 36 imposed under any other law. This subsection applies to the issuance
 37 of bonds authorized under any statute, regardless of whether that
 38 statute specifically references this subsection or the requirements under
 39 this subsection.
 40 SECTION 3. IC 5-11-1-9, AS AMENDED BY P.L.209-2019,
 41 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 42 JULY 1, 2020]: Sec. 9. (a) The state examiner, personally or through



1 the deputy examiners, field examiners, or private examiners, shall
 2 examine all accounts and all financial affairs of every ~~public office and~~
 3 ~~officer, state office, state institution, and entity.~~ **audited entity.**
 4 However, an examination of an entity under this subsection shall be
 5 limited to matters relevant to the use of the public money received by
 6 the entity.

7 (b) An examination of an entity that is organized as a not-for-profit
 8 corporation deriving:

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

10 (2) subject to subsection (i), at least fifty percent (50%) but less
 11 than seven hundred fifty thousand dollars (\$750,000);
 12 of its disbursements during the period subject to an examination from
 13 appropriations, public funds, taxes, and other sources of public expense
 14 shall be limited to matters relevant to the use of the public money
 15 received by the entity.

16 (c) The examination of an entity described in subsection (b) may be
 17 waived by the state examiner if the state examiner determines that:

18 (1) in consideration of the applicable risk based examination
 19 criteria described in and approved under section 25 of this
 20 chapter; and

21 (2) based on submitted information;

22 there are no compelling reasons to conclude that disbursements of
 23 public money during the period subject to examination were
 24 inconsistent with the purposes for which the money was received.
 25 However, the state examiner may revoke a waiver granted under this
 26 subsection if the state examiner determines that revocation of the
 27 waiver is necessary in accordance with the risk based examination
 28 criteria set forth in section 25 of this chapter. The state examiner shall
 29 communicate the determination to grant or revoke a waiver under this
 30 subsection to the entity in writing.

31 (d) Notwithstanding any other law, the:

32 (1) Indiana economic development corporation created by
 33 IC 5-28-3 and the corporation's funds, accounts, and financial
 34 affairs shall be examined by the state board of accounts unless the
 35 examination is waived under subsection (j); and

36 (2) department of financial institutions established by
 37 IC 28-11-1-1 and the department's funds, accounts, and financial
 38 affairs shall be examined by the state board of accounts.

39 (e) On every examination under this section, inquiry shall be made
 40 as to the following:

41 (1) The financial condition and resources of each ~~municipality;~~
 42 ~~office, institution, or entity.~~ **audited entity.**



- 1 (2) Whether the laws of the state and the uniform compliance
 2 guidelines of the state board of accounts established under section
 3 24 of this chapter have been complied with.
- 4 (3) The methods and accuracy of the accounts and reports of the
 5 person examined.
- 6 The examinations may be made without notice.
- 7 (f) If during an examination of a state office **or a body corporate**
 8 **and politic** under this chapter the examiner encounters an inefficiency
 9 in the operation of the state office **or the body corporate and politic**,
 10 the examiner may comment on the inefficiency in the examiner's report.
- 11 (g) The state examiner, deputy examiners, any field examiner, or
 12 any private examiner, when engaged in making any examination or
 13 when engaged in any official duty devolved upon them by the state
 14 examiner, is entitled to do the following:
- 15 (1) Enter into any state, county, city, township, or other public
 16 office in this state, or any entity, agency, or instrumentality, and
 17 examine any books, papers, documents, or electronically stored
 18 information for the purpose of making an examination.
- 19 (2) Have access, in the presence of the custodian or the
 20 custodian's deputy, to the cash drawers and cash in the custody of
 21 the officer.
- 22 (3) During business hours, examine the public accounts in any
 23 depository that has public funds in its custody pursuant to the
 24 laws of this state.
- 25 (h) The state examiner, deputy examiner, or any field examiner,
 26 when engaged in making any examination authorized by law, may issue
 27 subpoenas for witnesses to appear before the examiner in person or to
 28 produce books, papers, or other records (including records stored in
 29 electronic data processing systems) for inspection and examination.
 30 **The state examiner, deputy examiner, or any field examiner may**
 31 **issue a subpoena to enforce the filing of the annual financial report,**
 32 **personnel report, or entity report established by this article.** The
 33 state examiner, deputy examiner, and any field examiner may
 34 administer oaths and examine witnesses under oath orally or by
 35 interrogatories concerning the matters under investigation and
 36 examination. Under the authority of the state examiner, the oral
 37 examinations may be transcribed with the reasonable expense paid by
 38 the examined person in the same manner as the compensation of the
 39 field examiner is paid. The subpoenas shall be served by any person
 40 authorized to serve civil process from any court in this state. If a
 41 witness **or officer** duly subpoenaed refuses to attend, refuses to
 42 produce information required in the subpoena, or attends and refuses



1 to be sworn or affirmed, or to testify when called upon to do so, the
 2 examiner may apply to the circuit court having jurisdiction of the
 3 witness **or officer** for the enforcement of attendance and answers to
 4 questions as provided by the law governing the taking of depositions
 5 **or to enforce the filing of any report referred to in this subsection.**

6 (i) The definitions in IC 20-24-1 apply throughout this subsection.
 7 Appropriations, public funds, taxes, and other sources of public money
 8 received by a nonprofit corporation as a charter school or organizer of
 9 a charter school for the purposes of a charter school may not be
 10 counted for the purpose of applying subsection (b)(2). Unless the
 11 nonprofit corporation receives other public money that would qualify
 12 the nonprofit corporation for a full examination of all accounts and
 13 financial affairs of the entity under subsection (b)(2), an examination
 14 of a charter school or organizer of a charter school must be limited to
 15 matters relevant to the use of the public money received for the charter
 16 school. This subsection does not prohibit the state examiner, personally
 17 or through the deputy examiners, field examiners, or private examiners,
 18 from examining the accounts in which appropriations, public funds,
 19 taxes, or other sources of public money are applied that are received by
 20 a nonprofit corporation as a charter school or organizer of a charter
 21 school relating to the operation of the charter school.

22 (j) The state examiner may waive the examination of the Indiana
 23 economic development corporation and a nonprofit subsidiary
 24 corporation established under IC 5-28-5-13 if:

25 (1) an independent certified public accounting firm conducts an
 26 examination under IC 5-28-3-2(c) of:

27 (A) the Indiana economic development corporation and the
 28 Indiana economic development corporation's funds, accounts,
 29 and financial affairs; and

30 (B) the nonprofit subsidiary corporation;

31 for the year;

32 (2) the Indiana economic development corporation submits the
 33 examination report to the state board of accounts; and

34 (3) the state board of accounts reviews the examination report and
 35 determines that the examination and examination report comply
 36 with the uniform compliance guidelines, directives, and standards
 37 established by the state board of accounts.

38 (k) Notwithstanding the waiver of an examination of the Indiana
 39 economic development corporation and its nonprofit subsidiary
 40 corporation by the state examiner, the state board of accounts may
 41 examine the Indiana economic development corporation and its
 42 nonprofit subsidiary corporation at any time.



1 SECTION 4. IC 5-11-1-9.3 IS ADDED TO THE INDIANA CODE
 2 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
 3 1, 2020]: **Sec. 9.3. The state examiner, personally or through deputy
 4 examiners, field examiners, or private examiners, shall examine all
 5 accounts and all financial affairs of a body corporate and politic in
 6 accordance with the requirements of this article or another law
 7 unless the statute that establishes the body corporate and politic
 8 expressly provides otherwise.**

9 SECTION 5. IC 5-11-1-10 IS AMENDED TO READ AS
 10 FOLLOWS [EFFECTIVE JULY 1, 2020]: **Sec. 10. (a) A public officer
 11 or responsible officer of an audited entity who:**

- 12 (1) fails to make, verify, and file with the state examiner any
 13 report required by this chapter;
- 14 (2) fails to follow the directions of the state examiner in keeping
 15 the accounts of the officer's office;
- 16 (3) refuses the state examiner, deputy examiner, field examiner,
 17 or private examiner access to the books, accounts, papers,
 18 documents, cash drawer, or cash of the officer's office; or
- 19 (4) interferes with an examiner in the discharge of the examiner's
 20 official duties;

21 commits a Class B infraction. ~~and forfeits office.~~ **The court may also
 22 order the officer described in this subsection to forfeit the officer's
 23 office.**

24 **(b) As an alternative to an order to forfeit office under
 25 subsection (a), a court in which an action described in subsection
 26 (a) is filed may impose a civil penalty that does not exceed five
 27 hundred dollars (\$500) for each day that the public officer or
 28 responsible officer continues to violate an obligation described in
 29 subsection (a). The individual is personally liable for a civil penalty
 30 imposed on the individual under this section.**

31 **(c) The state board of accounts may collect the expenses
 32 incurred in carrying out the audit, examination, or engagement
 33 from the audited entity of the officer described in this section.**

34 SECTION 6. IC 5-11-1-15 IS AMENDED TO READ AS
 35 FOLLOWS [EFFECTIVE JULY 1, 2020]: **Sec. 15. (a) The state
 36 examiner, deputy examiners, and field examiners shall each give bond
 37 for the faithful performance of the examiner's duties as follows:**

- 38 (1) The state examiner in the sum of five thousand dollars
 39 (\$5,000); to be approved by the governor.
- 40 (2) Each deputy examiner in the sum of three thousand dollars
 41 (\$3,000); to be approved by the governor.
- 42 (3) Each field examiner in the sum of one thousand dollars



1 (\$1,000); to be approved by the state examiner. **in an amount**
 2 **determined by the audit committee and based on applicable**
 3 **risk considerations.** However, field examiners may be covered
 4 by a blanket bond or crime insurance policy endorsed to include
 5 faithful performance under IC 5-4-1-15.1 subject to approval of
 6 the **audit committee and** state examiner.

7 (b) The commissioner of insurance shall prescribe the form of the
 8 bonds or crime policies required by this section.

9 SECTION 7. IC 5-11-1-16, AS AMENDED BY P.L.257-2019,
 10 SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 11 JULY 1, 2020]: Sec. 16. (a) As used in this article, "municipality"
 12 means any county, township, city, town, school corporation, special
 13 taxing district, or other political subdivision of Indiana.

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

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

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

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

- 28 (1) maintained in whole or in part at public expense; or
- 29 (2) supported in whole or in part by appropriations or public funds
- 30 or by taxation.

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

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

- 35 (1) An institution licensed under IC 16-21 and which is owned by
 36 the state or an agency of the state or one which is a municipal
 37 corporation. A hospital is a municipal corporation if its governing
 38 board members are appointed by elected officials of a
 39 municipality.
- 40 (2) A state institution (as defined in IC 12-7-2-184).

41 (g) As used in this article, "audit committee" refers to the audit and
 42 financial reporting subcommittee of the legislative council established



1 by IC 2-5-1.1-6.3.

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

4 (i) As used in this article, "development authority" has the meaning
5 set forth in the following:

6 (1) IC 36-7.5-1-8.

7 (2) IC 36-7.6-1-8.

8 **(j) As used in this article, "responsible officer of an audited**
9 **entity" refers to the chief executive officer or another individual**
10 **who has executive decision making authority for the audited entity**
11 **with respect to a compliance obligation prescribed by or**
12 **established under this article or another law.**

13 SECTION 8. IC 5-11-1-18, AS AMENDED BY P.L.181-2015,
14 SECTION 14, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
15 JULY 1, 2020]: Sec. 18. All examinations under this chapter may be
16 made without notice to the **audited entities or** officers whose accounts
17 are to be examined, and without notice to any clerk, deputy, employee,
18 or other person employed in or connected with the office or the
19 business of such an **audited entity or** officer. A person who recklessly
20 communicates knowledge of any proposed examination of any public
21 account:

22 (1) that the board has determined to make without notice under
23 this section; and

24 (2) to the officer in charge of the account or to any other
25 unauthorized person;

26 commits a Class B misdemeanor.

27 SECTION 9. IC 5-11-1-21 IS AMENDED TO READ AS
28 FOLLOWS [EFFECTIVE JULY 1, 2020]: Sec. 21. **(a)** All public
29 officers **and responsible officers of audited entities** shall adopt and
30 use the books, forms, records, and systems of accounting and reporting
31 adopted by the state board of accounts, when directed so to do by the
32 board, and all forms, books, and records shall be purchased by those
33 officers in the manner provided by law. An officer **described in this**
34 **subsection** who refuses to provide such books, forms, or records, fails
35 to use them, or fails to keep the accounts of ~~his~~ **the officer's** office as
36 directed by the board commits a Class C infraction. ~~and forfeits his~~
37 ~~office.~~ **The court may also order the officer to forfeit the officer's**
38 **office.**

39 **(b) As an alternative to an order to forfeit office under**
40 **subsection (a), a court in which an action described in subsection**
41 **(a) is filed may impose a civil penalty that does not exceed five**
42 **hundred dollars (\$500) for each day that the public officer or**



1 **responsible officer continues to violate an obligation described in**
 2 **subsection (a). The individual is personally liable for a civil penalty**
 3 **imposed on the individual under this section.**

4 **(c) The state board of accounts may collect the expenses**
 5 **incurred in carrying out the audit, examination, or engagement**
 6 **from the audited entity of the officer described in this section.**

7 SECTION 10. IC 5-11-1-22 IS REPEALED [EFFECTIVE JULY 1,
 8 2020]. Sec. 22: The provisions of this chapter shall not be construed to
 9 relieve any officer of any duties required by law of him on April 5,
 10 1909; with relation to the auditing of public accounts or the
 11 disbursement of public funds; but the provisions of this chapter shall
 12 be construed to be supplemental to all provisions of law existing on
 13 April 5, 1909; safeguarding the care and disbursement of public funds;
 14 and provided further, that the provisions of this chapter shall not be
 15 construed to limit or curtail the power of the governor of the state under
 16 laws existing on April 5, 1909; to make examination or investigation
 17 of any public office or to require reports therefrom:

18 SECTION 11. IC 5-11-1-25, AS AMENDED BY P.L.257-2019,
 19 SECTION 6, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 20 JULY 1, 2020]: Sec. 25. (a) This section and section 24.4 of this
 21 chapter do not limit the application of any law that requires a
 22 municipality, a public hospital, another public office or public officer,
 23 an entity, or another person or organization to be audited or otherwise
 24 examined on an annual or other basis by:

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

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

- 35 (1) An audited entity has a newly elected or appointed fiscal
 36 officer.
 37 (2) An audited entity:
 38 (A) has not timely filed; or
 39 (B) has filed a materially incorrect or incomplete;
 40 annual financial report required by section 4 of this chapter.

41 **(3) A ratings agency that rates debt maintained by an audited**
 42 **entity has determined an examination of the audited entity is**



1 **required more frequently than once every four (4) years.**
 2 ~~(3)~~ **(4)** Any other factor determined by the state examiner and
 3 approved by the audit committee.
 4 (c) Examinations must be conducted annually for the following:
 5 (1) The state.
 6 (2) An audited entity (other than a school corporation) that
 7 requires an annual audit:
 8 (A) because of the receipt of federal financial assistance in an
 9 amount that subjects the audited entity to an annual federal
 10 audit;
 11 (B) due to continuing disclosure requirements; or
 12 (C) as a condition of a public bond issuance.
 13 (3) A development authority.
 14 An audited entity shall, under the guidelines established by the state
 15 board of accounts, provide notice to the state examiner not later than
 16 sixty (60) days after the close of the audited entity's fiscal year that the
 17 audited entity is required to have an annual audit under subdivision (2).
 18 (d) As permitted under this section since September 1, 1986 (the
 19 effective date of P.L.3-1986, SECTION 16), examinations of school
 20 corporations shall be conducted biennially.
 21 SECTION 12. IC 5-11-5-1, AS AMENDED BY P.L.209-2019,
 22 SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 23 JULY 1, 2020]: Sec. 1. (a) Whenever an examination is made under
 24 this article, a report of the examination shall be made. The report must
 25 include a list of findings and shall be signed and verified by the
 26 examiner making the examination. A finding that is critical of an
 27 examined entity must be based upon one (1) of the following:
 28 (1) Failure of the entity to observe a uniform compliance
 29 guideline established under IC 5-11-1-24(a).
 30 (2) Failure of the entity to comply with a specific law.
 31 A report that includes a finding that is critical of an examined entity
 32 must designate the uniform compliance guideline or the specific law
 33 upon which the finding is based. **The state board of accounts may**
 34 **also issue confidential management letters, based on professional**
 35 **auditing standards, to an audited entity (as defined in section 1.5(a)**
 36 **of this chapter) in a situation involving noncompliance that does**
 37 **not result in the establishment of a corrective action plan but that**
 38 **must be brought to the attention of the audited entity's governing**
 39 **body.** The reports shall immediately be filed with the state examiner,
 40 and, after inspection of the report, the state examiner shall immediately
 41 file one (1) copy with the officer or person examined, one (1) copy with
 42 the auditing department of the municipality examined and reported



1 upon (if the subject of the report is a municipality), and one (1) copy in
 2 an electronic format under IC 5-14-6 with the legislative services
 3 agency, as staff to the audit committee and the general assembly. Upon
 4 filing, the report becomes a part of the public records of the office of
 5 the state examiner, of the office or the person examined, of the auditing
 6 department of the municipality examined and reported upon, and of the
 7 legislative services agency, as staff to the audit committee and the
 8 general assembly. A report is open to public inspection at all
 9 reasonable times after it is filed. If an examination discloses
 10 malfeasance, misfeasance, or nonfeasance in office or of any officer or
 11 employee, a copy of the report, signed and verified, shall be placed by
 12 the state examiner with the attorney general and the inspector general.
 13 The attorney general shall diligently institute and prosecute civil
 14 proceedings against the delinquent officer **or employee**, or upon the
 15 officer's **or employee's** official bond, or both, and against any other
 16 proper person that will secure to the state or to the proper municipality
 17 the recovery of any funds misappropriated, diverted, or unaccounted
 18 for.

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

35 (1) All information discussed and materials presented or delivered
 36 by any person during an exit conference are confidential and may
 37 not be discussed or shared publicly until the earliest of the
 38 occurrences set forth in subsection (g). However, the information
 39 discussed and materials presented or delivered during an exit
 40 conference may be shared with an officer, employee, consultant,
 41 adviser, or attorney of the officer or chief executive officer of the
 42 state office, municipality, or entity examined who was not present



1 at the exit conference. An individual with whom information and
2 materials are shared must maintain the confidentiality of the
3 information and materials as provided in this subdivision until the
4 earliest of the occurrences set forth in subsection (g).

5 (2) An individual attending an exit conference may not
6 electronically record the exit conference.

7 (3) If a majority of a governing body (as defined in
8 IC 5-14-1.5-2(b)) is present during an exit conference, the
9 governing body shall be considered in an executive session under
10 IC 5-14-1.5. However, the governing body has no obligation to
11 give notice as prescribed by IC 5-14-1.5-5 when it participates in
12 the exit conference.

13 (4) If the state examiner determines after the exit conference that
14 additional actions must be undertaken by a deputy examiner, field
15 examiner, or private examiner with respect to information
16 discussed or materials presented at the exit conference, the state
17 examiner may call for an additional exit conference to be held.

18 (5) Not more than thirty (30) days after the initial exit conference
19 is held under this subsection, the legislative body of the
20 municipality or entity examined and reported upon may adopt a
21 resolution, approved by at least a two-thirds (2/3) vote of the
22 legislative body, requesting that an additional exit conference be
23 held. The legislative body shall notify the state board of accounts
24 if the legislative body adopts a resolution under this subdivision.
25 If a legislative body adopts a resolution under this subdivision, the
26 state board of accounts shall conduct an additional exit
27 conference not more than sixty (60) days after the state board of
28 accounts receives notice of the adoption of the resolution. The
29 municipality or entity examined must pay the travel and staff
30 costs incurred by the state board of accounts in conducting an
31 additional exit conference under this subdivision.

32 (6) Except as provided in subdivision (7), a final report under
33 subsection (a) may not be issued earlier than forty-five (45) days
34 after the initial exit conference is held under this subsection.

35 (7) If:

36 (A) the state examiner does not call for an additional exit
37 conference to be held as described in subdivision (4); and

38 (B) the:

39 (i) legislative body of the municipality or entity examined
40 and reported upon provides written notice to the state
41 examiner that the legislative body waives an additional exit
42 conference described in subdivision (5); or



- 1 (ii) state examiner determines that a final report under
 2 subsection (a) must be issued as soon as possible;
 3 the final report may be issued earlier than forty-five (45) days
 4 after the initial exit conference is held under this subsection.
- 5 (c) Except as provided by subsections (b), (d), and (e), it is unlawful
 6 for any person, before an examination report is made public as
 7 provided by this section, to make any disclosure of the result of any
 8 examination of any public account, except:
 9 (1) to the state examiner;
 10 (2) if directed to give publicity to the examination report by the
 11 state examiner or by any court;
 12 (3) to another deputy examiner, field examiner, or private
 13 examiner engaged in conducting the examination; or
 14 (4) if directed by the state examiner, to the chair of the audit
 15 committee or the members of the audit committee acting in
 16 executive session, or both.
- 17 If an examination report shows or discloses the commission of a crime
 18 by any person, it is the duty of the state examiner to transmit and
 19 present the examination report to the prosecuting attorney of the county
 20 in which the crime was committed. The state examiner shall furnish to
 21 the prosecuting attorney all evidence at the state examiner's command
 22 necessary in the investigation and prosecution of the crime.
- 23 (d) If, during an examination under this article, a deputy examiner,
 24 field examiner, or private examiner acting as an agent of the state
 25 examiner determines that the following conditions are satisfied, the
 26 examiner shall report the determination to the state examiner:
 27 (1) A substantial amount of public funds has been
 28 misappropriated or diverted.
 29 (2) The deputy examiner, field examiner, or private examiner
 30 acting as an agent of the state examiner has a reasonable belief
 31 that the malfeasance or misfeasance that resulted in the
 32 misappropriation or diversion of the public funds was committed
 33 by the officer or an employee of the office **or entity**.
- 34 (e) After receiving a preliminary report under subsection (d), the
 35 state examiner may provide a copy of the report to the attorney general.
 36 The attorney general may institute and prosecute civil proceedings
 37 against the delinquent officer or employee, or upon the officer's or
 38 employee's official bond, or both, and against any other proper person
 39 that will secure to the state or to the proper municipality the recovery
 40 of any funds misappropriated, diverted, or unaccounted for.
- 41 (f) In an action under subsection (e), the attorney general may attach
 42 the defendant's property under IC 34-25-2.



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

5 (1) The final report is made public under subsection (a).

6 (2) The results of the examination are publicized under subsection
7 (c)(2).

8 (3) The attorney general institutes an action under subsection (e)
9 on the basis of the preliminary report.

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

16 (1) A public agency (as defined in IC 5-14-3-2), a public
17 employee, a public official, or an employee or officer of a
18 contractor or subcontractor of a public agency commits a Class A
19 infraction under IC 5-14-3-10.

20 (2) If the disclosure is by a person who is not described in
21 subdivision (1), the person commits a Class A infraction.

22 (i) Unless in accordance with a judicial order or as otherwise
23 provided in this section, the state board of accounts or its employees,
24 former employees, counsel, or agents, or any other person may not
25 divulge the examination workpapers and investigation records of a
26 deputy examiner, a field examiner, or a private examiner acting as an
27 agent of the state examiner, except to:

28 (1) employees and members of the state board of accounts;

29 (2) the audit committee;

30 (3) law enforcement officers, the attorney general, a prosecuting
31 attorney, or any other legal representative of the state in any
32 action with respect to the misappropriation or diversion of public
33 funds;

34 (4) an authorized representative of the United States;

35 (5) a successor examiner or auditor, in accordance with applicable
36 professional auditing standards; or

37 (6) another individual for any other factor that constitutes good
38 cause as set forth in criteria established by the state examiner and
39 approved by the audit committee.

40 (j) An individual described in subsection (i)(3) or (i)(4) who
41 receives examination workpapers and investigation records described
42 in subsection (i) may divulge the workpapers and records in any action



1 with respect to the misappropriation or diversion of public funds.

2 SECTION 13. IC 5-11-5-1.5, AS ADDED BY P.L.176-2017,
3 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
4 JULY 1, 2020]: Sec. 1.5. (a) As used in this section, "audited entity"
5 includes only the following:

6 (1) A state agency (as defined in IC 4-13-1-1).

7 (2) A public hospital.

8 (3) A municipality.

9 (4) A body corporate and politic.

10 (5) A state educational institution.

11 (6) An entity to the extent that the entity is required to be
12 examined under IC 5-11-1-9 or another law.

13 (b) If an examination report contains a finding that an audited entity
14 failed to observe a uniform compliance guideline established under
15 IC 5-11-1-24(a) or to comply with a specific law, the audited entity
16 shall take action to address the audit finding.

17 (c) If a subsequent examination report of the audited entity contains
18 a finding that is the same as or substantially similar to the finding
19 contained in the previous examination report described in subsection
20 (b), the public officer of the audited entity shall file a corrective action
21 plan as a written response to the report under section 1(b) of this
22 chapter.

23 (d) The state board of accounts shall create guidelines for use by an
24 audited entity to establish a corrective action plan described in
25 subsection (c). The guidelines must include a requirement that the issue
26 that is the subject of a finding described in subsection (c) must be
27 corrected not later than six (6) months after the date on which the
28 corrective action plan is filed.

29 (e) After the successful completion of a corrective action plan by an
30 audited entity that was required to file a corrective action plan under
31 subsection (c), the audited entity shall notify the state board of
32 accounts. The state board of accounts shall review each corrective
33 action plan. If a corrective action plan is not implemented or the issue
34 that is the subject of the finding is not corrected within six (6) months,
35 the state board of accounts shall prepare a memorandum summarizing:

36 (1) the examination report finding;

37 (2) the corrective action plan;

38 (3) the manner by which the examination report finding was or
39 was not addressed; and

40 (4) a recommended course of action.

41 (f) The state board of accounts shall present to the audit committee
42 established by IC 2-5-1.1-6.3 a memorandum described in subsection



1 (e). If the audit committee determines that further action should be
2 taken, the audit committee may do any of the following:

3 (1) Request a written statement from the public officer of the
4 audited entity.

5 (2) Request the personal attendance of the public officer of the
6 audited entity at the next audit committee meeting.

7 (3) Request that the public officer of the audited entity take
8 corrective action.

9 (4) Notify the:

10 (A) office of management and budget (in the case of an
11 audited entity that is a state agency, a body corporate and
12 politic, or a state educational institution); or

13 (B) officer or chief executive officer, legislative body, and
14 fiscal body of the audited entity and the department of local
15 government finance (in the case of any other audited entity);
16 that the audited entity refused to correct the audited entity's failure
17 to observe a uniform compliance guideline established under
18 IC 5-11-1-24(a), or refused to comply with a specific law, with
19 notice of the recommendation described in subsection (e)(4)
20 published on the general assembly's Internet web site.

21 (5) Refer the facts drawn from the examination and the actions
22 taken under this section for investigation and prosecution of a
23 violation of IC 5-11-1-10 or IC 5-11-1-21 to the:

24 (A) inspector general, in the case of an audited entity that is a
25 state agency, a body corporate and politic, or a state
26 educational institution; or

27 (B) prosecuting attorney of the county in which a violation of
28 IC 5-11-1-10 or IC 5-11-1-21 may have been committed, in the
29 case of any other audited entity;

30 with notice of the referral published on the general assembly's
31 Internet web site. Notice of a referral described in clause (B) must
32 be sent to the officer or chief executive officer, legislative body,
33 and fiscal body of the audited entity.

34 (6) Recommend that legislation be introduced in the general
35 assembly to amend any statute under which the audited entity is
36 found to be noncompliant.

37 (7) Recommend that the state board of accounts examine the
38 audited entity within the calendar year following the year in
39 which the audited entity was required to file a corrective action
40 plan under subsection (c).

41 **(g) When implementing this section, the state board of accounts**
42 **may issue confidential management letters, based on professional**



1 **auditing standards, to an audited entity in a situation involving**
 2 **noncompliance that does not result in the establishment of a**
 3 **corrective action plan but that must be brought to the attention of**
 4 **the audited entity's governing body.**

5 SECTION 14. IC 5-11-13-1, AS AMENDED BY P.L.137-2012,
 6 SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 7 JULY 1, 2020]: Sec. 1. (a) Every state, county, city, town, township, or
 8 school official, elective or appointive, who is the head of or in charge
 9 of any office, department, board, or commission of the state or of any
 10 county, city, town, or township, and every state, county, city, town, or
 11 township employee or agent who is the head of, or in charge of, or the
 12 executive officer of any department, bureau, board, or commission of
 13 the state, county, city, town, or township, and every executive officer
 14 by whatever title designated, who is in charge of any state educational
 15 institution or of any other state, county, or city institution; **As used in**
 16 **this section, "audited entity" includes only the following:**

- 17 (1) **The state.**
 18 (2) **A municipality.**
 19 (3) **A body corporate and politic.**
 20 (4) **A state educational institution.**

21 (b) **Each audited entity** shall during the month of January of each
 22 year prepare, make, and sign a certified report, correctly and
 23 completely showing the names and business addresses of ~~each and all~~
 24 **the officers, employees, and agents in their respective offices;**
 25 ~~departments, boards, commissions, and institutions, and of the audited~~
 26 **entity. The report shall indicate** the respective duties and
 27 compensation of each ~~and officer, employee, and agent of the~~
 28 **audited entity. The audited entity** shall ~~forthwith file said the~~ report
 29 in the office of the state examiner of the state board of accounts. The
 30 report must also indicate whether the political subdivision offers a
 31 health plan, a pension, and other benefits to full-time and part-time
 32 employees. However, no more than one (1) report covering the same
 33 officers, employees, and agents need be made from the state or any
 34 county, city, town, township, or school unit in any one year. The
 35 certification must be filed electronically in the manner prescribed
 36 under IC 5-14-3.8-7.

37 ~~(b)~~ (c) The department of local government finance may not
 38 approve the budget of a county, city, town, or township or a
 39 supplemental appropriation for a county, city, town, or township until
 40 the county, city, town, or township files an annual report under
 41 subsection ~~(a)~~ (b) for the preceding calendar year.

