



How to get Claims Paid that Promote the Municipality's Viability and Other Valuable Information

I. Promotion of City/Town Business

In expending municipal funds there are two fundamental legal principles: the public's funds are to be expended for "public purposes" and the public's funds are not to be used for an individual's personal expenses. The authority for these principles is found in the state and federal constitutions, numerous state laws and the State Board of Accounts' Uniform Compliance Guidelines and the materials found under that topic on its webpage at <https://www.in.gov/sboa/4453.htm> for political subdivisions (including cities and towns). Since local units of government have been given home rule powers (IC 36-1-3) as well as specific statutory authority to operate a government, employ and compensate employees, enter into contracts (IC 36-1-4-2, 14, 15 and 7) and promote economic development and tourism (IC 36-7-2-7), there is authority to expend public funds (pay claims) that are in essence the prudent costs of doing the business of governing.

In the past there was a specific state statute that authorized municipalities to budget and appropriate funds from the general fund to pay the expense of, or to reimburse city or town officials, as the case may be, for expenses incurred in promoting the best interest of the city or town. It is the State Board of Accounts' position that it is now necessary to have an ordinance under the home rule authority (commonly called a "promotion of city/town business" ordinance) specifically allowing the payment of and/or reimbursement for such typical business expenses as membership dues, subscriptions, conference registrations, awards, and plaques. If there is no promotion of city/town business ordinance, then city/town checks issued for these expenses are not

proper and could be called into question in the future by the State Board of Accounts.

There should be an ordinance in each city and town's municipal code of ordinances book that establishes the parameters for such appropriations and expenditures. The ordinance should list the specific types of promotional expenses which can be paid from moneys appropriated for those purposes. It is *advisable* to review your municipal code and employee ordinances and consult with the city or town attorney to determine if your municipality has such an ordinance or ordinances.

If there is no local legislative authority for such expenditures (a home rule ordinance) then you might want to consider the following kind of language for the body of an ordinance in consultation with your town or city attorney:

...promotional expenses may include, but are not limited to, rental of meeting places, meals, decorations, memorabilia, commemorative objects, awards, expenses incurred in promoting industrial, commercial, and residential development and tourism, expenses incurred in developing relationships with other governmental units, expenses for membership dues, assessments, conference registrations and other assistance in local, regional, state and national associations of a civic, educational or governmental nature which have as their purpose the betterment and improvement of municipal operations, the direct expenses incurred for travel, meals, and lodging in conjunction with municipal business or meetings or organizations to which the municipality belongs and other expenses of a civic or governmental nature such as a reasonable amount spent on employee funeral flowers, an employee gathering, or employee retirement gift deemed by action of the mayor or the city or town council to be in the interest of the city or town.

Or you could adopt the language in the State Board of Account's Bulletin December 2015, page 5, "Promotion of City And Town Business" at https://www.in.gov/sboa/files/ctb2015_012.pdf with its guidance of listing specific types of expenses. Please note that excessive amounts expended for

employee meals, employee gatherings (such as holiday parties), employee retirement gifts and funeral flowers or similar expenses could still be determined by the State Board of Accounts as an “audit result and comment” item in an examination as a “personal” expenditure rather than one having a “public purpose” under the circumstances. This also does not mean that all elected officials or their constituents believe that employee funeral flowers, holiday parties or retirement gifts are necessarily good uses of public monies.

Of course, just having a “promotion of city business” ordinance or having an ordinance that establishes a “promotional fund” in some or all departments for these kinds of expenditures does not negate the need for an available appropriation from the council, the actual cash in the bank to pay the claims and the approval for or a finding of that these expenses are proper.

State law requires that before a municipal check can be issued there must be an itemized detailed claim. Details for mileage and travel expenses include odometer miles traveled (beginning and end) while on business and the actual receipts for expenses incurred. Finally, the claim itself should contain a note that shows this expenditure qualifies as a promotion of city business activity or cost.

II. Transition Expenses/Reimbursements

If there is an available appropriation and the promotion of city/town business ordinance is in place covering education and training and related expenses , then the newly elected official’s registrations and travel expenses for any of Aim’s Newly Elected Officials training meetings and officials’ schools can be reimbursed to the newly elected official with the filing of the itemized claim and accompanying receipts. If this reimbursement claim is likely to be approved by the current board of works, if it approves the city’s claims, or by the council, if it approves the city’s or town’s claims, then file it before newly elected official’s term begins. If the current board or council is not likely to cooperate or there is not an available appropriation, then the newly elected official can file the reimbursement claim immediately upon entry of his/her office. The State Board of Accounts will allow the reimbursement claim to be docketed and after 5 days it maybe approved at a meeting and then paid by the fiscal officer.

City and town councils should adopt ordinances that budget and appropriate revenues of the city or town from the municipality's general fund or to a promotional fund in a department to pay the expense of, or to reimburse city or town officials, as the case may be, for these training expenses incurred in promoting the best interest of the city or town. It is assumed that come January 1 there will be an available appropriation and cash to pay the claim.