

THE SCHOOL BULLETIN
And Uniform Compliance Guidelines

ISSUED BY STATE BOARD OF ACCOUNTS

Vol. No. 241

March 2023

ITEMS TO REMEMBER

April

- 1 Prove all ledgers for the month of March.
- 7 Legal Holiday – Good Friday (IC 1-1-9-1)
- 15 Last day to upload February files required by State Examiner Directive 2018-1 in the Monthly and Annual Engagement Uploads application in Gateway.
- 20 Last day for Early Filers to report and make payment of state and county income tax withheld during March to the Indiana Department of Revenue. Monthly Filers have until 30 days after prior month's end. For questions on filing status contact the Indiana Department of Revenue.
- 30 Last day to file Employer's Quarterly Federal Tax Return, Form 941, with the Internal Revenue Service for payment of federal tax withheld.
- 30 Last day to file quarterly reports with the Indiana Department of Workforce Development for the quarter ending March 31.
- 30 All local investment officers shall reconcile at least monthly the balance of public funds as disclosed by the records of the local offices, with the balance statements provided by the respective depositories. (IC 5-13-6-1)

May

- 1 Prove all ledgers for the month of April.
- 15 Last day to upload March files required by State Examiner Directive 2018-1 in the Monthly and Annual Engagement Uploads application in Gateway.
- 20 Last day for Early Filers to report and make payment of state and county income tax withheld during April to the Indiana Department of Revenue. Monthly Filers have until 30 days after prior month's end. For questions on filing status contact the Indiana Department of Revenue.
- 29 Legal Holiday – Memorial Day (IC 1-1-9-1)
- 31 On or before June 1 and December 1 of each year the school corporation shall certify to the county treasurer the name and address of each person who has money due from the school corporation. (IC 6-1.1-22-14)
- 31 All local investment officers shall reconcile at least monthly the balance of public funds as disclosed by the records of the local offices, with the balance statements provided by the respective depositories. (IC 5-13-6-1)

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June

- 1 Prove the Fund Ledger and Ledger of Receipts for the month of May to the control of all funds and reconcile the control with the depository statement. Prove all receipt accounts for each fund to total receipts for that fund. Prove Ledger of Appropriations, Allotments, Encumbrances, Disbursements, and Balances to the total disbursements of the control account of the Fund Ledger. Prove all expenditure accounts within each program to the total disbursements of that program.
- 15 Last day to upload April files required by State Examiner Directive 2018-1 in the Monthly and Annual Engagement Uploads application in Gateway.
- 20 Last day for Early Filers to report and make payment of state and county income tax withheld during February to the Indiana Department of Revenue. Monthly Filers have until 30 days after prior month's end. For questions on filing status contact the Indiana Department of Revenue.
- 30 Close out all payroll deduction clearing accounts. Balance and close the Fund Ledger and Ledger of Receipts for the school year and reconcile with depositories. Total the Ledger of Appropriations, Allotments, Encumbrances, Disbursements, and Balances (January 1 to June 30). Close the ledger for the school year and prove to the Fund Ledger.
- 30 School board members taking office in July, file certified copy of oath in the circuit court clerk's office of the county containing the greatest percentage of population of the school corporation. (IC 5-4-1-4)
- 30 All local investment officers shall reconcile at least monthly the balance of public funds as disclosed by the records of the local offices, with the balance statements provided by the respective depositories. (IC 5-13-6-1)

CHART OF ACCOUNTS UPDATES

Please be advised that the following updates have been made to the Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations. This manual can be found on our website. <https://www.in.gov/sboa/political-subdivisions/schools/>.

- Funds 4094 – 4099 Title 1 School Improvement Grants State Set Aside (84.010A Comprehensive Support and Improvement (CSI)) – Added.

MEDICAID PAYMENTS

Per CFR § 200.502(i) Medicaid payments to a subrecipient for providing patient care services to Medicaid-eligible individuals are not considered Federal awards expended under this part unless a state requires the funds to be treated as Federal awards expended because reimbursement is on a cost-reimbursement basis.

We have confirmed that the State of Indiana has informed subrecipients that all Medicaid funds received are to be considered federal awards expended and are to be included on the SEFA. This is documented on the Indiana Department of Education's (IDOE) Medicaid FAQ on March 30, 2021

We have been made aware of potential questioned costs concerning Medicaid at schools. A third party contracted to handle Medicaid billing and reimbursement failed to obtain all necessary documentation to support the medical necessity of certain services. This specific situation resulted in the return of funds to the state.

CURRICULAR MATERIAL FEES

There is current legislation that will affect prior SBOA guidance related to curricular material fees. We plan to update the school manual and issue additional guidance related to curricular materials once the legislation goes into effect.

Below is our current guidance on curricular material fees.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions.

1. The school board would be required to adopt a rental charge and fee schedule for all amounts assessed to students.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions.

2. The school would be able to establish a rental charge based on the requirements of IC 20-26-12-2 for items that meet the definition of a "curricular material".

IC 20-18-2-2.7 states, "Curricular materials means systematically organized material designed to provide a specific level of instruction in a subject matter category, including:

- (1) books;
- (2) hardware that will be consumed, accessed, or used by a single student during a semester or school year;
- (3) computer software; and
- (4) digital content."

IC 20-26-12-2 states in part: "...The annual rate may not exceed twenty-five (25%) of the retail price of the curricular materials. (b) Notwithstanding subsection (a), the governing body may not assess a rental fee of more than twenty-five percent (25%) of the retail price of curricular materials that have been:

- (1) extended for usage by students under section 24(e) of the chapter; and
- (2) paid for through rental fees previously collected."

3. The school would be able to establish an educational fee for items that meet IDOE's definition of "consumable curricular material".

IDOE has defined "consumable curricular materials" as a consumable core instructional curricular material used by students for no more than one (1) school year. In addition, consumable kit materials that are part of an adopted curricular material are considered part of this category.

Allowable costs included, but are not limited to standard workbooks; activity logs; practice sets; manipulatives; authentic literature; materials used for laboratory courses; instructional materials used for high ability or special education; and high ability or special education books selected locally.

4. The school would be able to establish an educational fee for items in which they receive a written legal opinion that the fee would not violate the Indiana Constitution.

IC 20-26-4-1 concerning duties of the School Corporation Treasurer, states in part: "The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds . . ." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts Ch. 6)

CURRICULAR MATERIAL FEES (Continued)

5. The school can only charge rental and educational fees to students that receive the good/service in which the fee was based.

Finally, we have given our opinion that all educational fees should be accounted for in the School Corporation records because they are established to pay of curricular expenses. So even if the ECA Treasurer collects fees along with rental charges and the Curricular Materials Rental fund is accounted for in the ECA records, our expectations are that the educational fees are remitted to the School Corporation Treasurer for inclusion in the School Corporation records.

INVESTING IN SECURITIES

IC 5-13-9-2 authorizes an investment officer to invest in certain securities that are listed in the statute. It also states in subsection (d) that "The investing officers of the political subdivision are the legal custodians of securities under this chapter. They shall accept safekeeping receipts or other reporting for securities from: (1) a duly designated depository as prescribed in this article; or (2) a financial institution located either in or out of Indiana having custody of securities with a combined capital and surplus of at least ten million dollars (\$10,000,000) according to the last statement of condition filed by the financial institution with its government supervisor body." To determine a duly designated depository, you may review the list of depositories on the Treasurer of State's website. The definition of a financial institution may be found in IC 5-13-4-10. Investing in Money Market Funds: IC 5-13-9-2.5 authorizes a political subdivision to invest money in money market mutual funds. Again, the statute describes the allowable securities for the portfolio of the money market fund. It also requires in subsection (b) "The investment described in subsection (a) shall be made through depositories designated by the state board of finance as depositories for state deposits under 5-13-9.5."

Some units are investing in securities directly with an investment company that does not meet the definition of a financial institution or a designated depository. Examples of these companies are Morgan Stanley and First Empire Securities, but please be aware that other investment companies exist that would not be designated depositories or financial institutions. The issue we have been seeing, is not the purchase of the securities as long as they are securities allowed by the statute, but rather that the purchase had not been made through a designated depository or statutorily defined financial institution. The investment companies are allowed to work with a political subdivision; however, they may not directly sell to the political subdivision or be the custodian of these securities. Some units are correctly working through a designated depository to purchase the securities from the investment companies; however, some units are purchasing directly from the investment company. As an example, a unit could purchase a T-Bill from Morgan Stanley, however, the cash for the purchase should be sent to the financial institution and the financial institution would then deliver the cash to Morgan Stanley after Morgan Stanley delivers the T-Bill to the financial institution on behalf of the unit. The financial institution would have custody of the T-Bill.

PROOF OF RESIDENCY POLICIES

The Indiana Department of Education (IDOE) distributed memos to each School Corporation during the fall of Fiscal Year 2021 and Fiscal Year 2022 describing their expectations for verifying residency. Adopting procedures to verify residency is vital to designing and implementing effective internal controls. For audit periods after June 30th, 2023, we will request from schools their formal written policy addressing how schools verify residency for students. It is our audit opinion that all schools should have a written proof of residency policy.

If schools cannot provide a policy or documentation of what was verified when confirming residency (i.e. situations where a school has a form noting documents were inspected, but copies of what was verified was not kept) we will take audit exception. If a school is unable to obtain information to verify residency, we recommend documenting sufficiently the school's attempts to obtain the documents required in their local policy.

VENDOR CLAIMS

Indiana Code 20-26-4-1(d) describes the duties of a treasurer of a school corporation. A treasurer, in addition to serving as the official custodian of all funds of the school corporation and being responsible for the proper safeguarding and accounting for all such funds, must issue an official receipt for any money received and deposit such money in accordance with the laws governing the deposit of public funds. The treasurer also has the responsibility to issue all warrants in payment of expenses lawfully incurred on behalf of the school corporation, but except as otherwise provided by law, shall issue such checks only after proper allowance or approval by the governing body. No allowance or approval shall be required by the governing body for amounts lawfully due in payment of indebtedness or in payment of amounts due the State of Indiana, the United States Government or their agencies and instrumentalities.

ACCOUNTS RECEIVABLE – SCHOOL LUNCH AND TEXTBOOK RENTAL

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

Officials or employees authorizing, directing, or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible.

We have not taken exception with a School Board approved policy regarding inactive accounts. The policy should define when an account balance is considered inactive. A policy may allow positive account balances to be receipted back into the Fund (we recommend account balances of \$10 or less). However, keep in mind that if a parent or anyone else comes forward and makes a request (and could document entitlement), then they would be entitled to a refund.

A school should have a policy in place that does not allow significant negative account balances to incur. The School Board approved policy could allow nominal negative account balances to be offset against the positive balances in the Fund. However, any material negative balances should be pursued for collection.

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