



SBOA Update

IASBO Region 2

Chase Lenon, CPA, CGFM
Director of Audit Services

Contact Information



- Website - <https://www.in.gov/sboa/4445.htm>
- Phone – (317) 232-2512
- Email – Schools.Townships@sboa.in.gov



Hot Topics – ESSER Stipends



- IDOE provided guidance on stipends paid from CARES (ESSER) to support for activities related to the public health emergency.
- **SBOA will audit to IDOE guidance.**
 - Cannot be automatic or provided generally to all staff members without justification/documentation of the additional work performed.
 - Internal controls must be present.
 - School Board must approve stipends and set qualifications to receive them

Hot Topics – Food Service Management Companies



- Documentation must be maintained to support services provided.
- Invoices must be accompanied by support (source documents or supportive calculations).
 - Rebates, discounts, inventory or payable adjustments.
- Internal controls must be present.
- IDOE has provided required contracting procedures
SCNFinance@doe.in.gov

Hot Topics – Pregnancy Leave (Advance Payments)



- IC 20-28-10-5 allows for collective bargaining agreements to include compensation procedures.
- Schools are not able to pro-rate contract amounts.
 - Any payments for services not yet to be provided would be considered **Advance Payments**.

Hot Topics – Debt Service (Certified
Shares – Local Income Tax)



- **Local Income Taxes** can be deposited into the Operations Fund or the Referendum Capital Projects Fund.
 - **Not allowed to be deposited directly into Debt Service!**
- IC 6-3.6-6-18 allows units to pledge LIT to Debt Service.
 - **Must be formally pledged in a board resolution.**
 - Will not take exception to a transfer from the Operations Fund to the Debt Service Fund.



Chart of Account Updates (September)



- New ARPA Funds.
- GASB Fund Type definitions added to chapter 4.
- Receipt/Expenditure code description/matrix changes (AFR).
- Object Code updates – IDOE (salaries).

Annual Financial Report & ECA Risk
Reports – Due Dates



- Due August 29th (will consider submission on 8/30/21 timely).
- **Subpoenas** will be sent in the middle of September to non-filers.

Governmental Activities - Depreciable Assets

Government or Enterprise	Beginning Balance as of July 1, 2020	Additions	Reductions	Ending Balance as of June 30, 2021
Infrastructure	\$3,000.00	\$300.00	\$3,000.00	\$300.00
Buildings	\$4,000.00	\$400.00	\$4,000.00	\$400.00
Improvements Other Than Buildings	\$5,000.00	\$500.00	\$5,000.00	\$500.00
Machinery, Equipment, and Vehicles	\$6,000.00	\$600.00	\$6,000.00	\$600.00
Books and Other	\$7,000.00	\$700.00	\$7,000.00	\$700.00

Governmental Activities - Accumulated Depreciation

Government or Enterprise	Beginning Balance as of July 1, 2020	Additions	Reductions	Ending Balance as of June 30, 2021
Infrastructure	\$8,000.00	\$800.00	\$8,000.00	\$800.00
Buildings	\$9,000.00	\$900.00	\$9,000.00	\$900.00
Improvements Other Than Buildings	\$10,000.00	\$1,000.00	\$10,000.00	\$1,000.00
Machinery, Equipment, and Vehicles	<i>Required</i>	<i>Required</i>	<i>Required</i>	\$0.00
Books and Other	\$12,000.00	\$1,200.00	\$12,000.00	\$1,200.00

Capital Assets & Accumulated Depreciation



- YouTube Video:

<https://www.youtube.com/watch?v=P>

[PXQpo L7 8](#)

Capital Assets & Accumulated Depreciation (A/D)



- Key concepts:
 - Update your Capital Assets Policy.
 - Keep the Capital Assets Ledger updated.
 - Document Historical Cost and Estimated Useful life to calculate Depreciation.

Additional AFR Questions – Joint Ventures



- Question 15. “Do you participate in any joint ventures?”
- GASB Statement 14 para. 69:
 - A **joint venture** is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) **an ongoing financial interest** or (b) **an ongoing financial responsibility**. Generally, the purpose of a joint venture is to pool resources and share the costs, risks, and rewards of providing goods or services to the venture participants directly, or for the benefit of the general public or specific service recipients. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture. If the organization is jointly controlled but the participants do not have an ongoing financial interest or ongoing financial responsibility, as defined in paragraphs 70 and 71, it is a jointly governed organization, rather than a joint venture.

Additional AFR Questions – Related Parties



- Question 16. “Are there related party transactions?”
- GASB Statement 62 para. 57:
 - A related party is one that either:
 - Can significantly influence the management or operating policies of the transacting parties (for example, through imposition of will)
 - Has an ownership interest in one of the transacting parties and can significantly influence the other to the extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests

Related Parties - Examples



- A **related party** can be:
 - A related organizations, joint venture or jointly governed organizations, (GASB 14)
 - **Elected and appointed officials** of the unit.
 - The **government's management**.
 - **Members of the immediate families** of elected or appointed officials.
 - **Other parties** if one party can significantly influence the management or operating policies of the other to the extent that one of the transacting parties might be prevented from fully pursuing its own separate interests.
- Examples of related party transactions include:
 - Transactions between a related party with a **conflict of Interest**.
 - **Selling property at a price that differs significantly** from its appraised value.
 - **Exchanging property for similar property** in a nonmonetary transaction.

Additional AFR Questions – Tax Abatements



- Question 17. “Is your unit affected by tax abatements through direct or **indirect** agreements?”
- “A tax abatement is an **agreement** between one or more governments and an individual or entity in which one or more governments promise **to forgo tax revenues to which they are otherwise entitled and** the individual or entity promises **to take a specific action** that contributes to economic development or benefits the government or citizens.”
- **Ask your County Auditor!**

Additional AFR Questions – Interfund Loans



- Question 18. “Did your unit have Interfund Loans (Due to-Due from) during the year?”
- “An interfund loan is a transfer that moves money from one fund to another fund that will need to be repaid.”

AFR – Investment Funds



- Investment Funds – FAQs (#64 to #72).
 - https://gateway.ifionline.org/userguides/AFRguide#nav_FrequentlyAskedQuestions
- If you have an investment fund (or clearing account) that records bank transactions for investments already accounted for in other reported funds – **do not include in the AFR!**
- These investment funds are subsidiary accounts that account for investment transactions rather than the traditional funds that account for cash balances/transactions.

ECA Risk Report – ECA Closure



- If an ECA is combined or closed, you must notify SBOA.
- ECA Risk Reports should be filed for each year financial activity occurred.
- In the final year of operation, **the ECA should report \$0 cash balances in every fund in Gateway.**

Recent ECA Engagements



- Limited compliance review
 - Not providing an “Audit Opinion”
- Instances of noncompliance are reported either in the public report or in a management letter to the board.

Common ECA Findings



- Internal Controls over ticket sales
 - Most Common
- Prescribed Forms
- Internal Controls over Fundraisers
- Late ECA Risk Report Submission
- Old Outstanding Checks
- Scholarship Funds
- Bank Account Reconciliations
- Condition of Records

Schedule of Expenditures of Federal Awards



- All Federal Medicaid Reimbursements should be reported on the SEFA.
- Common Mistakes:
 - Misidentification of pass-through awards.
 - Inclusion of items not defined as a federal award.
 - Either a federal financial assistance award, or a cost-reimbursement received directly from a federal awarding agency or indirectly from a pass-through entity.)
 - Missing or incorrect Assistance Listing (CFDA – old term) numbers.
 - Incorrect grouping of program clusters.
 - Incorrect reporting of expenditure amounts.
 - Subrecipient expenditures not properly reported on the face of the SEFA.

SEFA – Best Practice Document



- We developed best practice documents with a focus on internal controls.
- Long version - <https://www.in.gov/sboa/files/SEFA-long-version.pdf>
- Snapshot - <https://www.in.gov/sboa/files/SEFA-snapshot.pdf>



- Reimbursements for IEP services and MAC.
 - https://www.in.gov/doe/files/2021_06-30-SFY21_FINAL-rev.pdf
- Federal Rates for IEP services (MAC always 100% federal)
 - <https://www.in.gov/doe/files/fmap-rates-fffy-2009-2021.pdf>

Procurement Compliance



- **Be aware of the differing thresholds!**
- **Prior comprehensive training:**
 - Includes information from an audit perspective, State requirements and Federal Requirements.
 - Presentation - <https://www.in.gov/sboa/files/IASBO-Purchasing-Seminar.pdf>

Common Audit Findings



Common Repeat Findings



- Preparation of the SEFA
- Prepaid School Lunch Funds
- Internal controls over “_____”

Corrective Action Plans - Background



Adds IC 5-11-5-1.5:

- Requires entities to take action to resolve noncompliance noted in an SBOA audit report
- If the same or similar noncompliance is found in a subsequent report, then the entity must file a corrective action plan with the SBOA
- If the corrective action plan is not submitted or completed within 6 months, then the SBOA is required to notify the legislative audit committee
- Subsection (f) provides actions the legislative audit committee may take when notified

Timeline:

- Engagements started September 1, 2017 and exited October 1, 2017 or after
 - Include statement that it is a repeat finding
 - Could also include a management letter
- Engagements started December 1, 2017 and exited February 1, 2018 or after
 - If repeat findings are included, then a corrective action plan is required

CAP Template



- Views of the Responsible Official:
- Description of Corrective Action Plan:
- Anticipated Completion Date:
- If Applicable: Document reason issue will NOT be corrected **within 6 months**:

Views of the Responsible Official



- Two Options:

1. “We Agree”

Or,

2. “We do not agree because...”

Description of CAP - Clearly State the Issue



- Restate the issue identified in the repeat finding.
- Is the Who/What/When/Where/How addressed?
- **IN YOUR OWN WORDS!**

Description of CAP - List the Requirements That Were Not Followed



- Restate each requirement not followed:
 - SBOA Uniform Compliance Guidelines (manual, bulletins, State Examiner Directives)
 - Code of Federal Regulations (CFR)
 - Local Policy
 - Administrative Regulations (Other State Agencies)
 - Indiana Code

Identify the Root Cause



- Do not focus on the effect
 - What created this issue, or what led to the noncompliance?
 - Why do you continue to have this issue?
- 5 whys – problem solving technique

Define the problem

**HIV Consent – records missing one of the following:
signed consent form; documentation of verbal consent; documentation that
client declined HIV testing.**

Why is this happening?

1. Staff has been trained but they did not obtain consent.

Why is that?

2. There are many things to remember and staff simply forgot.

Why is that?

Root Cause →

3. There is no process or system in place to remind staff that they need to obtain consent prior to performing an HIV test.

Why is that?

4.

Why is that?

5.

Description of CAP - Steps to be taken to correct the issue



- Please be detailed!
- S.M.A.R.T Goals guidelines:
 - Specific
 - Measurable
 - Achievable
 - Results-Focused
 - Time-Bound

Anticipated Completion Date



- Timeline – focus on when the action takes place, not after (or the outcome)
 - Example: **Timeline of when you put your new policy in place.** NOT when the next reporting requirement occurs.

Description of CAP - Summary of How the
Corrections Will Prevent Future Occurrence



- How will the items outlined in the CAP prevent this issue?
- If can't 100% ensure, detail controls to prevent, detect, and timely correct the issue

CAP writing - an Opportunity



- This should be your plan to fix the issue.
- Take advantage of us!
- Should stand on its own (generally more detailed than federal CAP).

Questions?

