

# THE SCHOOL BULLETIN

## And Uniform Compliance Guidelines

### ISSUED BY STATE BOARD OF ACCOUNTS

Vol. No. 213

March 2016

#### ITEMS TO REMEMBER

#### March

- 1 Prove all ledgers for the month of February.
- 1 Deadline for each political subdivision to submit annual report to the Department of Local Government Finance in Gateway Debt Management of any outstanding bonds or leases (as of January 1). (IC 5-1-18-9)
- 1 Last day for political subdivisions to report to the Department of Local Government Finance information and data on its retiree benefits and expenditures. (IC 36-1-8-17.5)
- 25 Legal Holiday – Good Friday. (1-1-9-1)
- 30 Last day to report and make payment of state and county income tax withheld during February to the Department of Revenue.
- 31 Last day for the governing board of a school corporation to publish an annual performance report of the school corporation. (IC 20-20-8-3) The report must be published one (1) time annually under IC 5-3-1. (Not earlier than March 15 or later than March 31 or each year)
- 31 Deadline for fiscal year schools to adopt a budget for the 2017 fiscal budget year. (IC 6-1.1-17-5.6)
- 31 If using e-file, last day to file form W-2 with Form W-3 with the Internal Revenue Service.
- 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)

#### April

- 1 Prove all ledgers for the month of March.
- 1 Deadline for the Department of Local Government Finance to review the budget by fund of each school corporation that has not reorganized. The Department of Local Government Finance shall give the school corporation written notification specifying any revision, reduction, or increase the department proposes in the school corporation's budget by fund. A public hearing is not required in connection with this review of the budget. (IC 6-1.1-17-16(j))
- 15 Before this date, the board of school trustees of the school corporation located entirely or partially within the county which has the greatest taxable valuation of any school corporation of the county shall appoint a member to serve as a member to the County Board of Tax Adjustment. (IC 6-1.1-29-1; IC 6-1.1-29-2) IC 6-1.1-29-9 provides that the county council may adopt an ordinance to abolish the County Board of Tax Adjustment, which must be adopted by July 1 and may not be rescinded in the year it is adopted.
- 30 Last day to report and make payment of state and county income tax withheld during March to the Department of Revenue.

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**ITEMS TO REMEMBER**  
**(Continued)**

**April cont.**

- 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 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.
- 3 Legal Holiday – Primary Election Day (IC 1-1-9-1)
- 30 Last day to report and make payment of state and county income tax withheld during April to the Department of Revenue.
- 30 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)

**VISUAL ACUITY TEST**

The governing body of each public school corporation shall conduct an annual screening test of the visual acuity using the modified clinical technique described in IC 20-34-3-12(a), of all children enrolled in, or transferred to the either kindergarten or first grade; third grade; fifth grade; and eighth grades; and all other school children suspected of having a visual defect. Records of all tests shall be made and continuously maintained in order to provide information useful in protecting, prompting, and maintaining the health of school children. IC 20-34-3-12 also provides that the State Board of Health and the State Board of Education shall adopt joint rules and regulations concerning vision testing equipment, qualifications or vision testing, personnel, and criteria for failure and referral based upon accepted medical practice standards. IC 20-34-3-2 provides objection procedures concerning any testing, examination, immunization or treatment required. An objection will not exempt a child from any testing required unless made in writing, signed by the child's parent and delivered to the child's teacher or other school administrator who might order the test. The expense of such testing is payable from the general fund of a school corporation.

Many other health measure requirements may be found in IC 20-34-3. These include medical inspection of school children, provision for appointments of school physicians and nurses, immunization history of students, test for tuberculosis, sickle cell anemia, lead poisoning, audiometer tests, and aids information.

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**CERTIFIED CHECKS**

IC 5-22-7 and various other statutes allow the use of certified checks. We sometimes have questions and telephone calls indicating difficulty in obtaining certified checks.

IC 1-1-7.5-1 states, "In all cases where it is required by law that a certified check be submitted in conjunction with the submission of bids on public contracts, it is lawful to submit a draft, cashier's check, or money order issued by a financial institution insured by an agency of the United States.

**HONORS DIPLOMA AWARD**

IC 20-43-10-2 concerning computation and use of the honors diploma award states, "(a) A school corporation honors diploma award for a state fiscal year is the amount determined using the following formula:

STEP ONE: Determine the number of the school corporation's eligible pupils who:

- (A) successfully completed an academic honors diploma program; and
- (B) were receiving Supplemental Nutrition Assistance Program (SNAP) benefits, Temporary Assistance for Needy Families (TANF) benefits, or foster care services; in the school year ending in the previous state fiscal year.

STEP TWO: Determine the result of:

- (A) the number of the school corporation's eligible pupils who:
  - (i) successfully completed a Core 40 diploma with technical honors program; and
  - (ii) were receiving Supplemental Nutrition Assistance Program (SNAP) benefits, Temporary Assistance for Needy Families (TANF) benefits, or foster care services; in the school year ending in the previous state fiscal year; minus
- (B) the number of eligible pupils who would otherwise be double counted under both clause (A) and STEP ONE.

STEP THREE: Determine the sum of the number of eligible students determined under STEP ONE and the number of eligible students determined under STEP TWO.

STEP FOUR: Multiply the STEP THREE amount by one thousand four hundred dollars (\$1,400).

STEP FIVE: Determine the result of:

- (A) the number of the school corporation's eligible pupils who successfully completed an academic honors diploma program in the school year ending in the previous state fiscal year; minus
- (B) the STEP ONE amount.

STEP SIX: Determine the result of:

- (A) the number of the school corporation's eligible pupils who successfully completed a Core 40 diploma with technical honors program in the school year ending in the previous state fiscal year; minus
- (B) the number of the school corporation's eligible pupils who are counted under both clause (A) and STEP FIVE (A).

STEP SEVEN: Determine the result of the STEP SIX amount minus the STEP TWO amount.

STEP EIGHT: Determine the result of:

- (A) the STEP FIVE amount; plus
- (B) the STEP SEVEN amount.

**HONORS DIPLOMA AWARD cont.**

STEP NINE: Determine the result of:  
    (A) the STEP EIGHT amount; multiplied by  
    (B) one thousand dollars (\$1,000).

STEP TEN: Determine the sum of:  
    (A) the STEP FOUR amount; plus  
    (B) the STEP NINE amount.

IC 20-43-10-2(b) provides that distributions received by a school corporation as an honors diploma award may only be used for (1) staff training, program development, equipment and supply expenditures, other expenses directly related to the school corporation's honors diploma; and (2) the school corporation's program for high ability students. The State Board of Accounts has established accounts for the expenditures directly related to a school corporation's academic honors diploma program (11350) and a school corporation's program for high ability students (11355 and 12150).

**MATERIALITY THRESHOLD (IC 5-11-1-27(j) & (l))**

It has come to our attention that there is confusion in regard to the application of IC 5-11-1-27(j) and IC 5-11-1-27(l).

IC 5-11-1-27(j) states in part: "All erroneous or irregular material variances, losses, shortages, or thefts of political subdivision funds or property shall be reported immediately to the state board of accounts. For all material variances, losses, shortages, or thefts, the state board of accounts shall: (1) determine the amount of funds involved and report the amount to the appropriate government and law enforcement officials..."

It is in regard to this section that the State Examiner issued [State Examiner Directive 2015-6](#), which allows School Corporations to determine the own materiality threshold at which they are to report to us variances, losses, shortages, or thefts.

In addition to subsection (j), IC 5-11-1-27(l) states in part: "A public officer who has actual knowledge of or reasonable cause to believe that there has been a misappropriation of public funds or assets of the public office, including: (1) information obtained as a result of a police report; (2) an internal audit finding; or (3) another source indicating that a misappropriation has occurred; shall immediately send written notice of the misappropriation to the state board of accounts and the prosecuting attorney serving in the area governed by the political subdivision." For this portion of the statute, there is no materiality threshold.

It is our position that application of the materiality threshold is for those unintentional variances, losses, and shortages that occur in the course of business that are due to misapplication of processes or act as an indicator that the appropriate process is not in place. Either way, upon discovery the school corporation would take corrective action. The materiality threshold would also apply to "theft" by someone outside of the school corporation's employ, with again the appropriate actions taken by the school corporation.

All instances of misappropriation (intentional personal misuse) of the School Corporation funds or assets by an official or employee must be reported to the State Board of Accounts. Materiality thresholds do not apply.

The memo on the following page was issued on January 7, 2016, and offers additional guidance in regards to the materiality threshold:

**Memo on Considerations for Materiality Policies**

To aid in the creation and implementation of a materiality policy as discussed in State Examiner Directive 2015-6, the State Board of Accounts assembled the following suggestions that each School Corporation should consider.

Each materiality policy should include the following:

1. Designation of a person (or position) to which all irregular variances, losses, shortages, and thefts are reported. Multiple individuals may be designated if each individual follows the overall materiality policy. For example, a county clerk, county treasurer, and county auditor could be designated for occurrences within their respective offices, as long as the county-wide policy is followed by each designee.
2. Establishment of two dollar thresholds at which point the designated person will report the incident to the State Board of Accounts. The thresholds should be for (1) incidents involving cash and (2) incidents involving all other (non-cash) assets. Incidents involving cash will likely have a lower dollar threshold.
3. Creation of an outline of steps that will be taken upon receipt of such a report. Such steps may include:
  - a. logging-in all reports into a spreadsheet that is permanently maintained by the political subdivision;
  - b. confirming the dollar amount of the variance, loss, shortage, or theft;
  - c. evaluating the report against the established dollar thresholds, and sending a letter to the SBOA when the report exceeds the threshold;
  - d. investigating the cause of any variance, loss, shortage, or theft;
  - e. implementing corrective actions or internal control procedures to correct the cause(s) of the variance, loss, shortage, or theft; and
  - f. maintaining copies of relevant documentation, resolution of incidents, and any report to the State Board of Accounts in a centralized data folder.
4. Acknowledgment of Ind. Code § 5-11-1-27(l), which requires public officials who have actual knowledge of or reasonable cause to believe that there has been a misappropriation of public funds to immediately send written notice of the misappropriation to the State Board of Accounts and the prosecuting attorney.

As a reminder, if a political subdivision does not develop a policy on materiality, then the threshold is \$0.00 and the political subdivision must report *all* irregular variances, losses, shortages, and thefts to the State Board of Accounts.

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**INTERNAL CONTROL TIMELINE**

IC 5-11-1-27 requires all Indiana political subdivisions to adopt the minimum level of internal control standards developed by the state board of accounts as published in the *Uniform Internal Control Standards for Indiana Political Subdivisions*. Each political subdivision must adopt these standards, train appropriate personnel, and implement policies and procedures consistent with the standards. The following is a guide to fulfilling these requirements and deadlines for action.

**Statutory Requirements - *Uniform Internal Control Standards for Indiana Political Subdivisions* (Statutory Deadline: After June 30, 2016)**

**Legislative Body – Uniform Internal Control Standards**

1. Adopt Standards. The legislative body shall ensure that the *Uniform Internal Control Standards for Indiana Political Subdivisions* are adopted. We recommend adoption by ordinance or resolution.

The *Uniform Internal Control Standards for Indiana Political Subdivisions* are available on our website [<http://in.gov/sboa/5072.htm>].

2. Train Personnel. The legislative body shall ensure that personnel, as defined in statute, receive training concerning the *Uniform Internal Control Standards for Indiana Political Subdivisions*.

Approved training materials are located in Part Two of the *Uniform Internal Control Standards for Indiana Political Subdivisions*; the Video Presentation materials in Section One accompany the Internal Control Webinar located on our website at <http://in.gov/sboa/5072.htm>.

Training by each employee should be documented on the Internal Control Training Certification Form located in the Appendix to the *Uniform Internal Control Standards for Indiana Political Subdivisions*. Retain this documentation for audit.

Please note that training is an ongoing process as new employees are hired.

**Fiscal Officer – Uniform Internal Control Standards**

1. Certify Adoption of Standards. The fiscal officer shall certify in writing that the *Uniform Internal Control Standards for Indiana Political Subdivisions* have been adopted.
2. Certify Training of Personnel. The fiscal officer shall certify in writing that the personnel, as defined in statute, have received the required training.
3. Submit Two Certifications with Annual Financial Report in 2017. Both the Adoption of Standards Certification and the Training of Personnel Certification shall be filed electronically with the state board of accounts at the same time as the annual financial report is filed.

**INTERNAL CONTROL TIMELINE cont.**

**Ongoing Requirements - Implementation of Internal Control Policies and Procedures**

**Management - Responsibility to Implement Internal Control Policies and Procedures**

The term “management” is defined for each unit of government in the Introduction section of the *Uniform Internal Control Standards for Indiana Political Subdivisions*.

After June 30, 2016, management should document in writing the specific internal control policies and procedures required for use in each department of the unit. Examples of such policies and procedures are contained in Part Two Section 2 of the *Uniform Internal Control Standards for Indiana Political Subdivisions*.

The implementation of internal control policies and procedures is an ongoing process. We recommend that management start by documenting procedures already in place and evaluating those policies and procedures in light of the five components of internal control. If any of the five components is missing, true internal control is not achieved. An effective implementation of Internal Control is a process and requires regular evaluation and adaptation for changes affecting your office. Over time controls may be added, deleted, or adjusted as necessary.

**SBOA WEBSITE FEATURE**

We wanted to make you aware of some items on our website. All information specific to School Corporations can be found on the following page: <http://in.gov/sboa/4449.htm>. This includes information regarding Internal Controls, Manual, Bulletins, and many other items. We wanted to point out the Hot Topics section that appears just under the contact information section. We release these bulletins quarterly, but there are instances where we want to get information out in between those bulletin releases. We will use this Hot Topics section for this purpose. Also, there are times where we receive the same question from multiple School Corporations and so it is beneficial for us to include the answer to that question there as well. We just want to encourage you to check your School Corporation page on our website regularly to make sure you are up-to-date on everything that we are providing.

**ANNUAL PERFORMANCE GRANT**

We have learned that IDOE included in their communication about the recent Annual Performance Grant authorized by IC 20-43-10-3 that it should be receipted into the General fund. The State Examiner issued a memo last school year dated December 19, 2014, providing our audit position for which fund schools account for the transactions.

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**MEMORANDUM**

**TO:** School Officials

**FROM:** Paul D. Joyce, CPA  
State Examiner

**RE:** Annual Performance Grant

**DATE:** December 19, 2014

Recently, we have been asked to provide an audit position regarding the distribution and transaction recordings for the Annual Performance Grant provided by IC 20-43-10-3. After discussions with other state agencies and review of the Indiana Code, we will not take exception to school corporations following their current collective bargaining agreement or, if the grant distribution is not included in the collective bargaining agreement, following the suggestions contained in the Indiana Department of Education's December 3, 2014 memo to distribute the grant on a school building basis.

It is our audit position that we will not take exception to school corporations recording the Annual Performance Grant in their records by receipting the grant amount into the "Performance Based Awards" section (3750-3759) of the Chart of Accounts from the Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations. If the school board has not appropriated expenditures from the fund, then they would need to provide that appropriation prior to the disbursements of the grant.

Finally, it is our audit position that we will not take exception to school corporations recording the Annual Performance Grant in their records by following the suggestions contained in the Indiana Department of Education's December 3, 2014 memo. The memo suggests that school corporations receipt the grant into the General fund (100). If there are not sufficient appropriations in that fund to make the disbursements, then the school board would have to request additional General fund appropriations approval from the Indiana Department of Local Government Finance.

Sincerely,



Paul D. Joyce, CPA  
State Examiner