

The background features a large, faint watermark of the Seal of the State Board of Accountants, Indiana. The seal is circular with the words "STATE BOARD OF ACCOUNTANTS" around the perimeter and "INDIANA" in the center. It contains a central figure holding a scale and a sword, surrounded by stars.

ECA Seminar - IASP

Chase Lenon, CPA

Jonathan Wineinger

Government Technical Assistance and Compliance (GTAC) Directors

Contact Information



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

YouTube Video



<https://www.youtube.com/watch?v=Stbyj0kwJyE>



SBOA Updates

Report of Misappropriation



- Indiana Code 5-11-1-27(l) requires a public officer who has actual knowledge or reasonable cause to believe that there has been a misappropriation of public funds or assets to **immediately** send a written notice to the state board of accounts and the prosecuting attorney.

Scholarships



- **Scholarships** should be included in the School Corporation's financial records.
- This position is based on the fact that scholarships are more closely associated with an educational expense (being a scholarship) and not an extracurricular account (ECA) expense.

Scholarships



- We have noticed some ECAs account for donated funds and have ‘scholarship’ in the fund name.
- In an audit we will be assessing what the proceeds of the donated funds are to be used for.
- If these funds are not a traditional scholarship, which are normally provided to a university, and instead will be used for an extracurricular purpose we will not take audit exception.

Donations



- Majority vote of its members.
- Retain documentation of vote.
- Warrant/check should be written to an organization and **not and individual.**

Accounting for Gifts & Donations



- **Cash** donations that are extra-curricular in nature may be accounted for in the Extra-Curricular Account.
- Any School Corporation donations shall be accounted for in the school corporation records.
- The acceptance of these donations shall have prior approval by the Board of School Trustees.
- Either the School Corporation Treasurer or Extra-Curricular Treasurer will be responsible for the accounting of these funds as applicable.

HEA 1169 (2021) - Cybersecurity Incidents



- Sections 1-11 Adds/Amends various sections – see bulletin for more information.
- Requires the office of technology to maintain a repository of cybersecurity incidents. Provides that a state agency and a **political subdivision shall: (1) report any cybersecurity incident to the office without unreasonable delay and not later than two business days after discovery of the cybersecurity incident** in a format prescribed by the chief information officer; and (2) provide the office with the name and contact information of any individual who will act as the primary reporter of a cybersecurity incident before September 1, 2021, and before September 1 of every year thereafter. Allows the office of technology to assist a state agency with certain issues concerning information technology. Provides that if requested by a political subdivision, the office may develop a list of third-party technology providers that work with the office. Requires a state educational institution to submit a quarterly analysis with certain conditions

Reporting Cybersecurity Incidents



- A cybersecurity incident may consist of one or more of the following categories of attack vectors: (1) Ransomware, (2) Business email compromise, (3) Vulnerability Exploitation, (4) Zero-day exploitation, (5) Distributed denial of service, (6) Web site defacement, (7) Other sophisticated attacks as defined by the chief of information officer and that are posted on the officer's Internet web site. (IC 4-13.1-1-1.5)
- Cybersecurity incidents can be reported on IOT's web site at the following webpage. <https://www.in.gov/cybersecurity/report-a-cyber-crime/>



ECA Compliance

Forms



- All ECA forms and records shall be prescribed or approved by the SBOA.
- As of April 1, 2014, there is a new form approval process detailed in the March 2014 School Administrator.
- The cost of prescribed or approved ECA records and the bond of the ECA treasurer shall be paid for from the Operations Fund of the School Corporation.
- Separate funds are required for each class or activity.
- ECA records shall be examined by SBOA as determined by the State Examiner.

Deposits and Accounts



- The treasurer shall deposit all receipts in one bank account.
- The receipts shall be deposited without unreasonable delay.
- The account is known as the school extracurricular account.
- The records of each organization, class, or activity shall be kept separate so that the balance in each fund may be known at all times.

Cash Change



• Procedures:

- Draw a check from Student Activity Fund
- Designate a custodian
- Convert to cash and safekeep cash
- Account for receipts and cash change
- Reconcile amounts received and cash change
- Deposit within 1 week

PO vs. Claim for Payment



- Purchase Order – To be used when a purchase is made for **delivery at a later date**
- Claim for Payment – To be used for in all other instances (**salesmen, athletic officials etc...**).

Bonds



- Bond amount: Should cover the approximate amount of funds that will come into the possession of the Treasurer at any one time.
- Superintendent and principal set the bond amount (or the school board if School Lunch or Curricular Materials are accounted for in the ECA).
- May have an individual or position bond. See School Bulletin 212-4.
- **Anyone else** who receives over \$5,000 and has access to public funds – they **must be bonded** as well.

Equipment Purchases



- Extracurricular equipment purchases should be approved prior to purchase by the Board of School Trustees.
- IC 20-26-5-4 School Board duty to acquire property.

School Libraries



- A Library is a facility provided by the school board.
 - Does not meet the definition of an ECA Fund per IC 20-41-1.
- Fines/fees should be remitted to School Corporation
- Books purchases should be budgeted and spent by the corporation
- Exception: School Reading Program – could meet definition of an ECA fund if not a curricular expense and is voluntary participation.

GIFT CARDS



- SBOA will not take exception to the use of gift cards by an ECA provided the following criteria are observed:
 1. The **School Board must authorize gift card purchases** through a resolution, which has been approved in the minutes.
 2. The purposes for which gift cards may be issued must be specifically stated in the resolution.
 3. Purchase and issuance of gift cards shall be handled by an official or employee designated by the school principal.
 4. The designated responsible official or employee **shall maintain an accounting system or log** which includes the name of the business from which the gift cards were purchased, their amounts, fund and account numbers to be charged, date the card was issued, person gift card was issued to, proof that the gift card was received by the person it was issued to, etc.

GIFT CARDS (CONTINUED)



5. Gift cards **shall not be used to bypass the accounting system.**

One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.

6. Procedures for **payments shall be no different than for any other claim.** The school principal must approve the expenditure and supporting documents such as paid bills and receipts must be available. Additionally, any purchase or issuance of gift cards without proper documentation may be the responsibility of that officer or employee.

Vending, Concessions or Other Sales Controls



- Internal controls over vending operations, concessions or other sales should include, at a minimum, a **regular reconciliation** of the beginning inventory, purchases, distributions, items sold and ending inventory to the amount received.
- Any discrepancies noted should be immediately documented in writing to proper officials.
- The reconciliation should provide an accurate accounting.
- Persons with access to vending should be properly designated and access should be limited to those designated.

Vending Machine Commissions and/or Profits



- There should be a clearly defined procedure adopted by the governmental unit concerning placement, use, maintenance, and commissions and/or profits of vending machines on their property.
- All revenues generated and costs incurred in operating vending machines located on the government premises should be accounted for through the governmental unit's records.
- **If vending machines are located in restricted areas** (areas other than those available to the public) and if the governmental body and chief executive officer wish for those revenues to be restricted for the **use and benefit of those employees** who use the machines and generate the revenues, the State Board of Accounts takes no exception to such action in an audit.

Vending Machine Commissions and/or Profits



- The decisions must be authorized by proper resolution or ordinance of the governing body.
- If vending machines are located in areas where the public makes use of the machines and generates the resulting revenues, we advise officials to place the revenues in the general fund for the benefit of the general public, the machine users.
- Any alternative procedure should be authorized by resolution or ordinance of the governing body.

Vending Machine Commissions and/or Profits



- In the event personnel other than the governmental unit's personnel maintain, stock, and clean up around vending machines, we take no audit exception when such persons are paid for these services.
- A written agreement should be entered into listing the services to be rendered, the amount to be paid for such services, timing of payments, and any other areas deemed necessary by the governmental unit.

ECA Investments



- Investments and Investment Income Fund:
 - The money in the school extracurricular account may be invested under the conditions specified in IC 5-13-10 and IC 5-13-10.5 for investment of state money.
 - Investments are at the discretion of the principal.
 - The interest earned from any investment may be credited to the school extracurricular account and need not be credited proportionately to each separate extracurricular fund.

Investments: Continued



- The interest earned from the investment may be used for any of the following:
 - (1) A school purpose approved by the principal.
 - (2) An extracurricular purpose **approved by the principal.**
- Receipts shall be deposited in the same form in which they are received.
- All disbursements from ECA funds must be made by check or credit card, if you have a board approved policy.

DORMANT FUNDS



- IC 20-41-1-4(b)
- Approval must be given from majority of group/class.
- If the ECA Treasurer is unsuccessful in attempts to get all required approvals, **take situation to school board.**

Teacher Funds



- Our prior audit position disallowed **staff funds to be accounted for in the extracurricular records**. We have recently revised our opinion and we will **not take exception** to an extracurricular account established for staff funds.
- <https://www.in.gov/sboa/files/2018%20December%20School%20Bulletin.pdf>
- This change in position **does not affect our position on outside organizations**, such as booster groups, parent teacher organizations etc.... There should not be any outside organizations' funds accounted for in the extracurricular records.

General (Student Activity) Funds



- The State Board of Accounts consistently has been of the audit position to not take an audit exception to a school extra curricular account having a general fund if the fund consists of revenues received from functions (vending machines or sales of a similar nature, etc.) not generated by students for a specific class or organization (for which a fund should be established).
- Our audit position has been with the provision that the functions for which the expenditures are made benefit the student body as a whole (as opposed to a select group of students, school employees or administrators).
- Examples of appropriate expenditures would be convocations, field trips which the entire student body has the opportunity to take during the course of the school year, etc.

General (Student Activity) Funds



- Our audit position has been based in part upon the substance of the transaction (the revenues are primarily from students or parents paying into vending machines, picture money, etc.).
- We would not take audit exception to a public policy of a school corporation which would provide that a general fund does not exist and that money from these type of functions be used to offset the cost of the function (reduced prices of vending machine items, reduce the costs of pictures, etc.).

Curricular Materials



- Curricular Materials (Textbooks):

- The preferred method of accounting for a textbook rental program is through a Textbook Rental Fund in the **school corporation account**.
- Where no textbooks have been purchased and no financial commitments or guarantees for such purchases have been made by the school corporation, authority is provided to account for the textbook rental program in the extra-curricular account or accounts. (IC 20-41-2-5)
- If textbook rental is accounted for in the ECA accounts, the school board shall approve the amount of the official bond of the treasurer of the extra-curricular account in an amount deemed by the school board sufficient to protect the account for all funds coming into the custody of said treasurer. (IC 20-41-2-6).

Fees – SBOA Audit Position



- IC 20-26-12-2 allows for rental charge for items that meet the definition of a “curricular material”.
- The school corporation would also be allowed to charge an educational fee for items that meet the Indiana Department of Education’s definition of “consumable curricular” material.
- **PPE** does not meet the definition of curricular materials under IC 20-18-2-2.7

Receipting of Educational Fees



- All authorized educational fees (*the School Board should be able to justify any educational fees and ensure Constitutional problems do not exist*) **must be receipted to the Operations/Education** Fund of the school corporation.
- Textbook rental funds maintained at a school building may be used to temporarily record proper fees collected (as a convenience during the collection process of textbook rental).
- Proper educational fees should be transferred timely.

Educational Fees



- The following types of items should not be assessed, collected or receipted to a school extracurricular account:
 - Air Conditioning Fees
 - Parking Fees
 - Instructional Fees
 - Bus Rider Fees
 - Fees for Payroll Positions
(Nurses, Principals, Counselors, etc.)

Fees – SBOA Audit Position: Continued



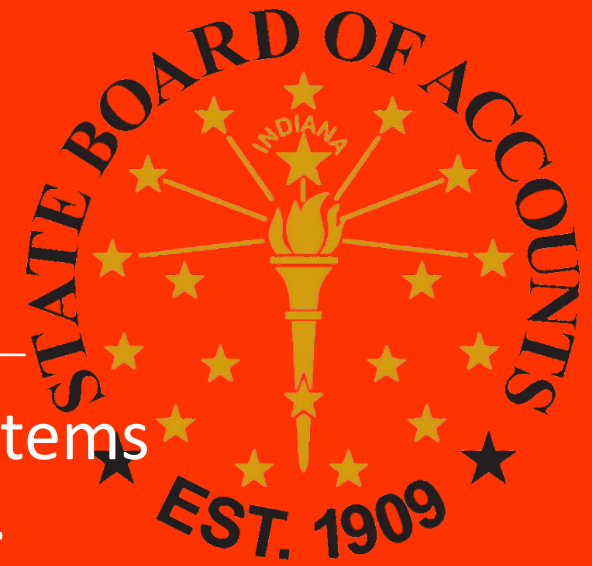
1. *The school would be able to establish a rental charge based on the requirements of IC 20-26-12-2 for items that meet the definition of a “curricular material”.*
- *IC 20-18-2-2.7 states, “Curricular materials means systematically organized material designed to provide a specific level of instruction 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.”*

Fees – SBOA Audit Position: Continued



- *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.”**

Fees – SBOA Audit Position: Continued



2. 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 include, 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.

Fees – SBOA Audit Position: Continued



3. 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.
- The school can only charge rental and educational fees **to students that receive the good/service** in which the fee was based.

RECORD RETENTION



- Maintain ALL documentation until after documentation has been audited
- After documentation have been audited, follow Retention and Disposition Schedule for IARA
- <http://www.in.gov/iara/2359.htm>



Gateway

ECA Risk Report



- **Per IC 5-11-1-4**

- Must be filed with the State Examiner.
- Must be filed electronically via the State Gateway.
- Due 60 days after the fiscal year end, which is August 29th.

- **Per IC 5-11-1-25**

- SBOA develops risk-based examination criteria and frequency of audits from reported information.

ECA Activity included in School's Financial Statements



- Enhanced Regulatory Audits start with 2019-2021 biennial audits.
- Financial Statements will be presented based upon Fund type.

EXAMPLE COMMUNITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES
REGULATORY BASIS
July 1, 2020 to June 30, 2021

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Enterprise Funds	Other Funds	Totals
Cash and investments - beginning	\$ 1,179,237	\$ 1,574,752	\$ 1,045,201	\$ -	\$ 1,672,910	\$ 2,572,040	\$ 8,044,140
Receipts							
Local sources	1,363,698	357,498,126	3,371,871	-	587,164	-	362,820,859
Intermediate sources	-	-	-	-	-	-	-
State sources	261,283	-	-	-	12,497	-	273,780
Federal sources	767,285	-	-	-	1,024,071	-	1,791,356
Temporary loans	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other receipts	-	-	452	-	-	5,036,473	5,036,925
Total receipts	<u>2,392,266</u>	<u>357,498,126</u>	<u>3,372,323</u>	<u>-</u>	<u>1,623,732</u>	<u>5,036,473</u>	<u>369,922,920</u>
Disbursements							
Current							
Instruction	671,218	-	-	-	-	-	671,218
Support Services	1,618,611	-	1,455,529	-	9,913	-	3,084,053
Noninstructional services	2,636	-	-	-	1,536,644	-	1,539,280
Facilities acquisition and construction	50,720	-	1,448,327	-	-	-	1,499,047
Debt services	-	3,060,823	-	-	-	-	3,060,823
Nonprogrammed charges	-	-	-	-	-	1,069,303	1,069,303
Interfund loans	-	-	-	-	-	-	-
Total disbursements	<u>2,343,185</u>	<u>3,060,823</u>	<u>2,903,856</u>	<u>-</u>	<u>1,546,557</u>	<u>1,069,303</u>	<u>10,923,724</u>
Excess (deficiency) of receipts over disbursements	49,081	354,437,303	468,467	-	77,175	3,967,170	358,999,196
Other financing sources (uses):							
Proceeds of long-term debt	-	14,324	-	-	-	-	14,324
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	74,378	74,378
Transfers out	-	-	-	-	-	(71,402)	(71,402)
Total other financing sources (uses)	<u>-</u>	<u>14,324</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,976</u>	<u>17,300</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	49,081	354,451,627	468,467	-	77,175	3,970,146	359,016,496
Cash and investments - ending	<u>\$ 1,228,318</u>	<u>\$ 356,026,379</u>	<u>\$ 1,513,668</u>	<u>\$ -</u>	<u>\$ 1,750,085</u>	<u>\$ 6,542,186</u>	<u>\$ 367,060,636</u>

The notes to the financial statements are an integral part of this :

EXAMPLE COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS - OTHER FUNDS
 For the Year Ended June 30, 2022

	Post-Retirement/ Severance Withholdings	Employee Benefit	Extracurricular Activity	Clearing Account	Total Other Funds
Cash and investments - beginning	\$ 3,961,866	\$ 2,315,608	\$ 257,219	\$ 7,493	\$ 6,542,186
Receipts:					
Local sources	-	-	-	-	-
Intermediate sources	-	-	-	-	-
State sources	-	-	-	-	-
Federal sources	-	-	-	-	-
Temporary loans	-	-	-	-	-
Interfund loans	-	-	-	-	-
Other receipts	2,355,315	1,912,725	931,864	74,068	1,005,932
Total receipts	2,355,315	1,912,725	931,864	74,068	5,273,972
Disbursements:					
Current					
Instruction	-	-	-	-	-
Support services	-	-	-	-	-
No instructional services	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-
Debt services	-	-	-	-	-
Nonprogrammed charges	2,347,386	2,094,501	932,261	66,983	5,441,131
Interfund loans	-	-	-	-	-
Total disbursements	2,347,386	2,094,501	932,261	66,983	5,441,131
Excess (deficiency) of receipts over disbursements	7,929	(181,776)	(397)	7,085	(167,159)
Other financing sources (uses):					
Proceeds of long-term debt	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources and other financing uses	7,929	(181,776)	(397)	7,085	(167,159)
Cash and investments - ending	\$ 3,969,795	\$ 2,133,832	\$ 256,822	14,578	6,375,027

Gateway Reporting – 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.

Subpoenas



- **Subpoenas** will be to non-filers.
- Copies will be sent to the School Treasurer, Superintendent and School Board President.

Monthly and Annual Engagement Uploads



- Required Monthly Uploads
 - Funds Ledger
 - Monthly Bank Reconciliation
- **Must** be uploaded by the 15th of the second month following the month they are for
 - Example – July monthly files are due September 15

Monthly and Annual Engagement Uploads



- Required Annual Uploads
 - Due August 29th
 - Annual Funds Ledger
 - Detail of Receipt Activity
 - Detail of Disbursement Activity
 - Year End Bank Statement
 - Year Ending Investment Statements
 - Year End Outstanding Checklist

Resource Library



SBOA Resource Library



The State Board of Accounts (SBOA) is pleased to present an online resource library for our clients and the citizens of Indiana. The following information can be now searched in the resource library.

- SBOA Uniform Compliance Guidelines (including previously issued bulletin articles)
- State Examiner Directives
- Best Practice Documents
- Indiana Code Section Summaries
- Frequently Asked Questions
- Other Miscellaneous Materials

Resource Library - Exercise



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Questions?

