

THE CHARTER SCHOOL ADMINISTRATOR

and Uniform Compliance Guidelines ISSUED BY STATE BOARD OF ACCOUNTS

Volume 1

December 2012

This is the first issue of The Charter School Administrator, a publication by the State Board of Accounts. It is the intent that subsequent issues will be made quarterly. These publications have as their purpose the furnishing of information for the use of charter school officials. We sincerely hope this publication will be beneficial in your administration of charter school affairs.

Bruce Hartman
State Examiner

ITEMS TO REMEMBER

December

- 1 Prove the Fund Ledger and Ledger of Receipts for the month of November 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 the 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.
- 20 Last day to report and make payment of state and county income tax withheld during November to the Department of Revenue.
- 25 Legal Holiday - Christmas Day (IC 1-1-9-1)
- 31 All local investment officers shall reconcile at least monthly the balance of public funds as disclosed by the records of the local officers, with the balance statements provided by the respective depositories. (IC 5-13-6-1(e))

January

- 1 Legal Holiday – New Year’s Day (IC 1-1-9-1)

Open a Ledger of Appropriations, Allotments, Encumbrances, Disbursements, and Balances by recording the appropriations by programs approved by the board of school trustees in the Resolution of Appropriations for the 2013 calendar year unless such appropriations must be reduced pursuant to action taken by the County Board of Tax Adjustment (if applicable) or by the Department of Local Government Finance. Record in the expenditure accounts of each program the allotments made by the board of school trustees. Also add to the 2013 year's appropriations by programs and to the expenditure accounts by allotments, any encumbered appropriations and allotments of the 2012 calendar year to be carried forward.

**THE CHARTER SCHOOL ADMINISTRATOR
and Uniform Compliance Guidelines**

Volume 1, Page 2

December 2012

ITEMS TO REMEMBER

(Continued)

January

- 20 Last day to report and make payment of state and county income tax withheld during December to the Department of Revenue.
- 21 Legal Holiday – Martin Luther King, Jr.’s Birthday (IC 1-1-9-1)
- 31 Last day to provide each employee with a W-2.

Last day to file Employer’s Quarterly Federal Tax Return, Form 941, with the Internal Revenue Service for payment of federal and social security taxes for the fourth quarter.

Last day to file quarterly reports with the Indiana Department of Workforce Development for the quarter ending December 31.

All local investment officers shall reconcile at least monthly the balance of public funds as disclosed by the records of the local officers, with the balance statements provided by the respective depositories. (IC 5-13-6-1(e))

Last day to prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents in the school corporation, and the respective duties and compensation of each, and file in the office of the state examiner of the state board of accounts. The report must also indicate whether the school corporation offers a health plan, a pension, and other benefits to full-time and part-time employees. The certification must be filed electronically in the manner prescribed under IC 5-14-3.8-7. (IC 5-11-13-1(a))

February

- 1 Prove all ledgers for the month ending January 31 as outlined for the month of December.
- 12 Legal Holiday – Abraham Lincoln’s Birthday (IC 1-1-9-1)
- 18 Legal Holiday – George Washington’s Birthday (IC 1-1-9-1)
- 20 Last day to report and make payment of state and county income tax withheld during January to the Department of Revenue.
- 28 All local investment officers shall reconcile at least monthly the balance of public funds as disclosed by the records of the local officers, with the balance statements provided by the respective depositories. (IC 5-13-6-1(e))

**THE CHARTER SCHOOL ADMINISTRATOR
and Uniform Compliance Guidelines**

Volume 1, Page 3

December 2012

RETAINAGE ON PUBLIC WORKS CONTRACT

IC 20-24-7-7 states: "When a charter school uses public funds for the construction, reconstruction, alteration, or renovation of a public building, bidding and wage determination laws and all other statutes and rules apply."

IC 36-1-12-14 applies to public work contracts in excess of two hundred thousand dollars (\$200,000) for projects other than highways, roads, streets, alleys, bridges and appurtenant structures situated on streets, alleys and dedicated highway rights-of-way. IC 36-1-12-14 also applies to projects of a school holding corporation or company qualifying under IC 20-47-2 or IC 20-47-3 or any other lease-back arrangement containing an option to purchase, notwithstanding the statutory provisions governing those leases.

Contract Provisions

IC 36-1-12-14(b) states: "A board that enters into a contract for public work, and a contractor who subcontracts parts of that contract, shall include in their respective contracts provisions for the retainage of portions of payments by the board to contractors, by contractors to subcontractors, and for the payment of subcontractors. At the discretion of the contractor, the retainage shall be held by the board or shall be placed in an escrow account with a bank, savings and loan institution, or the state as the escrow agent. The escrow agent shall be selected by mutual agreement between board and contractor or contractor and subcontractor under a written agreement among the bank or savings and loan institution and:

- (1) the board and the contractor; or
- (2) the subcontractor and the contractor.

The board shall not be required to pay interest on the amounts of retainage that it holds under this section."

Amount of Retainage

IC 36-1-12-14(c) states: "To determine the amount of retainage to be withheld, the board shall:

- (1) withhold no more than ten percent (10%) nor less than six percent (6%) of the dollar value of all work satisfactorily completed until the public work is fifty percent (50%) completed, and nothing further after that; or
- (2) withhold no more than five percent (5%) nor less than three percent (3%) of the dollar value of all work satisfactorily completed until the public work is substantially completed. If upon substantial completion of the public work minor items remain uncompleted, an amount computed under subsection (f) shall be withheld until those items are completed."

**THE CHARTER SCHOOL ADMINISTRATOR
and Uniform Compliance Guidelines**

Volume 1, Page 4

December 2012

RETAINAGE ON PUBLIC WORKS CONTRACT

(Continued)

Investments

IC 36-1-12-14(d) states: "The escrow agreement must contain the following provisions:

- (1) The escrow agent shall invest all escrowed principal in obligations selected by the escrow agent.
- (2) The escrow agent shall hold the escrowed principal and income until receipt of notice from the board and the contractor, or the contractor and the subcontractor, specifying the part of the escrowed principal to be released from the escrow and the person to whom that portion is to be released. After receipt of the notice, the escrow agent shall remit the designated part of escrowed principal and the same proportion of then escrowed income to the person specified in the notice.
- (3) The escrow agent shall be compensated for the agent's services. The parties may agree on a reasonable fee comparable with fees being charged for the handling of escrow accounts of similar size and duration. The fee shall be paid from the escrowed income. The escrow agreement may include other terms and conditions consistent with this subsection, including provisions authorizing the escrow agent to commingle the escrowed funds with funds held in other escrow accounts and limiting the liability of the escrow agent."

Performance Bond

IC 36-1-12-14 (e) states: "Except as provided by subsections (i) and (h), the contractor shall furnish the board with a performance bond equal to the contract price. If acceptable to the board, the performance bond may provide for incremental bonding in the form of multiple or chronological bonds that, when taken as a whole, equal the contract price. The surety on the performance bond may not be released until one (1) year after the date of the board's final settlement with the contractor. The performance bond must specify that:

- (1) a modification, omission, or addition to the terms and conditions of the public work contract, plans, specification, drawings, or profile;
- (2) a defect in the public work contract; or
- (3) a defect in the proceedings preliminary to the letting and awarding of the public work contract; does not discharge the surety."

**THE CHARTER SCHOOL ADMINISTRATOR
and Uniform Compliance Guidelines**

Volume 1, Page 5

December 2012

RETAINAGE ON PUBLIC WORKS CONTRACT

(Continued)

Performance Bond, Continued

IC 36-1-12-14 (g) states: "Actions against a surety on a performance bond must be brought within one (1) year after the date of the board's final settlement with the contractor."

IC 36-1-12-14 (h) states: "This subsection applies to public work contracts of less than two hundred fifty thousand dollars (\$250,000). The board may waive the performance bond requirement of subsection (e) and accept from a contractor an irrevocable letter of credit for an equivalent amount from an Indiana financial institution approved by the department of financial institutions instead of a performance bond. Subsections (e) through (g) apply to a letter of credit submitted under this subsection."

Substantial Completion

IC 36-1-12-14 (f) states: "The board or escrow agent shall pay the contractor within sixty-one (61) days after the date of substantial completion, subject to sections 11 and 12 of this chapter. Payment by the escrow agent shall include all escrowed principal and escrowed income. If within sixty-one (61) days after the date of substantial completion there remain uncompleted minor items, an amount equal to two hundred percent (1%) of the value of each item as determined by the architect-engineer shall be withheld until the item is completed. Required warranties begin not later than the date of substantial completion."

SOCIAL SECURITY TAX BASE CHANGES JANUARY 1

Unless there is a change made by Congress, the 2013 contribution rate will change. The current rate is at a total of 13.3 percent. (6.2% employer, 4.2% employee, 1.45% for the employer's share of Medicare and 1.45% for the employees share of Medicare.)

We further understand that the maximum amount of earnings that will be subject to Social Security contributions will raise from \$110,100 to \$113,700 effective January 1, 2013.

Please contact the Internal Revenue Service at 1-800-829-1040 if you should have questions on this matter.

**THE CHARTER SCHOOL ADMINISTRATOR
and Uniform Compliance Guidelines**

Volume 1, Page 6

December 2012

GATEWAY 100-R

Indiana Code 5-11-13-1 states:

"(a) Every state, county, city, town, township, or school official, elective or appointive, who is the head of or in charge of any office, department, board, or commission of the state or of any county, city, town, or township, and every state, county, city, town, or township employee or agent who is the head of, or in charge of, or the executive officer of any department, bureau, board, or commission of the state, county, city, town, or township, and every executive officer by whatever title designated, who is in charge of any state educational institution or of any other state, county, or city institution, shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents in their respective offices, departments, boards, commissions, and institutions, and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts. The report must also indicate whether the political subdivision offers a health plan, a pension, and other benefits to full-time and part-time employees. However, no more than one (1) report covering the same officers, employees, and agents need be made from the state or any county, city, town, township, or school unit in any one year. The certification must be filed electronically in the manner prescribed under IC 5-14-3.8-7.

(b) The department of local government finance may not approve the budget of a county, city, town, or township or a supplemental appropriation for a county, city, town, or township until the county, city, town, or township files an annual report under subsection (a) for the preceding calendar year."

This report will be filed through the Gateway system this year. Instructions will be sent to all school corporations in December.

INDEPENDENT AUDITS BY PRIVATE EXAMINERS

The audits of charter schools may be initiated and administered by the State Board of Accounts; by state or local government funding agencies; or by the entities themselves. Audits may be performed by the State Board of Accounts or private examiners approved by the State Board of Accounts and hired by the charter school. For audit periods ending June 30, 2011 and 2012 the State Board of Accounts is now allowing private examiners to complete the audits of the charter schools.

Coordination of these audits with the State Board of Accounts is required. We, therefore, require the submission of all charter school audit contracts to us for approval, prior to signing. For audit periods ending June 30, 2011 and 2012, notification shall be sent to the State Board of Accounts of the intent to contract for audit by a private examiner by September 15, 2012.

Per IC 5-11-1-7, private examiners allowed engagements by the State Examiner are subject to the direction of the State Examiner. Private examiners allowed engagements for services under IC 5-11 are agents of the State Examiner and are limited to the following powers unless additional authority is granted in writing by the State Examiner.

**THE CHARTER SCHOOL ADMINISTRATOR
and Uniform Compliance Guidelines**

Volume 1, Page 7

December 2012

INDEPENDENT AUDITS BY PRIVATE EXAMINERS

(Continued)

Audits performed by private examiners are to be completed and all required reports issued within 180 days after the close of the audit period. Any requests for an extension of time must be made by emailing the State Board of Accounts at charterschools@sboa.in.gov. The request shall include the reason an extension is needed and the amount of extra time being requested. Extensions may be granted by the State Board of Accounts for up to an additional 60 days. Requests for extension must be received no later than 30 days prior to the report deadline indicated above to be considered for approval. Extensions are not automatic; any request for an extension may be rejected by the State Board of Accounts. Any extension approval shall be in the form of a written response.

Any charter school that does not have an audit completed and reports submitted by the deadline or request an extension as indicated above will have their audit completed by the State Board of Accounts. If the audit requires the issuance of financial statements on a Generally Accepted Accounting Principles (GAAP) basis and/or the performing a federal audit in accordance with Office of Management and Budget (OMB) Circular A133 then the cost of the audit will be based on the current full cost per hour audit cost charged to other governmental units.