



IASBO ECA Conference

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About the State Board of Accounts



- Created in 1909 in response to widespread corruption
- Mission Statement
 - We are dedicated to providing the citizens of the State of Indiana with complete confidence in the integrity and financial accountability of state and local government.
- Responsibilities
 - Perform audit/exams of all governmental units
 - Prescribe forms and procedures used by governmental units
 - Various other duties including recounts, providing training for local officials, consulting services, etc.

SBOA Staff



Organizational Flowchart

- SBOA Board (State Examiner, 2 Deputies)
- Directors (2 per area)
 - Schools and Townships
 - Cities/Towns and Special Districts
 - Counties
- Audit Coordinators (5)
- Investigation Coordinators (2)
- Field Examiners (230)

ECA Risk Report



- Due in Gateway by August 29th
 - Can file early if closing books early
- No changes from last year
 - Be mindful **questions affect when you are audited!**

ECA Audits



• SBOA plan

- ECA with receipts greater than \$1,000,000 will be examined during the school corporation audit by the assigned field examiners
 - For 2016 Report 76 ECAs
- ECA with receipts between \$1,000,000 - \$100,000 will be examined by a centralized compliance process
 - For 2016 Report 682 ECAs
 - Will be done on a 4 year rotation coinciding with the School Corporation audit
- ECA with receipts less than \$100,000 and not having a specific risk identified will have **Centralized review process**
 - Approximately 10% of total statewide ECA activity

Monthly Uploads



- State Examiner Directive 2018-1

- <https://www.in.gov/sboa/files/Directive%202018-1.pdf>

- More efficient and less costly audits.
- Proactively identify problems.

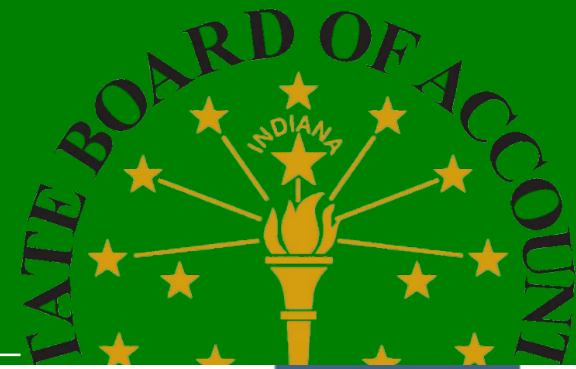
Dates of Submission



- Monthly – by the 15th of each month
 - 45 days to submit information (January information in March).
- 1st month required: January 2019
- Annual Uploads – After Fiscal Year-end
 - By August 29th

Gateway

<https://gateway.ifionline.org/>



Gateway INDIANA for government units



- [Home](#)
- [Report Builder](#)
- [Download Data](#)
- [Learn More](#)

[Local Officials: Login Here »](#)

An Open Door into Local Government Finance

Gateway collects and provides access to information about how taxes and other public dollars are budgeted and spent by Indiana's local units of government.



[Find your units](#)



[Public employee compensation](#)



[When is your budget hearing?](#)

Login Screen



[Home](#) [About](#) [User Guides](#)

The Indiana Gateway for Government Units provides a central commons for local units to submit their financial forms to the State of Indiana.

This site works best in [Firefox](#) and [Chrome](#). Internet Explorer browser.

Authorized Personnel Login

User Name:

Password:

[Forgot your password?](#)

Please note: Passwords are CASE sensitive.

After 5 failed attempts to log in, your account will be locked—
notify ibrctech@iu.edu.

[Request Authorization to Access Gateway](#)

Announcements

Gateway Reporting Access Authorized User P

The local official login portion of Gateway is accessible only
responsible for entering and submitting reports to the State.
the person who receives authorization. [Read full policy »](#)

Welcome to the Indiana Gateway for Government Units

As an authorized user, you will have at least one application to use. Each of these applications enables a local unit to submit its required forms, reports or files to the appropriate state agency. Agencies currently include [Department of Local Government Finance](#), [State Board of Accounts](#), [Indiana Education Employment Relations Board](#) and [Indiana Gaming Commission](#).

Select Application

Department of Local Government Finance (DLGF)	Deadline
Abstract	Details
Assessor Reports	Mar 31
Budgets	Details
Data Entry for CNAV and Form 22	Details
Debt Management	Details
Economic Development Reporting	Sep 30
File Transmission	Details
Other Post-Employment Benefits	Mar 1
SB 131 Reporting for SWMDs	Mar 1

State Board of Accounts (SBOA)	Deadline
100R	Jan 31
Annual Financial Report	Details
Monthly and Annual Engagement Uploads	Details
Conflict of Interest Disclosure	15 days after final action on the contract or purchase
E-1 Entity Annual Report	60 days after entity's fiscal year ends
ECA Risk Report	Aug 29

Gateway



- <https://gateway.ifionline.org/>
- User Guide:
<https://gateway.ifionline.org/userguides/engagementguide>
- Submitter – ECA or Corporation Treasurer

Approvals to spend



IC 20-41-1-7 states:

- (a) The treasurer has charge of the custody and disbursement of any funds collected by a collecting authority and expended to pay expenses:
 - (1) **approved by the principal** or teacher in charge of the school;
 - (2) incurred in conducting **any athletic, social, or other school function** (other than functions conducted solely by any organization of parents and teachers);
 - (3) that cost more than twenty-five dollars (\$25) during the school year; and
 - (4) that are not paid from public funds.
- (b) The principal or teacher in charge of the school shall **designate a collecting authority** to be in charge of the collection of any funds described in this section. Upon collection of any funds, the collecting authority shall deliver the funds, together with an accounting of the funds, to the custody of the school treasurer. The principal may designate different collecting authorities for each separate account of funds described in this section.

Your Responsibility!!!



- Upon collection of any funds, the collecting authority shall deliver the funds, together **with an accounting of the funds**, to the custody of the school treasurer. The principal may designate different collecting authorities for each separate account of funds.

Reimbursement Procedures



- Two Options – (Determined by Policy)
 1. Provide ECA Treasurer /w invoices/bills for costs associated with event.
 2. Pay the cost and submit documentation for reimbursement.
 - Documentation should be itemized.

Approvals to transfer



- IC 20-41-1-4
- Requires approval from:
 - 1. Majority of Members
 - 2. Sponsor (AD sponsor for athletic funds)
 - 3. Principal
 - 4. Treasurer

SBOA Forms



- All ECA forms and records shall be prescribed or approved by the SBOA.

As of April 1, 2014, the form approval process is 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 General (Operations) Fund of the School Corporation.**

Fundraisers



- In the absence of a local policy, our opinion would be that **each fundraising activity needs to be looked at individually** to determine if the school corporation is running the activity or if an outside organization is running the activity.
- Things to keep in mind would be that if school employees are participating in the fundraising activity on school time, then the fundraiser activity should be accounted for in the school records or you run the risk of **ghost employment** issues.

Fundraisers



- ~~Governmental units which conduct fund raising events should have the express permission of the governing body for conducting the fundraiser as well as procedures in place concerning the internal controls and the responsibility of employees or officials.~~
- School Board would also need to approve/accept donations to be received.

Accounting for 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.

Donation of Funds



- We will not take exception to club/organizations donating money to an outside organization based on a majority vote of its members.
- Documentation must be retained to provide approval of a majority of the members.
- The warrant/check should be written to an organization and **not an individual.**

Prepaid School Lunch



- Updated bulletin article
 - “Recommended” → “Required”
 - Monthly reconcilements required
 - Updated for new chart of accounts
 - <https://www.in.gov/sboa/files/2019%20February%20School%20Bulletin.pdf>

Staff 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.
- 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.
- IC 20-41-1-7 states in part: "The treasurer has charge of the custody and disbursement of any funds . . . incurred in conducting any athletic, social, or other school function (other than functions conducted solely by any organization of parents and teachers) . . ."

Bonding Requirements



- IC 5-4-1-18
- “...whose official duties include receiving, processing, depositing, disbursing, or otherwise having access to funds that belong to the federal government, the state, a political subdivision, or another governmental entity **in an amount that exceeds five thousand dollars (\$5,000)** per year” ... must have a bond of at least \$5,000.
- **The statute does not require the individual to be an employee of the school corporation.** So, for example, parents volunteering in the school lunchroom or at an extracurricular sporting event must be bonded if their official volunteer duties include receiving public funds such as lunch money or admission fees assuming they will collect over the *de minimis* amount.

Credit Cards



1. The governing **board must authorize** credit card use through an ordinance or resolution, which has been approved in the minutes.
2. Issuance and **use should be handled by an official or employee designated** by the board.
3. The **purposes** for which the credit card may be used must be **specifically stated in the ordinance or resolution.**
4. When the purpose for which the credit card has been issued has been accomplished, **the card should be returned** to the custody of the responsible person.

Credit Cards (Continued)



5. ...Should **maintain an accounting system or log** which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.
6. Credit cards should **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.
7. **Payment should not be made on the basis of a statement or a credit card slip only**. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, **an annual fee may be paid**.

Frequently Asked ECA Questions



- Student Activity Funds
 - Used for the entire student body

- Ex: Field Trips, Convocations etc...

Frequently Asked ECA Questions



- Library Funds
- Exception: Reading Incentive Program (Scholastic)

Frequently Asked ECA Questions



- Scholarships

- Never write a check to an individual!

- School Corporation Records IC 20-40-14

- 2700-2799 Scholarships in Chart of Accounts

Frequently Asked ECA Questions



- ECA Equipment and Uniform Purchases
- Allowable: equipment/uniforms...
- Not allowable: Gym class equipment...

Frequently Asked ECA Questions



- Vending Machines/Concessions
- At a minimum – yearly reconciliation of concessions/vending items.

Frequently Asked ECA Questions



- Outside Organizations
- No funds that are Educational in Nature
 - Other than School Lunch and Curricular Materials
 - Process in Chapter 6 page 3
 - Fees i.e. Parking fees



- New Version released
- Removed *requirement* for the School board to approve each fundraiser.
 - ~~*Governmental units which conduct fundraising events should have the express permission of the governing body for conducting the fundraiser as well as procedures in place concerning the internal controls and the responsibility of employees or officials.*~~

Internal Controls



- IC 5-11-1-27
 - 1. Adopt minimum standards
 - 2. Train *Personnel* defined in IC 5-11-1-27(c)
- Next steps? Creating an Internal Control Policy!

Components of Internal Control



- **C**ontrol Activities
 - Actual procedures performed
- **R**isk Assessment
 - Where could things go wrong?
- **I**nformation and Communication
 - If things go wrong, do you know?
- **M**onitoring
 - It needs to be continuous process
- Control **E**nvironment
 - 'Tone at the top'

C.R.I.M.E!

Case Study Example - Receipting



- **Background:**

- The school used a computer software system to record billings and collections of school lunch rental receipts.
- The setup of the computer system authorized the ECA-Treasurer and two other employees to make entries to the student accounts.
- According to the ECA-Treasurer, at the end of each day the secretary was responsible for running the End of Day Report, totaling the payments, and balancing the cash drawer. She would then complete the bank deposit ticket, and finally take the deposit to the bank.
 - For days in which the secretary performed the End of Day duties, the ECA-Treasurer was supposed to verify that the End of Day report, adding machine tape, cash drawer, and deposit agreed and vice versa. Each employee was supposed to initial off on the supporting documentation to indicate that the verification had been completed.
- The computer software system required each user to have a user id and password. Each payment that was posted indicated the employee that supposedly made the entry. The payment posting would automatically be recorded in the Customer Account history portion of the system, which the school employees were not aware of.

Background (Continued)



- The school used a manual system for collecting and recording prepaid school lunch deposits.
- According to the School Treasurer, all employees were authorized to accept payments. When the school employee was presented with a payment, they calculated the student's new account balance, accepted payment, and presented them with a receipt.
- The employee was required to note the payment amount, date, and receipt number. The payments that occurred were entered into the school's financial computer system. The employee responsible for accounting for the day's collections used the computer-generated receipts to compile the bank deposit.

Audit Results



- End of day and verifications procedures not consistently performed to be effective.
- The User ID that entered transactions was not working on all days the user ID was being used.
- We traced payments posted from the Customer History reports to the actual bank deposits and found \$47,057.31 in posted payments that were not deposited in the School's bank account. We found that \$3,300.00 of hand-written receipts and postings to the "Deposit Register" were not deposited in the School's bank account.

Control Environment



- A. The school officials could **clearly express the expectations they have for all employees** to conduct themselves and complete their duties with integrity. (Principle 1)
- B. The school officials could have **made the ECA-Treasurer's duties more specific** and stressed the importance of tasks being segregated. (Principle 3)
- C. The school officials could have **reviewed the duties assigned by the ECA-Treasurer and periodically meet** with her to evaluate the office procedures and the employees that are completing those tasks. (Principle 2)
- D. The ECA-Treasurer could have **required that each employee** that accepted payments **have their own cash drawer**. (Principle 3)
- E. She could have relayed the importance of each employee not sharing their usernames and passwords. She could have **understood the computer accounting system** and used any built-in security measures to establish and evaluate procedures. (Principle 3)
- F. The ECA-Treasurer and the school officials could **develop education and experience guidelines to use during the hiring process** in order to guide them in employing competent individuals. (Principle 4)
- G. The ECA-Treasurer could **establish an annual employee evaluation** process to determine areas in which the school employees are excelling and areas in which they need additional training. (Principle 4)
- H. School officials could support the evaluation system by indicating it would be relied upon in determining additional benefits and disciplinary measures for the future. (Principle 4 and 5)

Risk Assessment



- A. After the ECA-Treasurer assigns the specific duties in the receipt process, she could **determine the likelihood that an employee would make an error or misappropriate funds** while completing their duty. (Principle 6)
- B. She could have consulted with the school officials to **identify risky areas and to determine mitigating procedures** that they would institute to lessen the risk of theft or error. (Principle 7)
- C. The risks could include an employee manipulating the computer system resulting in theft. Receipts not posted correctly or not posted at all could create financial reports that don't give an accurate account of the fund activities and balances, **therefore proper decisions may not be made.** (Principle 8)
- D. The ECA-Treasurer and school officials could **develop contingency plans** for situations in which the environment of the school changes significantly. For example, if the ECA-Treasurer position is vacant for a number of months, then the secretary could establish some additional mitigating controls involving the school board to ensure the internal control system continues to function. (Principle 9)

Control Activities



- As much as possible the procedures to collect, verify, deposit, and post payments need to be segregated among all employees.
- A. The ECA-Treasurer with approval of the school board **could formalize the procedures** below by officially adopting similar procedures as below. (Principle 12)
- B. The secretary could be responsible for collecting payments from customers and issuing receipts. The secretary **counts the drawer to determine total amount collected** for the day. (Principles 10 & 11)
- C. The ECA-Treasurer reconciles the End of Day Collections report to the cash drawer and completes the deposit ticket. She **could also make any corrections/adjustments** requested to customer accounts. (Principles 10 & 11)
- D. The ECA-Treasurer reviews the receipt postings to the customer accounts, verifies the deposit to the deposit ticket and makes the deposit at the bank. She **could also review all adjustments to customer accounts**. (Principles 10 & 11)
- E. The computer accounting system will restrict users from performing tasks that they are not assigned. The **system could limit the ability of certain users to record voids or adjustments** to individual's accounts. The system **could date and time stamp reports used to reconcile** collections to deposits. (Principles 10 & 11)
- F. The School Board could **review reports that compared billings to collections** that could indicate if unexpected postings were being made. They could also **compare collection reports to bank statement deposits** to assess if collections are being deposited. (Principles 10 & 11)

Information and Communication



- A. The ECA-Treasurer could **document and share** with the employees and School Board the **tasks that are assigned** to each employee. (Principle 14)
- B. She could encourage everyone to **evaluate the procedures that she assigns** and provide information that could make the internal controls more effective. (Principle 14)
- C. She could **determine the supporting documents and reports that are needed** to provide an evaluation that the payments received have been posted and deposited. (Principle 13)
- D. The School Board could **inquire/ensure that all employees are performing their assigned tasks**. The ECA-Treasurer could provide notification, through signage, that **all customers making a payment would receive a receipt and customer payment histories would be available upon request**. (Principle 15)

Monitoring



- A. The ECA-Treasurer could perform **random checks of a day's cash collections** to what was counted by the secretary and be verified by another employee. (Principle 16)
- B. She could look for areas in which the **internal control procedures were not followed**. (Principle 17)
- C. The School Board could **randomly request to review collection reports and bank reconcilements** to determine if the information that they are being provided is reliable. (Principle 16)
- D. The ECA-Treasurer and the School Board could **periodically meet to evaluate the internal control procedures** that have been put in place to determine if they need to be updated for controls that are ineffective. (Principle 17)

Website Overview



<https://www.in.gov/sboa/4449.htm>



Questions?