

THE SCHOOL BULLETIN
And Uniform Compliance Guidelines

ISSUED BY STATE BOARD OF ACCOUNTS

Vol. No. 229

March 2020

ITEMS TO REMEMBER

March

- 1 Prove the Fund Ledger and Ledger of Receipts for the month of February 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 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.
- 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)
- 15 Deadline to upload monthly bank reconcilements, approved board minutes, and funds ledger, summarizing total receipts, disbursements, and balances by fund for January 2020 to Gateway. [State Examiner Directive 2018-1]
- 20 Last day for Early Filers to report and make payment of state and county income tax withheld during February to the Indiana Department of Revenue. Monthly Filers have until 30 days after prior month's end. For questions on filing status contact the Indiana 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 of each year)
- 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.
- 10 Legal Holiday – Good Friday (IC 1-1-9-1)
- 15 Deadline to upload monthly bank reconcilements, approved board minutes, and funds ledger, summarizing total receipts, disbursements, and balances by fund for February 2020 to Gateway. [State Examiner Directive 2018-1]
- 20 Last day for Early Filers to report and make payment of state and county income tax withheld during March to the Indiana Department of Revenue. Monthly Filers have until 30 days after prior month's end. For questions on filing status contact the Indiana Department of Revenue.
- 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 Last day to file quarterly reports with the Indiana Department of Workforce Development for the quarter ending March 31.
- 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)

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March 2020

May

- 1 Prove all ledgers for the month of April.
- 15 Deadline to upload monthly bank reconcilements, approved board minutes, and funds ledger, summarizing total receipts, disbursements, and balances by fund for March 2020 to Gateway. [State Examiner Directive 2018-1]
- 20 Last day for Early Filers to report and make payment of state and county income tax withheld during April to the Indiana Department of Revenue. Monthly Filers have until 30 days after prior month's end. For questions on filing status contact the Indiana Department of Revenue.
- 25 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)

EARLY RETIREMENT BUYOUT PLANS

We understand some school corporations are offering buy-out plans to staff to encourage early retirement. Some of these buy-out plans may anticipate expenditures far into the future, in some cases five years or longer.

The State Board of Accounts is of the audit position school corporations should be in compliance with IC 20-42-4-1 which states "This chapter applies to a school corporation that: (1) after June 30, 2001, establishes a retirement or severance plan that will require the school corporation to pay postretirement or severance benefits to employees of the school corporation; or (2) includes in a collective bargaining agreement or other contract entered into after June 30, 2001, a provision to increase: (A) the benefit; or (B) the unfunded liability; under a retirement or severance provision that will require the school corporation to pay postretirement or severance benefits to employees of the school corporation." And IC 20-42- 4-2 which states "(a) A school corporation must fund on an actuarially sound basis the postretirement or severance benefits that will be paid to employees under a plan, an agreement, or a contract described in section 1(1) of this chapter or an increase described in section 1(2) of this chapter. (b) A school corporation must place the assets used to fund on an actuarially sound basis the postretirement or severance benefits in a separate fund or account, and the school corporation may not commingle the assets in the separate fund or account with any other assets of the school corporation."

TRAVEL EXPENSE

Official Opinion 74 of the Indiana Attorney General, issued in 1953, concluded there is no statutory authority for payment of a fixed amount of travel allowance to public employees and that a public employer may not reimburse an employee for travel expense which is, in fact, not incurred by the employee. Also, there is no authority for a travel allowance to be paid without regard to the number of miles, if any, actually traveled.

Therefore, the State Board of Accounts is of the audit position that a fixed amount for travel allowance should not be paid. The prescribed method is to reimburse the employee for travel on the basis of a claim filed on Mileage Claim, Form 101, for reimbursement at the rate per mile as established by the local board of school trustees for all employees of the school corporation.

AUDIT COSTS

Inquiries have questioned the correct procedure for accounting for school corporation audit costs.

We find that IC 5-11-4-3(b) remains applicable to guide these processes. IC 5-11-4-3 (b) states in part: ". . . Immediately upon receipt of the certified statement, the county auditor shall issue a warrant on the county treasurer payable to the treasurer of state out of the general fund of the county for the amount stated in the certificate. The county auditor shall reimburse the county general fund, except for the expense of examination and investigation of county offices, out of the money due the taxing units at the next semiannual settlement of the collection of taxes."

Therefore, counties shall continue to forward examination of record payments to the Treasurer of State for school corporation audits and examinations when billed by the State Board of Accounts. The county general fund shall then be reimbursed from property tax collections of that school corporation at the next semiannual settlement. The school corporation may direct the county auditor to reduce the distributions of a specific fund or multiple funds that continue to have property tax levies for the examination of records expense.

ACCESS TO PUBLIC RECORDS

The following was provided by the Indiana Archives and Records Administration in response to an inquiry made with the Indiana Public Access Counselor "As I understand your questions, a bank/payroll vendor will be serving as an agent for an Indiana governmental unit regarding access to public records and compliance with records retention. The bank/vendor would thus be required to maintain the checks, bank statements, payroll records, etc. for the same period as the agency.

The bank/vendor may well hold the information, but the obligation remains with the agency to provide access upon request, not the bank or vendor. The agency further has the obligation to provide access to the materials throughout the required retention. In the case of cancelled checks/warrants they are currently required to be maintained for 6 (six) years after the completion of the State Board of Accounts Audit. Payroll records are dependent upon the type."

FRAUDULENT DIRECT DEPOSIT CHANGE REQUESTS

We are aware of a recent fraudulent scheme where perpetrators are emailing school officials and impersonating school employees. The fraudsters are requesting, via email, a change to a school employee's payroll direct deposit account to an illegitimate account.

We recommend that schools implement controls that would require all direct deposit account change requests to be made in person by employees.

SBOA EXTRACURRICULAR TRAINING VIDEO

We have posted a training video to YouTube for Extracurricular Account (ECA) Treasurers. This training video is two hours long and covers the statutes that relate to ECA treasurers along with audit positions of the board of accounts. This video is a good resource for new and experienced ECA Treasurers.

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

SCHOOL ENROLLMENT INCENTIVES

We would like to bring to your attention IC 20-19-3-15(c), which states in part "...A school may not offer or give, as an enrollment incentive, any item that has monetary value, including cash or a gift card that may be used at a retail store, grocery store, online store, or other commercial enterprise, to:

- (1) a prospective student (or the parent of a prospective student) in exchange for enrolling the prospective student at the school; or
- (2) any person in exchange for referring a prospective student to the school.

This section does not apply to a school promotional item that has minimal monetary value.

SCHOOL LUNCH PROGRAM – ECA RECORDS

IC 20-41-1-2 allows the school lunch program to be established as a separate fund apart from any other school corporation fund. IC 20-41-2-4 also provides the authority to account for the program in an extracurricular account or accounts. The ledger maintained for the school lunch program (either at the School Corporation or extracurricular level) is determined by which method the school board elects to use.

We have provided guidance that the preferred method of accounting for a school food and nutrition program is through a School Lunch fund in the school corporation records, but we would not take audit exception to the program being accounted for in an extracurricular account or accounts as the statute permits. It is our position that the school corporation would be allowed to account for the School Lunch Program through individual extracurricular accounts by building or a separate extracurricular account encompassing all school lunch financial activity. The decision on how the school lunch program is accounted for would be made by the school board. If the school board chooses to account for the program in an extracurricular account or accounts the school board shall approve the amount of the official bond of the treasurer of the extracurricular account in an amount determined sufficient to protect the account for all funds coming into the custody of said treasurer in accordance with IC 20-41-1-6.

Regardless of the method the school board chooses to account for the program, those charged with governance and management must adopt internal control policies and procedures, and establish and implement controls to ensure the proper receipting, disbursing, recording, and accounting for the financial activities of the School Lunch Program. We have historically allowed School Corporations to submit a separate ECA Risk Report in Gateway, required by IC 5-11-1-4, if the school board has elected to account for their School Lunch program as a separate extracurricular account.

An extracurricular account is required to have treasurer in charge of the custody and disbursement of extracurricular funds. The treasurer could be the superintendent, clerk, or a member of the faculty appointed by the superintendent or the principal per IC 20-41-1-5.

It is our audit position that IC 20-41-1-2 does not limit ECAs to be accounted for at each individual building.

GATEWAY MONTHLY UPLOADS APPLICATION – ANNUAL UPLOADS

Per State Examiner Directive 2018-1 units are to upload certain records to allow the State Board of Accounts to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients.

Part of the Gateway application includes a section for files that are to be sent annually. Most schools have a fiscal year-end of June 30th. Therefore schools and extracurricular accounts are required to upload “Annual” files by August 29th. The “Annual” files would be the files relating to the year-end in June.

CHART OF ACCOUNTS UPDATES

Please be advised that the following updates have been made to the Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations. This manual can be found on our website. <https://www.in.gov/sboa/4449.htm>.

- Fund 220 School Safety Referendum Debt Service Fund – has been added.
- Expenditure code 33910 Noncurricular Activities Support – has been added with the following description:
 - “Amounts appropriated to match amounts collected by school patrons to support noncurricular activities. This would include items for extracurricular activities such as music and athletics. Examples include high school band uniforms, payments to athletic officials, etc...”
- Fund 5900-5909 Federal Nutrition Grant – has been added.
- Expenditure account 60500 has been removed. 60100 should be used in lieu of 60500.

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