

CHAPTER 5
PRESCRIBED FORMS, TAXES, AND GENERAL INFORMATION

PRESCRIBED FORMS

IC 5-11-1-2 requires the State Board of Accounts with the responsibility of prescribing and installing a system of accounting and reporting which shall be uniform for every public office and every public account of the same class.

A prescribed form is one which is put into general use for all offices of the same class, whereas an approved form is a computerized form for special use in a particular office.

Although the State Board of Accounts prescribes forms, copies of the forms must be purchased from a public printer or other source.

A list of the prescribed forms and some examples of the prescribed forms are contained in the Appendix Section of this Manual.

Exact Replica

As a result of advances in computer technology, some computer hardware, software, and application systems can now produce exact replicas of the forms prescribed by the State Board of Accounts.

The State Board of Accounts prescribes the required accounting system forms, but does not specify the source from which the forms must be obtained. Therefore, the State Board of Accounts will not take exception to the use of forms which provide exact replications of the prescribed forms created by computer printer or utilizing continuous form computer paper. These exact replications must be identical to the prescribed forms in format, titles and locations of data. The exact replicas are not required to be submitted to the State Board of Accounts for approval and each form should be identified as "Prescribed by the State Board of Accounts" in the same location as is printed on the prescribed forms.

The use of computer-generated prescribed forms should be brought to the attention of the Field Examiner during the next regularly scheduled audit. The forms and computer system generating the forms are subject to a technical computer audit based upon the results of the Field Examiner's risk assessment.

Approved Forms

Governments are required by law to use the forms prescribed by this department. However, if it is desirable to use a form other than the prescribed manual form, that is not an exact replica; the new form must be approved by State Board of Accounts. All forms previously approved by sending copies to State Board of Accounts and receiving a form approval letter are approved with the conditions contained with the letter.

If a government implements, consistent with the provisions of Indiana Code and Uniform Compliance Guidelines, an automated accounting system that is to be considered for approval, the responsible official is not required to maintain the prescribed forms replaced by the automated system while awaiting the approval. New forms must be in place during at least one (1) State Board of Accounts audit and must not be an element of an audit finding or audit result and comment that is responsible or partially responsible for an exception found during an audit to be considered approved. The government is responsible for placing on new forms the year of installation in the upper right corner. This reference should be similar to "Installed in _____ School Corporation, (Year)." The School Corporation must maintain and present for audit a log of forms installed with the year installed for all forms that replace forms prescribed by State Board of Accounts.

The government agrees to comply with the following conditions, if applicable, for any new forms

installed.

1. The forms and system installed are subject to review and/or recommendations during audits of the government to ensure compliance with current statutes and uniform compliance guidelines.
2. The government shall continue to maintain all prescribed forms not otherwise covered by an approval.
3. All transactions that occur in the accounting system must be recorded and accessible upon proper request. Transactions can be maintained electronically, with proper backups, microfilmed, or printed on hardcopy. These transactions include, but are not limited to, all input transactions, transactions that generate receipts, transactions that generate checks, master file updates, and all transactions that affect the ledgers in any way. The system must be designed so that changes to a transaction file cannot occur without being processed through an application.
4. The ability must not exist to change data after it is posted. If an error is discovered after the entry has been posted, then a separate correcting entry must be made. Both the correcting entry and the original entry must be maintained.
5. If the government owns the source code, sufficient controls must exist to prevent unauthorized modification. If the government does not own the source code, the vendor shall provide representatives of the State Board of Accounts with access to all computer source codes for the system upon request for audit purposes. In addition, the vendor shall provide representatives of the State Board of Accounts with a document describing the operating system used, the language that the source code is written in, the name of the compiler used, and the structure of the data files including data file names, data file descriptions, field names, and field descriptions for the system.
6. Any receipts, checks, purchase orders, or other forms that require numbering shall be either prenumbered by an outside printing supplier or numbered by the government's computer system with sufficient controls installed in the system to prevent unauthorized generation of the form or duplication of numbers.
7. All receipts must be either in duplicate or recorded in a prescribed or approved register of receipts.
8. All checks must be either in duplicate or recorded in a register of checks generated by the computer.
9. Recap sheets for each deposit for deposit advices, if applicable, will be maintained indicating direct deposits. Individual wage assignment agreements will be kept on file to support direct deposit.
10. "Installed by _____ School Corporation, (Year)" shall be printed, in the upper right corner, on each approved form furnished by a printing supplier and, when practical, on those printed from accounting systems at the unit. Upon the installation of a new form the form will be entered on a log for this purpose with the date of installation; and the name and number of the prescribed form replaced. The log must be available for audit.
11. The government officials are responsible to ensure that forms and accounting systems installed comply with the uniform compliance guidelines for information technology services published in the School Administrator and accounting manuals. This includes ensuring that customization of the system done by the vendor for implementation at the government is done in such a manner that the system remains compliant.
12. In the event a change is required due to the passage of a State or Federal law, the government agrees to implement the change in a timely manner.

Use of Prescribed or Approved Forms

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed.

STATE AND FEDERAL TAXES

Federal and State Agencies - Compliance Requirements

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action.

Federal Income Taxes

All political subdivisions are exempt from federal income taxes under the Internal Revenue Code.

Federal Excise Taxes

As a general rule, governmental units are exempt from and should not pay any federal excise tax. To obtain the exemption, a properly executed exemption certificate must be filed with the vendor from whom the purchase is made. This exemption certificate may be prepared at the time the order is placed or at the time payment is made. The exemption certificate may be a printed or mimeographed form and should be substantially in the form currently used. For information concerning the form of exemption certificate, contact the Internal Revenue Service.

Claims and invoices should be carefully audited to see that no federal excise taxes are included and paid. Disbursing officers should require that invoices show separately the gross price, the amount of the excise tax, and the final price to the governmental unit.

Any questions concerning federal excise tax should be directed to the Internal Revenue Service.

Tax Refunds

In some instances, governmental units may have erroneously paid the excise taxes from which they are exempt. In such instances, the unit has three years from the date tax was paid to the federal government in which to file for a refund.

To obtain a refund, the governmental unit should submit to the seller an exemption certificate for each item on which excise tax was paid accompanied with documentary evidence that the exemption had not been claimed or received. Such evidence may be copies of invoices, affidavits, records, etc.

The Internal Revenue Service will provide forms on which the original taxpayer may claim reimbursement for excise tax erroneously paid by a governmental unit.

State Sales Tax

Governmental units are eligible for an exemption from the state sales tax on some purchases. To obtain the exemption for a Sales Tax Exemption Certificate, application should be made to the Sales Tax Division of the Indiana Department of Revenue. This certificate must be presented at the time a purchase is made to avoid paying sales tax. If sales tax is paid erroneously, a refund application may be obtained from the Sales Tax Division.

Not all expenditures are exempted from sales tax charges, for example lodging for individuals in hotels and motels. Therefore, reimbursements for items or services that are not tax exempt may include state sales tax. However, it should be kept in mind that claims for all such reimbursements must be supported by a fully itemized supporting documentation.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments.

Penalties and Interest

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee.

GENERAL INFORMATION

Advance Payments

Compensation and any other payments for goods and services must not be paid in advance of receipts of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee.

Alcohol Purchases

The governing body of a unit must have a written policy concerning the purchase of alcohol using public funds. This policy must address the exact situations in which alcohol can be purchased and outline any liability issues that may arise with using public funds to purchase alcohol.

Asset Ownership

Assets purchased must be titled in the name of the unit. In instances where multiple units are purchasing an asset jointly, the asset must be titled in accordance with an interlocal agreement between the units.

Audit Costs

Audit costs incurred because of poor records, nonexistent records, or any other inadequate bookkeeping practices, or because of theft or a shortage may be the personal obligation of the responsible official or employee.

Any audit costs paid without the prior approval of the SBOA when the SBOA has the statutory requirement to perform the audit of the unit may be considered a duplication of service and an unnecessary expense. These payments may be the personal obligation of the responsible official or employee.

Bad Debts and Uncollectible Accounts

The governing body of a unit must have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balance. Documentation must exist for all efforts made by the unit to collect amounts owed prior to any write-offs. Write-offs or adjustments to records which are not documented or warranted may be the personal obligation of the responsible official or employee.

Capital Assets Inventory

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records.

Cash Disbursements

Disbursements, other than properly authorized petty cash disbursements, shall be by check or

warrant, not by cash or other methods unless specifically authorized by law.

Collection of Amounts Due

Units have a responsibility to collect amounts owed to the unit pursuant to procedures authorized by law.

Compensation

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements.

Compensation – Non-Employees

Payments for services provided by an organization must go directly to the organization and not to an individual employee of the organization. All payments for services must be supported by a written contract. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements.

Computer Output

Public records, financial statement information and supporting information generated through a computer system should be printed out on paper, printed to disk or maintained on-line at the end of each reporting year and retained for audit. Information must be maintained in a manner that will allow access for audit and public inquiry on equipment of the governmental unit.

Condition of Records

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee.

Contracts

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts.

Correction of Errors

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction.

Credit Cards

The SBOA will not take exception to the use of credit cards by a unit provided the following criteria are observed:

1. The governing body must authorize credit card use through an ordinance /resolution, which has been approved in a meeting and documented in the minutes.
2. Issuance and use must be handled by an official or employee designated by the governing body.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance/resolution.

4. When the purpose for which the credit card has been issued has been accomplished, the card must be returned to the custody of the responsible person.
5. The designated responsible official or employee must 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 must 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 body and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment cannot be made on the basis of a statement or a credit card slip only. Procedures for payments must 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 may be the personal obligation of the responsible officer or employee.
8. If authorized, an annual fee may be paid.

Deposit of Accountable Items

Tickets, goods for sale, billings, and other collections, are considered accountable items for which a corresponding deposit must be made in the bank accounts of the unit. The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of the payers.

Donations

We will not take exception to club/organizations donating money to an outside organization based on a majority vote of its members. We would encourage that documentation be retained to provide approval of a majority of the members. Also, the warrant/check should be written to an organization and not an individual.

Electronic and Digital Signatures

The SBOA will not take exception to the use of electronic signatures. Each official is responsible for their own signature, so proper internal controls over the use of electronic signatures should be put into place by the unit.

Excessive or Unreasonable Costs

Every effort should be made by the unit to avoid unreasonable or excessive costs. Unreasonable or excessive costs may be the personal obligation of the responsible official or employee.

Expense Reimbursement Itemization

All claims, invoices, receipts, and accounts payable vouchers, including those presented to the governing body for approval in accordance with IC 5-11-10, must contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for which amounts are claimed, including the nature, name, and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim may be the personal obligation of the responsible official, employee or other person for whom the claim is made.

Fees

Fees can only be collected as specifically authorized by law or properly authorized ordinance/resolution. When a fee is NOT specified by law, but instead through the use of an ordinance/resolution, sufficient authoritative reference should be maintained.

Fundraisers

The SBOA is not aware of any statutes that address who has control over extracurricular fundraising activities. Therefore, we would not take exception to the local school board passing required procedures if the fundraising activity uses school property or is associated with a school event. 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.

Fund Sources and Uses

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/resolution, or grant agreement.

Gift Cards

The State Board of Accounts will not take exception to the use of gift cards by an extracurricular account 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.
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.

Indebtedness

A unit may not incur indebtedness unless specifically allowed by law.

Lucrative Office

Any person holding two offices which have been or may be deemed lucrative must obtain the written opinion of the attorney for the unit or units served to determine compliance with Article 2, Section 9 of the Constitution of Indiana.

Malfeasance, Misfeasance or Nonfeasance

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any official or employee may be the personal obligation of the responsible official or employee

Ordinances and Resolutions

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts.

Overdrawn Cash

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit.

In an instance in which a unit receives a reimbursement grant, the unit must be claiming reimbursement in a timely manner. In this case, it would be possible for a fund to be overdrawn for a short period of time.

Overpayment Collections

Units must collect any overpayments made.

Personal Expenses

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the unit. Any personal expenses paid by the unit may be the personal obligation of the responsible official or employee.

Personal Property Use

Assets of the unit may not be used in a manner unrelated to the functions and purposes of the unit.

Political Expenditures

Expenditures for political purposes, contributions to political campaigns, directly or indirectly, which are not authorized by law may be the personal obligation of the responsible official or employee.

Preservation and Destruction of Public Records

The governing board is charged with the duty to preserve, keep, maintain, or file all the official records of the political subdivision pursuant to IC 5-15-1-1. The final decision as to the destruction or disposition of such records rests with the local public records commission. Guidance for the retention of public records can be found in IC 5-15-6.

Private Property

Public funds may not be used to make improvements to property not owned by the unit, unless permitted by law.

Proceeds

Proceeds generated by the sale or rental of property must be receipted into the fund which originally purchased the property unless otherwise provided by law.

Purchasing Bonuses

Any compensation, premium, bonus, or product earned as a result of the purchase of goods or

services by the unit becomes the property of the unit. Any amounts received by an official or employee may be the personal obligation of the responsible official or employee.

Receipt Issuance

Receipts shall be issued and recorded at the time of the transaction.

Risk of Loss

The unit must ensure it is adequately protected for all risks of loss

Signature Stamps

The decision on whether the number of items to be signed justifies the use of a rubber stamp or other device, including computer image signatures, for affixing a signature must be made by each official responsible for signing warrants, claims, and other official documents. A rubber stamp or other signing device should be used only under the direction of the official and should be properly safeguarded when not in use. Each official is responsible for their own signature.

Supporting Documentation

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee.

Timely Recordkeeping

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1.

Transaction Recording

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction.

Travel Policies

Each unit must adopt a written travel policy in conformity with applicable laws. Reimbursement for lodging and meals must be based upon actual receipts for amounts paid unless otherwise authorized by law.

Trusts and Endowments

Each unit is responsible for complying with any requirements of trust agreements or endowments received which are not contrary to state law.

Various Accounting Guides, Manuals and Other Publications

Compliance is required, as applicable, with generally accepted accounting principles, and standards issued by the Governmental Accounting Standards Board, Financial Accounting Standards Board, and other standards setting bodies and also with various accounting guides, manuals and other publications.

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 must be a clearly defined procedure adopted by the unit concerning placement, use, maintenance, commissions, and profits of vending machines on their property.

All revenues generated and costs incurred in operating vending machines located on the units premises must be accounted for through the unit's records.

If vending machines are located in restricted areas (areas other than those available to the public) and if the governing body and fiscal 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 SBOA takes no exception to such action in an engagement. The decisions must be authorized by proper resolution/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. Any alternative procedure must be authorized by resolution/ordinance of the governing body.

In the event personnel other than the unit's personnel maintain, stock, and clean up around vending machines, we take no exception when such persons are paid for these services. A written agreement must 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 unit.