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STATE BOARD OF ACCOUNTS



State Board of Accounts

IASBO Annual Conference – May 2025

Jonathan Wineinger

Government Technical Assistance and Compliance Director (GTAC)



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PAUL D. JOYCE, CPA STATE EXAMINER

Indiana's State Examiner and the agency head for the State Board of Accounts, Paul Joyce coordinates and manages the post-audits and examinations of over 4,000 state and local governmental entities in Indiana.



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School Audit Schedules

- Approximately 180 Schools on the last audit cycle
 - Audit Period: July 1, 2022 to June 30, 2024
 - Federal Audits were due by the end of March
 - Approximately 90 school audits were contracted out last audit cycle
- Approximately 120 Schools on the upcoming audit cycle
 - Audit Period: July 1, 2023 to June 30, 2025
 - Some school audits may be contracted out
 - Scheduled to start school audits in Fall 2025 and have completed by the end of March 2026



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Most Frequently Audited Federal Programs

- Audit Period: July 1, 2022 to June 30, 2024
 - Education Stabilization Fund (84.425)
 - Child Nutrition Cluster (ALNs 10.553; 10.555, 10.556, 10.559, 10.582)
 - Special Education Cluster (ALNs 84.027, 84.173)
 - Title 1 Grants to Local Educational Agencies (ALN 84.010)

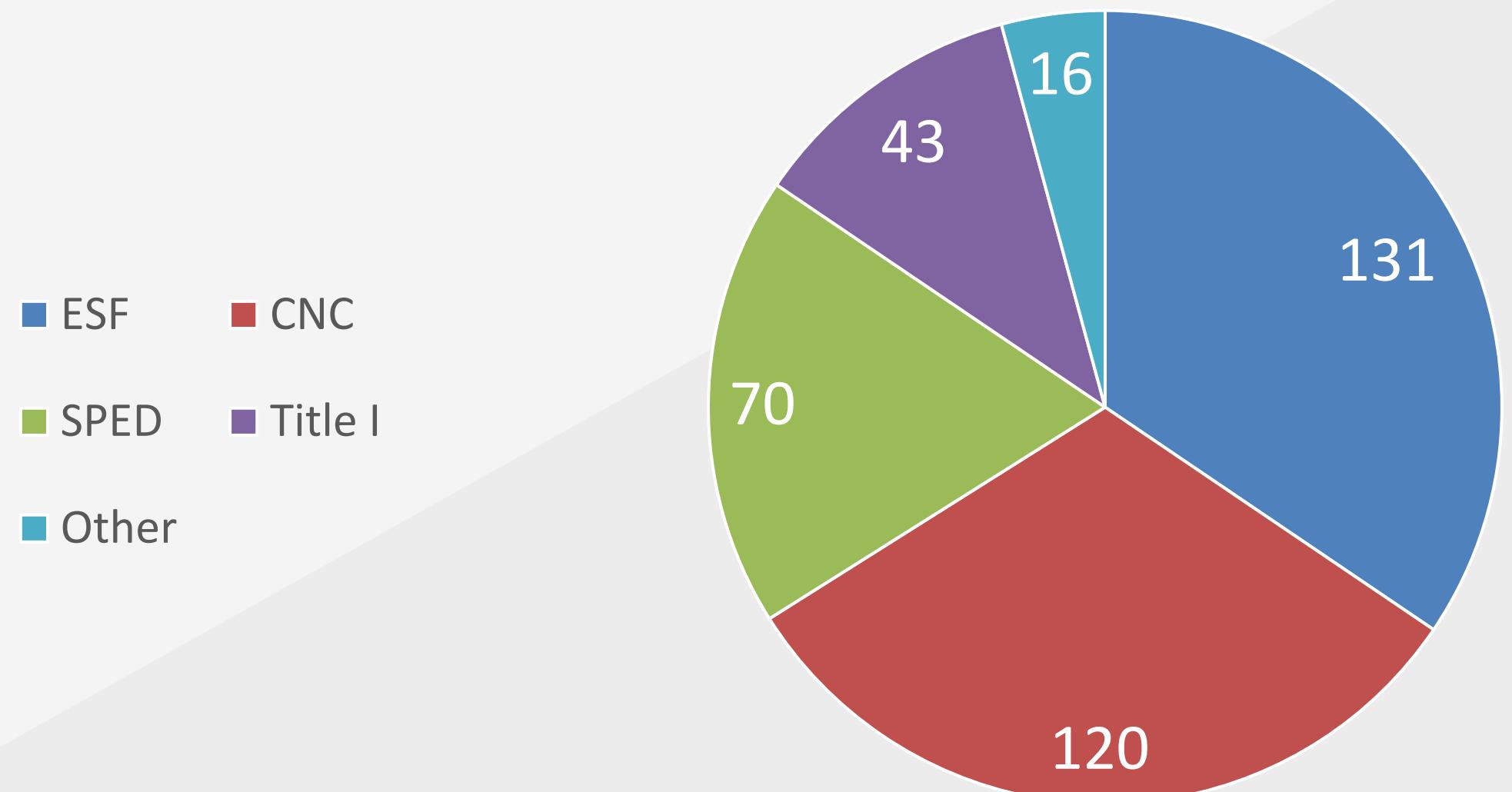




Federal Programs Audited

- Audit Period: July 1, 2022 to June 30, 2024

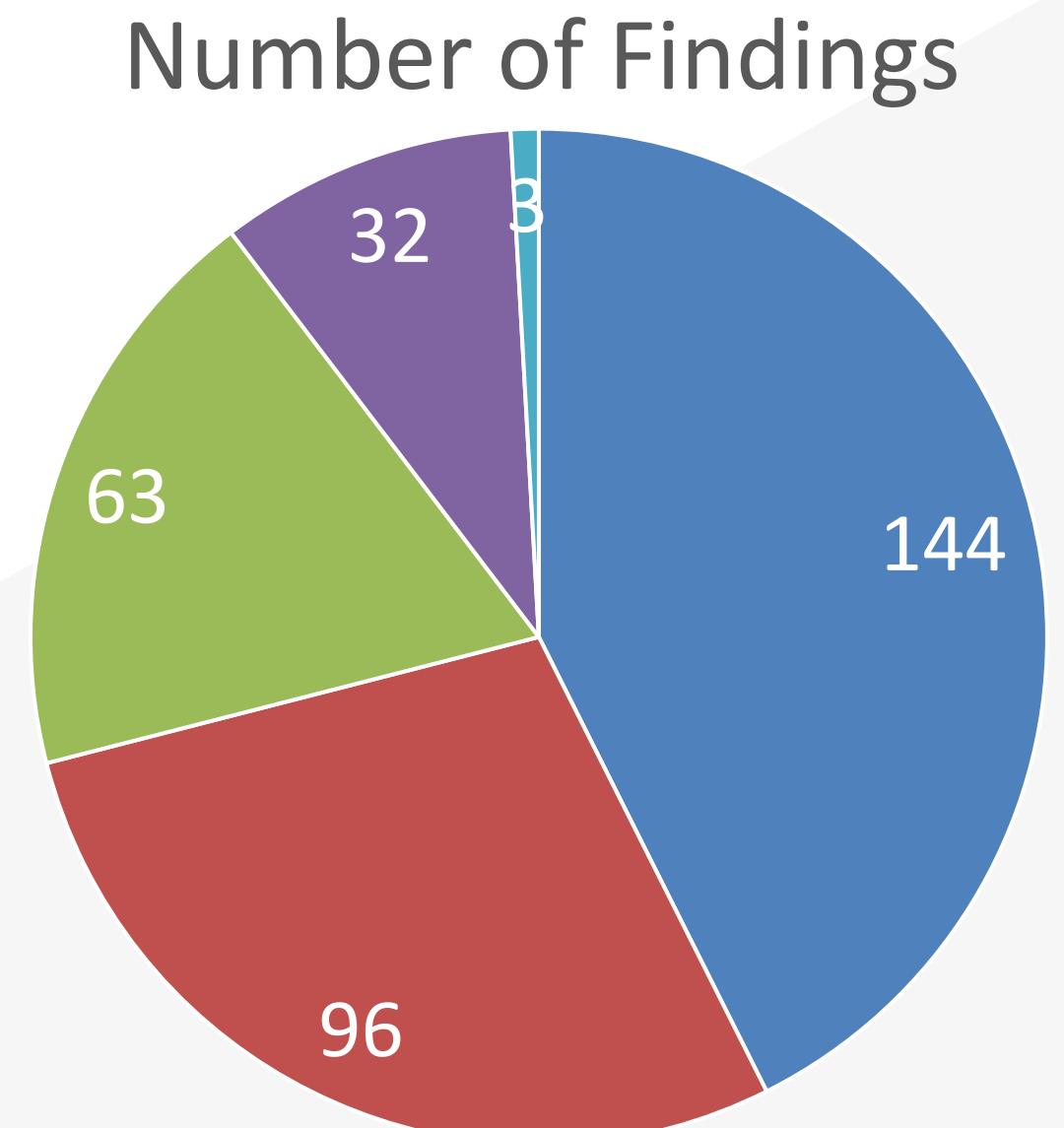
Major Programs Audited





Federal Findings Per Program

- Audit Period: July 1, 2022 to June 30, 2024





Education Stabilization Fund (ALN 84.425)

- 144 Total Findings (most of any program)
 - Compliance requirements with the most findings:
 - Reporting (45 Findings)
 - Equipment/Real Property Management (45 Findings)
 - Special Tests & Provisions – Wage Rate Requirements (45 Findings)
 - Activities Allowed or Unallowed & Allowable Costs/Cost Principles (19 Findings)





Child Nutrition Cluster

ALNs (10.553, 10.555, 10.556, 10.559, 10.582)

- 96 Total Findings
 - Compliance requirements with the most findings:
 - Eligibility (37 findings)
 - Procurement, Suspension and Debarment (34 findings)
 - Activities Allowed or Unallowed & Allowable Costs/Cost Principles (12 findings)
 - Reporting (11 findings)





Special Education Cluster **(ALNs 84.027, 84.173)**

- 63 Total Findings
 - Compliance requirements with the most findings:
 - Procurement, Suspension, and Debarment (28 findings)
 - Matching, Level of Effort, Earmarking (22 findings)
 - Specifically Earmarking



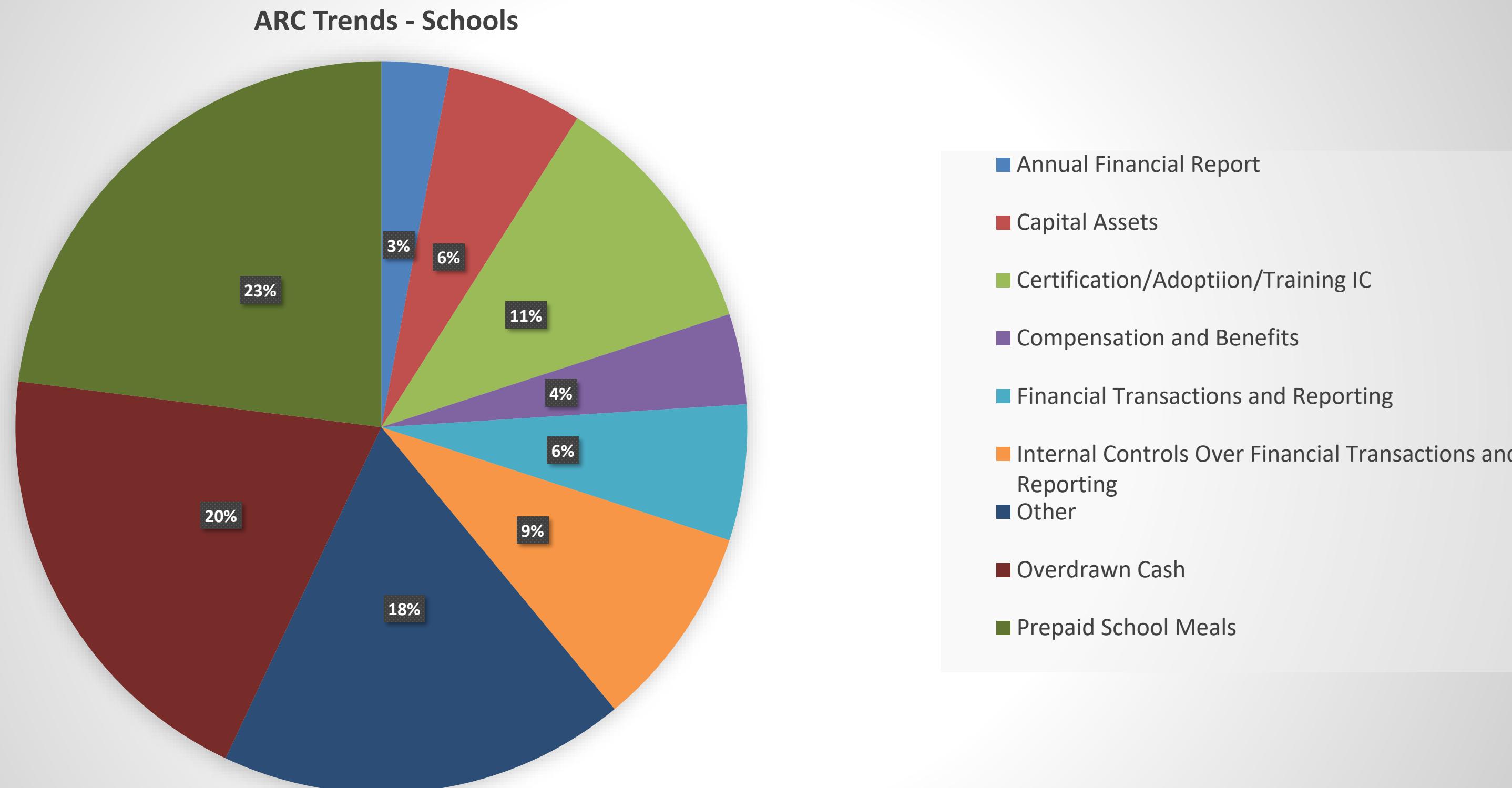
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Title I Grants to Local Educational Agencies (ALN 84.010)

- 32 Total Findings
 - Compliance requirements with the most findings:
 - Special Tests and Provisions (13 Findings)
 - Assessment of System Security
 - Annual Report Card, High School Graduation Rate
 - Participation of Private School Children
 - Supplement Not Supplant
 - Eligibility (11 findings)



Noncompliance Requiring Corrective Action Plans





Prepaid School Lunch

- Establish Fund 8400 Prepaid School Lunch
- When money is added to a student's account use receipt 1630 Special Functions
- After students charge meals to the individual student account the disbursement from the Prepaid School Lunch (8400) to School Lunch (800) should be completed using disbursement code 31900 Other Food Services
- The funds are to be receipted into School Lunch (800) using food service receipt accounts 1611-1623
- Reconcile the balance of the Prepaid School Lunch (8400) with the total of the individual meal accounts **at least monthly**
 - <https://www.in.gov/sboa/files/SCHMAN10-2023Updated.pdf>
 - https://www.in.gov/sboa/files/2024_December_School_Bulletin_1THJW2.pdf





Prepaid School Meal Accounts – Bad Debt

- School Corporations have a responsibility to collect amount owed to them pursuant to procedures authorized by law
- School Board must have a written policy concerning procedures for the writing off bad debts
- School Lunch Program Funds (Fund 800) are considered federal funds and may not be used to reimburse the prepaid school lunch fund for negative balances of the individual accounts
- With school board approval it may be possible for the operations fund or any other local fund, such as a donations fund that hasn't been restricted for another purpose, be used for bad debt expense
- Expenditure code 31900 Other Food Services with object code 825 (Seldom or Non-Recurring Fines) is to be used to record the bad debt expenses
- Receipt account 1999 (Other) is to be used to receipt the approved amount covering the bad debt





Overdrawn Cash Balances

- The cash balance of any fund may not be reduced below zero
- Routinely overdrawn funds could be a serious indicator of serious financial problems which should be investigated by the unit
- In an instance in which a school corporation receives a reimbursement grant, the school corporation 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



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Temporary Loans

- IC 36-1-8-4
 - A school corporation may, by resolution, permit the transfer of a prescribed amount, for a prescribed period, to a fund in need of money for cash flow purposes from another fund if the following conditions are met:
 - It must be necessary to borrow money to enhance the fund that is in need of money for cash flow purposes
 - Must be sufficient money on deposit to the credit of the other fund that can be temporarily transferred
 - The prescribed period must end during the budget year in which the transfer occurs

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Temporary Loans

- Exception – IC 36-1-8-4(b)
 - If the school board determines that an emergency exists that requires an extension of the prescribed period for repayment of the temporary loan, the school board may extend the prescribed period for not more than six (6) months beyond the budget year if the school does the following:
 - Passes a resolution that contains the following:
 - A statement that the school board has determined that an emergency exists
 - A brief description of the grounds for the emergency
 - The date the loan will be repaid that is not more than six(6) months beyond the budget year
 - Immediately forwards the resolution to the SBOA and the DLGF





School Lunch and Curricular Materials Fund

- Effective January 1, 2024
 - School Lunch and Curricular Material Programs are prohibited from being accounted for in an extracurricular account
 - Must remit any school lunch or curricular material fund balances to the school corporation before January 1, 2024
- 2024 HEA 1120 – Effective January 1, 2025
 - No longer a curricular materials fund
 - Any balance in a school corporation's curricular materials fund (fund 900) shall be transferred to the education fund (fund 0101)
 - Disbursement account 60100 shall be used to account for transferring the balance from the curricular materials fund
 - Receipt account 5200 shall be used to account for transferring the balance into the education fund





School Lunch and Curricular Materials Fund

- Although non-compliant with Uniform Compliance Guidelines established by the SBOA, it was brought to our attention that school corporation's curricular materials fund may have a negative fund balance as of December 31, 2024
 - SBOA would not take exception to a one-time transfer from the education fund or the rainy day fund, if the resolution establishing the rainy day fund permits, to the curricular materials fund to close out the fund
 - There must be available appropriations within the fund and school board approval of the transfer





Extracurricular Accounts – Ticket Sales

- [Chapter 2 of the Accounting and Uniform Compliance Guidelines Manual for Extracurricular Accounts](#)
- Tickets
 - Serially prenumbered tickets should be used for all athletic and other extracurricular activities and events for which admission is charged
 - Part is given to the person paying, and part is retained by the school
 - All tickets should be retained for audit
 - Tickets for each price group should be different colors and/or different in their series numbers





Extracurricular Accounts – Ticket Sales

- The treasurer should be responsible for the proper accounting of all tickets
- The treasurer should keep a record of
 - The number purchased
 - The number issued for sale
 - The number returned





Extracurricular Accounts – Ticket Sales

- Once cash is deposited with the treasurer, the treasurer's receipt issued should include
 - The number of tickets issued to the seller
 - The number of tickets returned unsold
 - The balance remitted in cash



Form SA-4 Example

(Form SA-4) Prescribed by State Board of Accounts

No

TICKET SALES

SCHOOL _____
GAME _____
OTHER _____

TOWN OR CITY _____
DATE _____
ACTIVITY _____

TICKETS							
KIND	ISSUED		RETURNED		TICKETS SOLD	PRICE	TOTAL AMOUNT SALES
	SERIAL NO.	AMT.	SERIAL NO.	AMT.			
TOTAL							

Made by _____
(Title)

Verified and Approved by _____
(Official or Sponsor)

ORIGINAL



State Examiner Directive 2018-1

- Amended April 23, 2025
 - Effective June 30, 2025
 - Special Education Cooperatives and Schools who are fiscal agents of Special Ed Cooperatives
 - Due July 31, 20XX
 - Special Education Cooperative Expenditure Allocation Form
 - Detail of Co-op Receipts (for 84.027 and 84.173 in Excel format)
 - Detail of Co-op Disbursements (for 84.027 and 84.173 in Excel format)
 - Cooperative Award Letters from IDOE not previously uploaded
 - Cooperative Board Minutes
 - Cooperative Agreement in effect at June 30, 2025
 - Cooperative Reimbursement Requests





Annual Financial Report Update

- Questions No. 2 and 12-18 Not Applicable to Schools
- The following schedules will no longer be required:
 - Transfer Schedule
 - Interfund Loan Schedule
 - Financial Assistance to Non-Governmental Entities
 - Abatements



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Insurance Proceeds

- Receipt proceeds into the fund that would normally pay for the expense
- May add the amount of the insurance proceeds to existing appropriations if:
 - Funds are received as a result of damage to property and
 - Funds are appropriated for the purpose of repairing or replacing damaged property
- Only applies if the funds are expended to repair or replace the property within the 12-month period after they are received

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SBOA Fees – IC 5-11-43

- Cost of examinations and investigation beginning on or after July 1, 2023
 - **Taxing Unit Rate: \$395/day**
 - **Full Cost Rate*:** \$968/day
 - *The full cost rate is the amount we would need to bill to each unit of government to be fully funded
 - **Processing Fee:** \$35/day
 - **Technology Fee:** \$55/day





Procedures to Account for Audit Costs

- SBOA provides a certified statement of the County which pays the examination of record costs from the County General Fund
 - The school corporation receives a Statement of Engagement Costs (***This is not an invoice!***)
- The County General Fund is reimbursed from property tax collections of that school corporation at the next semiannual settlement
- The school corporation is to receipt the full amount of property and excise taxes (before audit costs)
- A disbursement for the examination of records is to be posted to the school corporation's funds
- The Statement of Engagement Costs should be compared to the amount withheld for the Examination of Records to ensure they agree





Business Activity Considerations

- Business Activity Considerations - I.e., Business being ran in a school
- Ultimately **the responsibility for business activities in a school would fall to the school board**. The school board should authorize business activities and develop a policy outlining how these activities should be conducted along with any requirements that must be met for a group to be allowed to operate.
- Obtain an understanding of activities and what proceeds will be used for. Who is running the activity?
 1. **Student group** running a coffee stand,
 2. **Outside organization** running a store within the school that students/teachers run,
 3. **Woodworking class** selling products or a **business class** where students create a business plan and sell products,
 4. **Extracurricular clubs** providing services for a fee,





Business Activity Considerations

- School Bookstores – **Different than a business being ran in a school**
 - A school bookstore could be accounted for at the school corporation or extracurricular level
- The extracurricular Student Activity (General) fund should be receiving revenue received from functions not generated by students for a specific class or organization
- Common questions – Should sales tax be collected from bookstore sales
 - IDOR Sales Tax Bulletin #32 - <https://www.in.gov/dor/files/reference/sib32.pdf>
 - The sales tax shall not apply to sales by bookstores of tangible personal property intended primarily for the educational purpose of the organization and not used in carrying on a private or proprietary function.”
 - The sales of textbooks and supplies by parochial, public, or private nonprofit schools are exempt if made to students of the school in grades 1 through 12. Such sales are primarily intended to further the educational purposes of the school. However, sales to persons who are not students or school personnel are subject to sales tax.
 - Until May 4, 2023, sales by a bookstore of non-education-related items such as T-shirts, sweatshirts, hats, memorabilia, class rings, license plates, etc. are subject to sales tax, regardless of whether the purchaser is a student or non-student. In addition, the bookstore must register as a retail merchant to purchase these items exempt for resale and to collect the tax from the ultimate purchaser. Effective May 4, 2023, all sales by schools (including yearbooks) that are a part of the Indiana public school system, which includes their sales through a school-operated bookstore, are exempt from sales tax. However, this exemption does not extend to independent school organizations, as outlined below.





Business Activity Considerations

- When determining where the activity will be accounted for (if the “business” is run by the school) – ask yourself this question:

Will the proceeds be used for a curricular (school records) or extracurricular (ECA records) purpose?





Business Activity Considerations

- **OUTSIDE ORGANIZATION'S RECORDS – BOOSTER GROUPS**

- 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) . . ." Therefore, activities and organizations which are not extracurricular in nature should be responsible for their own accounting and cash handling systems. **The extracurricular account should not collect, receipt, remit, or disburse outside organization's monies.**





Business Activity Considerations

- **If a group of students are running a fundraiser** for an extracurricular club, the group could account for the fundraiser's transactions in their ECA fund. We would equate this example to an ECA club or High School Class fund running a concession stand at a sporting event. The school corporation would have paid for the concession stand, but the ECA club or Class fund runs the transactions through their account.
- **If a teacher wants to run this without a group of students**, we do not think that this activity should be ran through an extra-curricular account. This activity would be like a business being ran inside of the school.
- **If the activity's purpose was to generate funding for school staff**, then the group would be able to donate the activity's proceeds to a staff fund, which can be accounted for at the corporation or extracurricular level. If an extracurricular group would like to donate their funds to a staff appreciation fund SBOA would not take audit exception as long as the proper approvals are documented, per the compliance requirement on the next slide from the ECA Manual.



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Business Activity Considerations

- ECA 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.**

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Business Activity Considerations

- Who is running the activity?
 - If it is not a group of students, then the school is probably running a business inside the school (unless the only thing they are charging for are fees, if the activity is part of the curriculum).
- Does the group have a policy to document what prices will be charged as well as what the proceeds would be used for?
- Are students or staff running the business activity?
- Should this activity occur during normal working hours?
 - If individuals are paid for working the activity, are we in compliance with the State Ghost Employment Laws? (IC 35-44.1-1-3)
 - Are we complying with child labor laws (under the Fair Labor Standards Act (FLSA))?
 - Are we properly withholding payroll taxes?





Business Activity Considerations

- Do we have insurance that covers the group and corporation during the activity?
- Is the group running the activity an outside organization? If so, do we have a contract outlining responsibilities of both parties?
 - Is the organization incorporated as a business entity with the Indiana Secretary of State's office?
<https://bsd.sos.in.gov/publicbusinesssearch>
- Does the activity require the group to obtain a Tax Identification Number, Retail Merchant Certificate, or remit sales tax collected to IDOR?
 - IDOR Sales Tax Bulletin #10 - <https://www.in.gov/dor/files/sib10.pdf>



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Business Activity Considerations

- Is the group selling prepared food?
 - Are there additional requirements or filings required to be made to the Indiana State Department of Health?
<https://www.in.gov/health/food-protection/contact-information/>
- If the activity is run by the school, is the group following guidelines prescribed by SBOA?
 - Are proper internal controls established and implemented over the activity?
 - Per the ECA Manual - 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.
 - Are prescribed forms being used?
 - School forms - <https://www.in.gov/sboa/files/SCHMAN03-2023Updated.pdf>
 - Extracurricular forms - <https://www.in.gov/sboa/files/ECMAN02-2023Updated.pdf>

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Attempted Fraud Schemes

- Checks being intercepted
 - Vendors name being changed
 - Funds are deposited into the individuals accounts
- Direct Deposit Account Change Request
 - Payroll Department receives an email that appears to be from an employee requesting the account of their direct deposit be changed
- Vendor Account Change Request
 - Fraudulent email will be received by the accounts payable department with a request to change the bank account the ACH/EFT is to be sent





Attempted Fraud Schemes (Continued)

- Because of the lapse in time to discover these fraudulent payments, the funds have not always been recovered
- SBOA strongly encourages establishing policies and procedures to limit exposure to these schemes
- Control activities could include:
 - Setting up “Positive Pay”
 - Requiring in-person requests to change a bank account or vendor payments
 - Contacting vendors for a contact number outside of the contact information provided in the email for verification
 - Assigning personnel to routinely monitor bank payments throughout the period between reconcilements





SBOA Email List

- Subscribe to our email list [HERE!](#)





I-ASBO Region Meetings

- If you would like training on specific topics, we would be happy to do so.
- In-person or virtual attendance – whatever works best for your region!

Website Overview



The screenshot shows the homepage of the Indiana State Board of Accounts (SBOA) website. The header includes the IN.gov logo, a banner stating "An official website of the Indiana State Government", and links for Accessibility Settings, Language Translation, and Governor Mike Braun. The main content area features a large image of a classical building with a dome, overlaid with a dark blue box containing the text "Audit Reports" and a "Search Reports" button. Below this are four smaller cards: "Report Government Fraud" (image of a calculator and papers), "Resource Library" (image of books), "Career Opportunities" (image of people working), and "Questions?" (image of a brown sign with the word "QUESTIONS" in gold letters). The left sidebar has a dark blue background and lists navigation links under "SBOA", "Learn More", and "Report Fraud".

- <https://www.in.gov/sboa/>



THANK YOU

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