



IASBO ECA Seminar

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SBOA Updates

Report of Misappropriation



- Indiana Code 5-11-1-27(l) requires a public officer who has actual knowledge or reasonable cause to believe that there has been a misappropriation of public funds or assets to **immediately** send a written notice to the state board of accounts and the prosecuting attorney.

Scholarships



- **Scholarships** should be included in the School Corporation's financial records.
- This position is based on the fact that scholarships are more closely associated with an educational expense (being a scholarship) and not an extracurricular account (ECA) expense.

Scholarships



- We have noticed some ECAs account for donated funds and have 'scholarship' in the fund name.
- In an audit we will be assessing what the proceeds of the donated funds are to be used for.
- If these funds are not a traditional scholarship, which are normally provided to a university, and instead will be used for an extracurricular purpose we will not take audit exception.

Donations



- Majority vote of its members.
- Retain documentation of vote.
- Warrant/check should be written to an organization and **not and individual**.

Accounting for Gifts & 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.
- The acceptance of these donations shall have prior approval by the Board of School Trustees.
- Either the School Corporation Treasurer or Extra-Curricular Treasurer will be responsible for the accounting of these funds as applicable.

HEA 1169 (2021) - Cybersecurity Incidents



- Sections 1-11 Adds/Amends various sections – see bulletin for more information.
- Requires the office of technology to maintain a repository of cybersecurity incidents. Provides that a state agency and a **political subdivision shall: (1) report any cybersecurity incident to the office without unreasonable delay and not later than two business days after discovery of the cybersecurity incident** in a format prescribed by the chief information officer; and (2) provide the office with the name and contact information of any individual who will act as the primary reporter of a cybersecurity incident before September 1, 2021, and before September 1 of every year thereafter. Allows the office of technology to assist a state agency with certain issues concerning information technology. Provides that if requested by a political subdivision, the office may develop a list of third-party technology providers that work with the office. Requires a state educational institution to submit a quarterly analysis with certain conditions

Reporting Cybersecurity Incidents



- A cybersecurity incident may consist of one or more of the following categories of attack vectors: (1) Ransomware, (2) Business email compromise, (3) Vulnerability Exploitation, (4) Zero-day exploitation, (5) Distributed denial of service, (6) Web site defacement, (7) Other sophisticated attacks as defined by the chief of information officer and that are posted on the officer's Internet web site. (IC 4-13.1-1-1.5)
- Cybersecurity incidents can be reported on IOT's web site at the following webpage. <https://www.in.gov/cybersecurity/report-a-cyber-crime/>



ECA Statutes (IC 20-41)

IC 20-41-1-2



Sec. 2. Any self-supporting programs maintained by a school corporation, including:

- (1) school lunch; and
- (2) rental or sale of curricular materials;

may be established as separate funds, separate and apart from any other school corporation fund, if no local tax rate is established for the programs.

IC 20-41-1-3



Sec. 3. (a) A person who has charge of the collection, custody, and disbursement of funds collected and expended to pay **expenses incurred in conducting any athletic, social, or other school function**, the cost of which is not paid from public funds, shall:

(1) keep an accurate account of all money received and expended, showing the:

- (A) sources of all receipts;
- (B) purposes for which the money was expended; and
- (C) balance on hand; and

(2) file a copy of the account with the township trustee, board of school trustees, or board of school commissioners within two (2) weeks after the close of each school year.

(b) An account filed under subsection (a)(2) is a public record open to inspection by any interested person at any reasonable time during office hours.

Custodian Responsibilities



- ECA accounts may be used for athletic, social, class, or other school functions.
- ECA accounts may not be used for functions which are educational in nature.
- Accounts for educational functions must be maintained in the school corporation records.
- ECA accounts **may not be established for functions conducted by outside organizations**, for example PTOs, Booster Clubs, ~~Staff groups~~.

IC 20-41-1-4



Sec. 4. (a) **All forms and records** for keeping the accounts of the extracurricular activities in school corporations shall be prescribed or **approved by the state board of accounts**. The records and affairs of the extracurricular activities may be examined by the state board of accounts when the state examiner determines an examination is necessary. The **forms prescribed** or approved for keeping these accounts must achieve a simplified system of bookkeeping and **shall be paid for**, along with the bond required in this chapter, **from the education fund or operations fund** in accordance with the categories of expenditures established under IC 20-42.5-3.

(b) The **funds** of all accounts of any organization, class, or activity **shall be accounted separately from all others**. Funds may not be transferred from the accounts of any organization, class, or activity except by a majority vote of its members, if any, and by the approval of the principal, sponsor, and treasurer of the organization, class, or activity. However, in the case of athletic funds:

- (1) approval of the transfer must be made by the athletic director, who is regarded as the sponsor; and
- (2) participating students are not considered members.

All expenditures of the funds are subject to review by the governing body of the school corporation.

IC 20-41-1-5



Sec. 5. (a) A public school must have a treasurer for purposes of this chapter. The treasurer must be:

- (1) the superintendent or principal of the particular school;
- (2) a clerk of the school corporation; or
- (3) a member of the faculty appointed by the superintendent or principal.

This designation must be made immediately upon the opening of the school term or the vacating of the office of treasurer. Claims shall be filed and paid under sections 7 and 8 of this chapter. The employing or appointing officials of a school may appoint and engage a school treasurer or clerk.

- (b) A school corporation may appoint one (1) or more assistant or deputy treasurers.
- (c) A treasurer is not personally liable for an act or omission occurring in connection with the performance of the duties set forth in this chapter, unless the act or omission constitutes gross negligence or an intentional disregard of the treasurer's duties.

IC 20-41-1-6



Sec. 6. (a) The treasurer shall give a **bond in an amount fixed by the superintendent and principal** of the school approximating the total amount of the anticipated funds that will come into the possession of the treasurer at any one (1) time during the regular school year. Bonds shall be filed with the trustee or board of school trustees. The surety on the bonds must be a surety company authorized to do business in Indiana. However, the requirement for giving the bond and the requirement to deposit the receipts in a separate bank account, as required in section 9 of this chapter, do not apply to any school for which the funds, as estimated by the principal, will not exceed three hundred dollars (\$300) during a school year.

(b) The requirements of this chapter may be fulfilled by providing a **comprehensive bonding instrument**, including a **single blanket position bond**, for all extracurricular treasurers. A comprehensive bonding instrument is acceptable instead of individual separate personal position bonds.

IC 20-41-1-7



Sec. 7. (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.

IC 20-41-1-8



Sec. 8. (a) The treasurer shall keep an accurate account of all money received by the collecting authority and expended, showing:

- (1) the sources of all receipts;
- (2) the purposes for which the money was expended; and
- (3) the balance on hand.

A copy of the report, together with all records and files of extracurricular activities, shall be filed as required under section 3 of this chapter.

(b) However, in a school that has two (2) or more semesters in any one (1) school year, the treasurer of the school shall file a copy of the treasurer's financial report of receipts and disbursements with the township trustee, board of school trustees, or board of school commissioners not more than two (2) weeks after the close of each semester. Records and files of extracurricular activities for the entire school year shall be filed with the last financial semester report of any one (1) school year.

(c) A copy of the report shall be filed with and kept by the city superintendent having jurisdiction and the county superintendent where the superintendent has jurisdiction.

(d) The records under this section shall be kept for five (5) years, after which they may be destroyed.

IC 20-41-1-9



Sec. 9. (a) The treasurer shall deposit all receipts in one (1) bank account. The receipts shall be deposited without unreasonable delay. The account is known as the school extracurricular account. The records of each organization, class, or activity shall be kept separate so that the balance in each fund may be known at all times.

(b) The money in the school extracurricular account may be invested under the conditions specified in IC 5-13-10 and IC 5-13-10.5 for investment of state money. However, investments under this section are at the discretion of the principal. The interest earned from any investment may be credited to the school extracurricular account and need not be credited proportionately to each separate extracurricular fund. The interest earned from the investment may be used for any of the following:

- (1) A school purpose approved by the principal.
- (2) An extracurricular purpose approved by the principal.

(c) Amounts expended under this section for the purposes described in this section are in addition to the appropriation under IC 20-26-5-4(a)(3).

IC 20-41-2



- School Lunch and Curricular Materials Rental Programs
 - Election to account for these funds in the ECA records for Township Schools.
 - If either school lunch funds or textbook rental funds are handled through an extra-curricular account, **the governing body** of the school corporation **shall approve the amount of the bond of the treasurer** (IC 20-41-2-6)



Gateway

ECA Risk Report



- **Per IC 5-11-1-4**

- Must be filed with the State Examiner.
- Must be filed electronically via the State Gateway.
- Due 60 days after the fiscal year end, which is August 29th.

- **Per IC 5-11-1-25**

- SBOA develops risk-based examination criteria and frequency of audits from reported information.

EXAMPLE COMMUNITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES
REGULATORY BASIS
July 1, 2020 to June 30, 2021

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Enterprise Funds	Other Funds	Totals
Cash and investments - beginning	\$ 1,179,237	\$ 1,574,752	\$ 1,045,201	\$ -	\$ 1,672,910	\$ 2,572,040	\$ 8,044,140
Receipts							
Local sources	1,363,698	357,498,126	3,371,871	-	587,164	-	362,820,859
Intermediate sources	-	-	-	-	-	-	-
State sources	261,283	-	-	-	12,497	-	273,780
Federal sources	767,285	-	-	-	1,024,071	-	1,791,356
Temporary loans	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other receipts	-	-	452	-	-	5,036,473	5,036,925
Total receipts	<u>2,392,266</u>	<u>357,498,126</u>	<u>3,372,323</u>	<u>-</u>	<u>1,623,732</u>	<u>5,036,473</u>	<u>369,922,920</u>
Disbursements							
Current							
Instruction	671,218	-	-	-	-	-	671,218
Support Services	1,618,611	-	1,455,529	-	9,913	-	3,084,053
Noninstructional services	2,636	-	-	-	1,536,644	-	1,539,280
Facilities acquisition and construction	50,720	-	1,448,327	-	-	-	1,499,047
Debt services	-	3,060,823	-	-	-	-	3,060,823
Nonprogrammed charges	-	-	-	-	-	1,069,303	1,069,303
Interfund loans	-	-	-	-	-	-	-
Total disbursements	<u>2,343,185</u>	<u>3,060,823</u>	<u>2,903,856</u>	<u>-</u>	<u>1,546,557</u>	<u>1,069,303</u>	<u>10,923,724</u>
Excess (deficiency) of receipts over disbursements	49,081	354,437,303	468,467	-	77,175	3,967,170	358,999,196
Other financing sources (uses):							
Proceeds of long-term debt	-	14,324	-	-	-	-	14,324
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	74,378	74,378
Transfers out	-	-	-	-	-	(71,402)	(71,402)
Total other financing sources (uses)	<u>-</u>	<u>14,324</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,976</u>	<u>17,300</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	49,081	354,451,627	468,467	-	77,175	3,970,146	359,016,496
Cash and investments - ending	<u>\$ 1,228,318</u>	<u>\$ 356,026,379</u>	<u>\$ 1,513,668</u>	<u>\$ -</u>	<u>\$ 1,750,085</u>	<u>\$ 6,542,186</u>	<u>\$ 367,060,636</u>

The notes to the financial statements are an integral part of this :

EXAMPLE COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS - OTHER FUNDS
 For the Year Ended June 30, 2022

	Post-Retirement/ Severance Withholdings	Employee Benefit	Extracurricular Activity	Clearing Account	Total Other Funds
Cash and investments - beginning	\$ 3,961,866	\$ 2,315,608	\$ 257,219	\$ 7,493	\$ 6,542,186
Receipts:					
Local sources	-	-	-	-	-
Intermediate sources	-	-	-	-	-
State sources	-	-	-	-	-
Federal sources	-	-	-	-	-
Temporary loans	-	-	-	-	-
Interfund loans	-	-	-	-	-
Other receipts	2,355,315	1,912,725	931,864	74,068	1,005,932
Total receipts	2,355,315	1,912,725	931,864	74,068	5,273,972
Disbursements:					
Current					
Instruction	-	-	-	-	-
Support services	-	-	-	-	-
No instructional services	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-
Debt services	-	-	-	-	-
Nonprogrammed charges	2,347,386	2,094,501	932,261	66,983	5,441,131
Interfund loans	-	-	-	-	-
Total disbursements	2,347,386	2,094,501	932,261	66,983	5,441,131
Excess (deficiency) of receipts over disbursements	7,929	(181,776)	(397)	7,085	(167,159)
Other financing sources (uses):					
Proceeds of long-term debt	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources and other financing uses	7,929	(181,776)	(397)	7,085	(167,159)
Cash and investments - ending	\$ 3,969,795	\$ 2,133,832	\$ 256,822	14,578	6,375,027

Enhanced Regulatory - Delayed



- On March 28th, 2022 the decision to delay enhanced regulatory was made by the SBOA Board.
- There is not currently an implementation date set.
- We will re-evaluate once we start school audits in the fall to assess our staffing levels.

ECA Audits



- Extra-Curricular engagements
 - ECA with Receipts > \$1,000,000 will be examined **during the School Corporation audit.**
 - ECAs with receipts between \$100,000 - \$1,000,000 will be selected using a **risk-based approach** to determine if a centralized compliance engagement is required.
 - ECA with receipts < \$100,000 and *not having a specific risk identified* will be assessed in a **centralized review process.**
 - Approximately 10% of Statewide Activity
- ECA reviews performed by outside contractors will be considered a management tool.

Gateway Reporting – ECA Closure



- If an ECA is combined or closed, you must notify SBOA.
- ECA Risk Reports should be filed for each year financial activity occurred.
- In the final year of operation, **the ECA should report \$0 cash balances in every fund in Gateway.**

Subpoenas



- **Subpoenas** will be to non-filers.
- Copies will be sent to the School Treasurer, Superintendent and School Board President.

Monthly and Annual Engagement Uploads



- Required Monthly Uploads
 - Funds Ledger
 - Monthly Bank Reconciliation
- **Must** be uploaded by the 15th of the second month following the month they are for
 - Example – July monthly files are due September 15

Monthly and Annual Engagement Uploads



- Required Annual Uploads
 - Due August 29th
 - Annual Funds Ledger
 - Detail of Receipt Activity
 - Detail of Disbursement Activity
 - Year End Bank Statement
 - Year Ending Investment Statements
 - Year End Outstanding Checklist

Website Overview



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

Resource Library



SBOA Resource Library



The State Board of Accounts (SBOA) is pleased to present an online resource library for our clients and the citizens of Indiana. The following information can be now searched in the resource library.

- SBOA Uniform Compliance Guidelines (including previously issued bulletin articles)
- State Examiner Directives
- Best Practice Documents
- Indiana Code Section Summaries
- Frequently Asked Questions
- Other Miscellaneous Materials

Resource Library - Tutorial Video



<https://www.youtube.com/watch?v=bf82lq6pQZk>

Resource Library - Exercise



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

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Questions?