



IASBO Region 5

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Hot Topics
Curricular Materials Reimbursement



- *“...Schools cannot claim reimbursement for curricular materials purchased with federal funds.”*
 - IDOE Curricular Materials FAQ 2022
 - Audit Position on Curricular Material Fees

Hot Topics

Surcharge Fees



- We have received reports of vendors adding surcharges to items that have previously went through the bid process.
 - Ex: **Bus Surcharge Fees**
 - Payment of surcharge fees may circumvent public purchasing requirements
- A **best practice** when writing a contract is to include protections in the contract to prevent price increases.
 - We may not take exception to a surcharge fee if the contract allows for this.
 - However, even with a general “Force Majeure” clause, price increases due to supply chain issues may still be unallowable.
- We recommend consulting with the school attorney and documenting any legal opinions received if surcharges are paid.



Hot Topics

Uniform Guidance Annual Audit Requirement

- The federal Head Start office has been issuing findings to entities for not having an annual audit.
- Indiana Schools are exempted from the Uniform Guidance "annual" audit requirements because of IC 5-11-1-25(d) (biennial audits).
- *CFR § 75.504 Frequency of audits.*
 - *Except for the provisions for biennial audits provided in paragraphs (a) and (b) of this section, audits required by this part must be performed annually. Any biennial audit must cover both years within the biennial period.*
 - *(a) A state, local government, or Indian tribe that is required by constitution or statute, in effect on January 1, 1987, to undergo its audits less frequently than annually, is permitted to undergo its audits pursuant to this part biennially. This requirement must still be in effect for the biennial period.*
 - *(b) Any nonprofit organization that had biennial audits for all biennial periods ending between July 1, 1992, and January 1, 1995, is permitted to undergo its audits pursuant to this part biennially.*

Hot Topics

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,



Hot Topics

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 question – Should sales tax should be collected from bookstore sales?
 - Indiana Department of Revenue 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.*
 - *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.”*

Hot Topics
Business Activity Considerations



- When determining where the activity will be accounted for (if the “business” is run by the school) – ask yourself the question:
 - Will the proceeds be used for a curricular (school records) or extracurricular (ECA records) purpose?

Hot Topics
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.***



Hot Topics

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.

Hot Topics

Business Activity Considerations



- EXTRACURRICULAR - FACULTY/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 such as 'jean days', staff vending machine proceeds, or other funds that are received for the purpose of supporting staff purchases.***
- *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 because these groups' funds do not meet the definition of an extracurricular fund per IC 20-41.*
- *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 extra-curricular in nature should be responsible for their own accounting and cash handling systems. The extra-curricular account should not collect, receipt, remit, or disburse outside organization's monies.*

Hot Topics
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**.*



Hot Topics

Business Activity Considerations

- **Who** is running the activity?
 - If it 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?
- 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>.
- 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 ran by the school, is the group following guidelines prescribed by SBOA? <https://www.in.gov/sboa/library/>
 - Are there 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/SCHMAN03-2019Updated.pdf>
 - Extracurricular forms - <https://www.in.gov/sboa/files/ECMAN02-2019Updated.pdf>

Hot Topics

Clearing Accounts



- Clearing Accounts serve as control accounts for certain areas of the accounting system.
- Therefore, they **must be supported by receipt and disbursement entries in the general ledger and subsidiary ledgers or other supporting records.**
- The clearing accounts are subsidiary records only and **should not be used in lieu of proper and prescribed reporting** of receipts, disbursements and balances of funds of the school corporation in accordance with IC 5-11-1-2.
- Clearing Account activity must be included in the Gateway Annual Financial Report Upload (including payroll and other clearing account funds in the 8000/9000 series).

How to Prepare for an Audit Entrance Conference



- Explanation of the objective of engagement.
 - Testing for assurance (opinion issued), limited compliance etc...
- Explanation of Management's responsibilities
- Informing management of fees, records to be requested, estimated timeline of engagement etc...
- **Please ask any questions** if you are not clear on anything the examiner provides or requires!

How to Prepare for an Audit Compliance Procedures to Expect



- **AFR/100-R/Monthly Uploads** (accurate, complete, timely)
- **Internal Controls** (Adoption/Training/Certification)
- **IC 5-11-1-27** Reports
- **Approved Depositories**
- **Capital Assets** (policy, listing, inventory)
- **Curricular Materials** (bad debt policy)
- **Prepaid School Lunch** (8400 established, meal charge policy)
- **Average Daily Membership** (engagement policy, certification)

How to Prepare for an Audit

What we will ask for



- Resolutions
- Contracts
- Financial Records
- Reconcilements supporting documentation
- Register of Investments
- Debt Documents
- Capital Asset Records
- Payroll records
- Receipt/disbursement supporting documentation

How to Prepare for an Audit

Pre-Audit Checklist



- Before an audit starts be sure to have the following things in order:
 1. Monthly bank accounts **reconciled**.
 2. Make sure all **schedules are complete** (capital asset listing, investments, inventory etc...).
 3. **Supporting documentation** for expenses are in an **orderly** fashion.
 4. Check that **employee pay was correct**.
 - Withholding filings (W-2/941/WH3), salary schedules, and entries in the ledger to paychecks and contracts.
 5. Verify **policies are updated**.
 6. Come with a list of questions!

How to Prepare for an Audit Tips



- During the year track restricted grants, gifts, donations etc...
- Keep internal control documentation and supporting documentation together.
- Respond quickly to inquiries – smaller audit bill.
- Establish an ‘auditor’ file:
 - Could include: regulatory agency correspondence, contracts, lawsuits, reconciliations...

How to Prepare for an Audit

What else should I do?



- **ASK QUESTIONS!!**
- HB 1031 (2017) – repeat comments have consequences.
 - Make sure to get an idea on how to fix problems before the examiner leaves.
 - If not, contact us at schools.townships@sboa.in.gov
- Implement fixes immediately!
 - 2-year audit cycles – a comment could only pertain to one year, overshadows compliant years.

How to Prepare for an Audit

What should I not do?



- Panic!
- Try to hide things – we are here to help!
 - The auditor should be viewed as a resource, not an adversary.
- Be afraid to ask questions.
- Try not to look at an audit as something to complicate your life!
 - An audit is an irreplaceable tool to ensure your finances are in order.

How to Prepare for an Audit Exit Conference



- Draft report provided and discussed.
- Official given chance to respond to comments (Form 4) – 10 days.
- Official's term, email and physical addresses verified.
- Again, please ask any questions if you are not clear on anything the examiner talks about!
 - In an exit conference there really shouldn't be any surprises!

100-R Update
Salaries Funded From Donated Money



- Senate Bill 134 added IC 36-1-30 requiring local units of government to **report to the SBOA employees whose salaries are funded from donated money.**
- The 100-R in Gateway will add a Yes/No checkbox asking the question *“Was the employee’s compensation funded partially or fully by donated funds.”*

AFR Updates



- AFR Grant Upload Option
 - https://gateway.ifionline.org/userguides/AFRguide#nav_GrantUpload
- Chart of Accounts Updates
 - **Announced in school bulletins.**
 - If you see an account code that should be allowed in another fund, let us know!



AFR Common Questions

- Do clearing accounts need to be included? **YES!**
- AFR Warnings vs Errors
 - Errors – Need to be addressed
 - Warnings – FYI item that may need to be addressed

Data Errors

Code Errors	These are basic errors that include using invalid code numbers.	There are errors. Please scroll through the grid above to find records with errors.
Interaction Errors	These are more complex errors that include issues like duplicates or invalid combinations of codes. Users must save data entry to see these errors.	No Interaction errors Found.



• Other Information – Regulatory Basis

- Enhanced Regulatory was delayed. However, audit standards require auditors to consider “**Other Information**”.
 - **Capital Asset, Leases & Debt, A/P & A/R Schedules**
- Do not leave blank (Possible ARC)! Please complete as much as you are able.



- School Bus Driver Contracts (IC 20-27-8-7)
 - Compensation should be fixed by the contract on a per diem basis for the number of days on which:
 1. School Calendar,
 2. School-related activities, and
 3. Required Inservice training.
- Contract forms are prescribed by the State School Bus Committee

Bulletin Articles



- Spreadsheet Software Utilization to Generate Exact Replicas of Prescribed Forms
- SBOA Prescribes forms utilized in accounting systems, but does not specify the source of the forms (Accounting Software)
- Spreadsheets (excel) may not be used to replace or interface electronically into a computerized accounting system.
- Internal Controls are present in our forms (prenumbered, control documents, approvals and carbon copies etc...



Self-Certification of Micro Purchase Threshold above \$50,000

- USDA notified schools that they may self-certify a micro-purchase threshold up to \$50,000.
- To increase the threshold above \$50,000 you must obtain approval from the cognizant agency.
- You must include a justification, clear indication of the threshold, and supporting documentation of any the following (2 CFR 200.320(a)(1)(IV))
 1. Qualification as a low-risk auditee. **If audited on a biennial basis cannot qualify as a low-risk auditee per 2 CFR 200.520(a)**
 2. Annual internal institutional risk assessment to identify, mitigate, and manage financial risks
 3. For public institutions, a higher threshold consistent with State law.

Additional June 2022 Bulletin Articles



- Assignment of Wages
- Unemployment Fraud Resources
- Indiana Office of Technology – IN.gov digital services
- Updates to State (\$0.49) and Federal (\$0.625) mileage rates
- New Legislation Summaries
- Chart of Account Updates

Preparing an Accurate SEFA



- Ensure Grant Amounts Reported Accurately
 - Separate grant funds
 - Each grant year should have its own fund
 - Transaction History Report
 - Compare to Reimbursement Requests
 - Compare to Program Director's records



Preparing an Accurate SEFA

- Accurate Grant Identification
 - Assistance Listing Number (formerly CFDA)
 - Grant agreement or Award letter
 - Grant application
 - Program Title
 - Sam.gov
 - Compliance Supplement
 - Pass-through or Direct
 - Grant agreement or Award letter



- Where to locate Commodity Amounts
 - <https://in.cnpus.com/cnp/Login>
 - FDP (Food Distribution Program)
 - Summary
 - Entitlement tab



- Calculating Commodity Amounts
 - **DO NOT** add totals at the top of page
 - Copy and paste into excel spreadsheet
 - Sum each column in excel
 - Add columns together
 - Entitlement Used + No Charge Used + Bonus Used



Commodities

Summary Inventory Resources

[Home](#) > Select Year

Current Year	Prior Year	Total Entitlement	Entitlement Used	Remaining Balance	No Charge Used	Bonus Used
329,726.04	0.00	329,726.04	322,692.38	6,033.66	11,609.35	0.00
Recipient Agency Allocations						
Allocation Code	Allocation Date	Entitlement Used	No Charge Used	Bonus Used	Action	
SVY117856	9/07/2021	1,579.63	0.00	0.00	View	
Req3915641	9/08/2021	0.00	1,417.65	0.00	View	
SVY3915667	9/08/2021	400.88	0.00	0.00	View	
SVY3915788	9/15/2021	2,967.94	0.00	0.00	View	
SVY3915793	9/17/2021	932.12	0.00	0.00	View	
SVY3915816	9/24/2021	185.90	0.00	0.00	View	
Req3915825	9/29/2021	0.00	473.20	0.00	View	
SVY3915828	9/30/2021	1,135.54	0.00	0.00	View	
SVY3915829	9/30/2021	2,689.26	0.00	0.00	View	
SVY3915835	10/01/2021	1,109.90	0.00	0.00	View	
SVY3915847	10/06/2021	1,789.88	0.00	0.00	View	
SVY3915848	10/06/2021	937.36	0.00	0.00	View	
SVY3915854	10/07/2021	2,270.74	0.00	0.00	View	
SVY3915855	10/07/2021	1,375.54	0.00	0.00	View	
SVY3915860	10/08/2021	889.27	0.00	0.00	View	
SVY3915861	10/08/2021	228.68	0.00	0.00	View	

Special Education Cooperative



- Allocation Sheet for LEA
 - Report amount of Reimbursements
 - **Do Not** report Grant Allocation amount
 - Questions – ask the LEA



Preparing an Accurate SEFA

- Double check your work
 - Print grant schedule from Annual Report Output
- Compare to your records and documentation
 - Revenue History
 - Reimbursement reports
 - Excel Spreadsheets
- Internal Controls over SEFA
 - Someone other than preparer of grant schedule review and signoff

Internal Control Suggestions

Cash Receipts



- Segregate duties!
 - Collection, posting to records, depositing, reconciling
- Counted and totaled daily → compared to balance of register tape.
- Compare deposit amount to total receipts
- Deposit Timely
- Ensure employees are bonded

Internal Control Suggestions Disbursements



- Segregate duties!
 - Purchasing, certifying delivery, writing checks, posting to records
- Incomplete checks secured
- Checks should never be signed before preparation
- Voided/damaged checks kept for audit
- Mail checks and do not let them return to preparer



Recent Charge Report – Over \$1,000,000!
<https://www.in.gov/sboa/WebReports/B59259.pdf>

- Unauthorized Transaction - \$976,773.29
 - Penalties and Interest - \$20,109.64
- Special Investigation Costs - \$121,442.33
 - Total - \$1,118,325.26
- What happened???????
 - Lack of internal controls.....
- **Do you know how your ECAs are operating?**
- Do you have internal controls in place and review ECA activity periodically?

Contracted Audits Update



- 73 school audits have been contracted out to private examiners
 - Biennial 2020/2021 and Annual 2022 engagements
 - 7 GAAP Audits
 - 66 Regulatory Audits
- Likely that 24 more schools will be contracted out.

Resource Library



Resource Library - Tutorial Video



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

Resource Library - Exercise



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

Website Overview



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

Website template has been updated!

SBOA Email List



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<https://www.in.gov/sboa/about-us/sboa-communications-sign-up/>



Questions?