

IASBO Region Meeting

Chase Lenon, CPA – Director of Audit Services

**Jonathan Wineinger – Director of Audit
Services**

Contact Information



- Website - <https://www.in.gov/sboa/4445.htm>
- Phone – (317) 232-2512
- Email – Schools.Townships@sboa.in.gov



SBOA “Contracting-Out” Audits

- Due to the massive amount of federal funds distributed due to the CARES Act and ARP, we expect most units will have a federal audit requirement in 2020.
- State Examiner has authority to contract with CPA firms to perform audits in lieu of SBOA staff.
- The audit fees paid by schools will not increase as a result.



SBOA Fees – IC 5-11-4-3

- **Taxing Unit Rate: \$175/day** (\$23.33/hour)
- **Full Cost Rate*: \$712.50/day** (\$95/hour)
 - *The full cost rate is the amount we would need to bill to each unit of government to be fully funded
- **Processing Fee: \$95 to \$2,990** depending upon unit/engagement

- CPA firm rates are higher than our full-cost.

- **We are subsidizing these audits.**
 - Amount SBOA pays to CPA firm:
 - (CPA firm rate - SBOA Full Cost) = SBOA cost.

Accounting for Reimbursement Grants



- Each grant must be accounted for in a **separate fund**.
- **Supporting Documentation** must be kept.

What If I Spent Out of a Non-COVID Fund?



- Ex: purchased COVID item from Operations Fund
- Option 1: Correction of error.
 - **Reverse entry** to reinstate fund balance and re-appropriate.
 - **Post disbursement** in COVID grant fund

What If I Spent Out of a Non-COVID Fund?



- Option 2: Claim created
 - **Deposit reimbursements** into COVID grant fund.
 - **Create Claim** against COVID grant fund in favor of Operations fund.
 - **Pay back** Operations Fund.

COVID Grants Misc



- Will not take exception to a **negative grant fund** IF you show reimbursement documentation equaling the negative balance of the fund.
- Reimbursements must be claimed on a timely basis.
- Be careful to only spend funds on allowable items. **Read the grant agreement!**

Schedule of Expenditures of Federal Awards



- All Federal Medicaid Reimbursements should be reported on the SEFA.
- Common Mistakes:
 - Misidentification of pass-through awards.
 - Inclusion of items not defined as a federal award.
 - Either a federal financial assistance award, or a cost-reimbursement received directly from a federal awarding agency or indirectly from a pass-through entity.)
 - Missing or incorrect Catalogue of Federal Domestic Assistance (CFDA) numbers.
 - Incorrect grouping of program clusters.
 - Incorrect reporting of expenditure amounts.
 - Subrecipient expenditures not properly reported on the face of the SEFA.



Other Post Employment Benefits (OPEB)

- **OPEB**
 - SBOA responsible for collection OPEB information
- Terms:
 - Other Post Employment Benefits (OPEB)
 - OPEB plan
 - Active Employees
 - Inactive Employees
 - Covered Payroll

OPEB Continued



- Contribution Rates (as a percentage of payroll).
 - Employer
 - Total amount of contributions for the year from the school / covered payroll for the year
 - Employee
 - Total amount of contributions/premiums for the year from all plan members / covered payroll for the year

Residency Verifications (ADM)



- IDOE modified position: **Highly Recommended.**
- We will audit to what the school's local policy says.
- Necessary to consider the effect the policies have on the schools' system of internal controls.



Student Engagement Policy

- Bulletin Article page 4 - <https://www.in.gov/sboa/files/2019%20December%20School%20Bulletin.pdf>
- Officials should maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM.
- The building level official (Principal, Assistant Principal, etc.) responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed.

Digital Learning Capacity Grants



- If from **state funds**: IC 20-20-13-6 would apply (David C. Ford)
 - Account for in Education Fund
- If from **Federal Funds** (includes funds passed through IDOE): Federal Fund
 - Part of ESSER (CARES) fund #7941.
 - 2nd Round of funding (ARP) – more specific funds created #7924 – 7934.



Withholding Funds

- Receipt Code 6550 Withholdings added: *Receipts for payroll withholdings, employee benefits and other clearing accounts.*
- Disbursement Code 60900 Withholdings added: *Disbursements for payroll withholdings, employee benefits and other clearing accounts.*
- **PLACEHOLDERS ONLY for Gateway reporting purposes!** Not required to change anything in your systems at this time.



Rainy Day Fund (RDF) - Resolution

- IC 36-1-8-5.1
 - Must specify the Purposes of the RDF.
 - Must specify the Sources of funding for the RDF.
- If referring to a board policy → it **must be a specific policy.**
 - If referenced with a date a policy was passed you may have to modify the resolution.



Special Purchases

- SBOA encourages using bidding/quote procedures when possible.
- IC 5-22-10-1: Special Purchasing provisions
- If electing to use a special purchase method:
 - Document School Attorney Opinion
 - List purchase on “Special Purchase Contract File List” (**page 36 of School Manual appendix**)

Directive 2020-1 - RESCINDED



- Timely Deposit of Funds:
 - Not allowed to limit depositing to twice a week.
- Approval of claims:
 - Cannot approve claims for payment in advance of board allowance.

Approval of Claims



- IC 5-11-10-1.6:
 - Cannot draw warrant for payment of claim unless:
Payment of the claim is allowed by the school board.
- Exceptions known:
 - State-run technology program (20-20-13).
 - Paying indebtedness.
 - Payments due to the State or United States.

Daily Deposit Law



- IC 5-13-5-1 – All Public funds must be deposited not later than the next business day.
- Deposit in same form as received. Post receipts daily.
- Exceptions: If funds on hand are less than \$500 - IC 5-13-6-1(g).

ECA Deposits



- IC 20-41-1-9
- Deposit all receipts in one bank
- Deposit without **unreasonable delay** (1 week)

Monthly Uploads



- Amended Directive

- https://www.in.gov/sboa/files/Directive-2018-1-Monthly-and-Annual-Engagement-Uploads-Amended-11_9_2020.pdf

- Monthly Additions: Bank Statements, Outstanding Check List.

- ECA uploads **have not changed at this time.**

ECA Grants



- Can be accounted for at ECA level if:
 1. for an extracurricular purpose
 2. not required to be presented on the SEFA.
- Some schools use policies that note **\$ thresholds**.
- If you **purchase equipment** with a grant, should account for in the corporation's records.



ECA Depository Location

- IC 20-41-1-9 requires extracurricular accounts to deposit all receipts into **one bank account**.
- Audit Position: IC 5-13-8-9 applies to ECAs.
 - If no depository in school district → school board of finance can designate a depository inside the County.
 - If only 1 depository in the County → can be treated as if not located in the County → can designate a depository outside of the County.



School Lunch Program – Where can I account for this?

- IC 20-41-1-2 allows the school lunch program to be established as a separate fund apart from any other school corporation fund and provides the authority to account for the program in an extracurricular account or accounts.
- **School Board should elect where the extracurricular activity is accounted for.**
- Regardless of the method chosen, internal controls must be established over the School Lunch Program.

ECA Activity included in School's Financial Statements



- Enhanced Regulatory Audits start with 2019-2021 biennial audits.
- Financial Statements will be presented based upon Fund type.

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

Gateway Updates (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.**

On-Site Auditing Memo



- Memo sent on April 7th, 2021.
- State Examiner relayed that starting April 12th, 2021 - examiners will plan to be on site at least 2 days per week.

Remote Audits – Tips and Tricks



- Explain what your COVID-19 protocol is.
- Please acknowledge requests when received.
- Documents sent prior to audit should be completed as quickly as possible.

SBOA Email List



- We have changed the way we communicate. If you have not done so already, please [sign up for email communications](https://www.in.gov/sboa/7130.htm) on our website
 - <https://www.in.gov/sboa/7130.htm>.
- The 'From' Addresses will appear as **Indiana@subscriptions.in.gov** or **Schools.Townships@subscriptions.in.gov**.

Questions?

