IASBO Region Meeting

Chase Lenon, CPA – Director of Audit Services
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Contact Information

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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.
• 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


• 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 though 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 then $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

• 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.
<table>
<thead>
<tr>
<th></th>
<th>Special Revenue Funds</th>
<th>Debt Service Funds</th>
<th>Capital Projects Funds</th>
<th>Permanent Funds</th>
<th>Enterprise Funds</th>
<th>Other Funds</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and investments - beginning</td>
<td>$1,179,237</td>
<td>$1,574,752</td>
<td>$1,045,201</td>
<td>-</td>
<td>$1,672,910</td>
<td>$2,572,040</td>
<td>$8,044,140</td>
</tr>
<tr>
<td><strong>Receipts</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local sources</td>
<td>1,363,698</td>
<td>357,468,126</td>
<td>3,371,871</td>
<td></td>
<td>587,194</td>
<td>-</td>
<td>362,820,859</td>
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<tr>
<td>Intermediate sources</td>
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<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
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<tr>
<td>State sources</td>
<td>261,283</td>
<td>-</td>
<td>-</td>
<td></td>
<td>12,497</td>
<td>-</td>
<td>273,780</td>
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<tr>
<td>Federal sources</td>
<td>767,285</td>
<td>-</td>
<td>-</td>
<td></td>
<td>1,024,071</td>
<td>-</td>
<td>1,791,356</td>
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<tr>
<td>Temporary loans</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Interfund loans</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other receipts</td>
<td>-</td>
<td>-</td>
<td>492</td>
<td></td>
<td>-</td>
<td></td>
<td>5,036,473</td>
</tr>
<tr>
<td><strong>Total receipts</strong></td>
<td>2,392,266</td>
<td>357,468,126</td>
<td>3,372,323</td>
<td>1,023,732</td>
<td>5,036,473</td>
<td>369,522,220</td>
<td></td>
</tr>
<tr>
<td><strong>Disbursements</strong></td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Current</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruction</td>
<td>671,210</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
<td></td>
<td>671,210</td>
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<tr>
<td>Support Services</td>
<td>1,613,611</td>
<td>1,456,529</td>
<td>-</td>
<td>9,913</td>
<td>3,064,053</td>
<td></td>
<td>3,064,053</td>
</tr>
<tr>
<td>Noninstructional services</td>
<td>2,636</td>
<td>-</td>
<td>-</td>
<td>1,536,644</td>
<td>-</td>
<td>1,539,280</td>
<td></td>
</tr>
<tr>
<td>Facilities acquisition and construction</td>
<td>59,720</td>
<td>1,448,327</td>
<td>-</td>
<td>-</td>
<td>1,499,047</td>
<td></td>
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<tr>
<td>Debt services</td>
<td>-</td>
<td>3,060,623</td>
<td>-</td>
<td></td>
<td>5,066,623</td>
<td>-</td>
<td>5,066,623</td>
</tr>
<tr>
<td>Nonprogrammed charges</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>1,069,563</td>
<td>1,069,563</td>
<td>1,069,563</td>
</tr>
<tr>
<td>Interfund loans</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total disbursements</strong></td>
<td>2,343,155</td>
<td>3,060,623</td>
<td>2,903,856</td>
<td>1,546,557</td>
<td>1,069,363</td>
<td>10,023,724</td>
<td></td>
</tr>
<tr>
<td><strong>Excess (deficiency) of receipts over disbursements</strong></td>
<td>49,081</td>
<td>354,437,303</td>
<td>468,467</td>
<td>-</td>
<td>77,175</td>
<td>3,967,170</td>
<td>358,999,796</td>
</tr>
<tr>
<td><strong>Other financing sources (uses):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from long-term debt</td>
<td>-</td>
<td>14,324</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>14,324</td>
</tr>
<tr>
<td>Sale of capital assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfers in</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfers out</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
<td>(71,402)</td>
<td>(71,402)</td>
</tr>
<tr>
<td><strong>Total other financing sources (uses)</strong></td>
<td>-</td>
<td>14,324</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>17,300</td>
</tr>
<tr>
<td><strong>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</strong></td>
<td>49,081</td>
<td>354,451,627</td>
<td>468,467</td>
<td>-</td>
<td>77,175</td>
<td>3,970,146</td>
<td>358,016,496</td>
</tr>
<tr>
<td><strong>Cash and investments - ending</strong></td>
<td>$1,223,312</td>
<td>$365,036,373</td>
<td>$1,513,668</td>
<td>-</td>
<td>$1,750,995</td>
<td>$6,542,166</td>
<td>$367,060,636</td>
</tr>
</tbody>
</table>

The notes to the financial statements are an integral part of this document.
**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

<table>
<thead>
<tr>
<th>Post-Retirement/Severance Withholdings</th>
<th>Employee Benefit</th>
<th>Extracurricular Activity</th>
<th>Clearing Account</th>
<th>Total Other Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash and investments - beginning</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ 3,961,866</td>
<td>$ 2,315,598</td>
<td>$ 257,219</td>
<td>$ 7,493</td>
<td>$ 6,542,186</td>
</tr>
</tbody>
</table>

**Receipts:**

<table>
<thead>
<tr>
<th>Source</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Local sources</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Intermediate sources</td>
<td>-</td>
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</tr>
<tr>
<td>State sources</td>
<td>-</td>
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<td>-</td>
</tr>
<tr>
<td>Federal sources</td>
<td>-</td>
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<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Temporary loans</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Interfund loans</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Other receipts</strong></td>
<td>2,365,316</td>
<td>1,912,726</td>
<td>931,864</td>
<td>74,068</td>
</tr>
<tr>
<td><strong>Total receipts</strong></td>
<td>2,355,315</td>
<td>1,912,726</td>
<td>931,864</td>
<td>74,068</td>
</tr>
</tbody>
</table>

**Disbursements:**

<table>
<thead>
<tr>
<th>Category</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td></td>
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</tr>
<tr>
<td>Instruction</td>
<td>-</td>
<td>-</td>
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<td>-</td>
</tr>
<tr>
<td>Support services</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>No instructional services</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Facilities acquisition and construction</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Debt services</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Nonprogrammed charges</td>
<td>2,347,386</td>
<td>2,094,501</td>
<td>932,261</td>
<td>66,983</td>
</tr>
<tr>
<td>Interfund loans</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total disbursements</strong></td>
<td>2,347,386</td>
<td>2,094,501</td>
<td>932,261</td>
<td>66,983</td>
</tr>
</tbody>
</table>

**Excess (deficiency) of receipts over disbursements**

| Excess (deficiency)             | 7,929            | (181,776)                | (397)            | 7,086             | (157,159)         |

**Other financing sources (uses):**

<table>
<thead>
<tr>
<th>Source</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds of long-term debt</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sale of capital assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfers in</td>
<td>-</td>
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<td>-</td>
</tr>
<tr>
<td>Transfers out</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total other financing sources (uses)</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**Excess (deficiency) of receipts and other financing sources and other financing uses**

| Excess (deficiency)             | 7,929            | (181,776)                | (397)            | 7,086             | (157,159)         |

**Cash and investments - ending**

<table>
<thead>
<tr>
<th>Post-Retirement/Severance Withholdings</th>
<th>Employee Benefit</th>
<th>Extracurricular Activity</th>
<th>Clearing Account</th>
<th>Total Other Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 3,969,796</td>
<td>$ 2,133,832</td>
<td>$ 266,822</td>
<td>14,578</td>
<td>6,375,027</td>
</tr>
</tbody>
</table>
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 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?