

IASBO Regional Meeting

APRIL 13, 2017

BRAZIL, IN

Grants handled by a fiscal agent

Grant requirements and federal auditing requirements are the responsibility of the grantee.

- We have been told that grant agreements for things like Special Ed and Title III have been signed between the IDOE and each member school with a Co-Op or Consortium as the fiscal agent.
- The School Corporations would be required to report the grant expenditures on their Schedule of Expenditures of Federal Awards (SEFA).
- The School Corporations would be required to have internal controls that ensure they and/or the fiscal agent is following the grant and auditing requirements.
- Any problems with the grant will appear as a federal finding in the School Corporations' audit reports.
- Corrective action would be submitted by the School Corporations and should specifically address the federal finding.

Gateway Reporting

100-R

- Only two outstanding 100-Rs

AFR

- Grants
 - Fund Name will no longer be required for Non-Cash Assistance amounts column.
- Internal Controls certifications
 - “I certify that my unit has adopted the minimum internal control standards as required per IC 5-11-1-27(e).”
 - “If yes, I certify that all personnel defined by IC 5-11-1-27(c) received training concerning the internal control standards adopted by my unit.”

ECA Risk Report

- Reduced the number of questions.
- When requested to upload, combine multiple pages into one file. PDF preferred and not pictures.
- Email Gateway help desk to combine or create ECA units (Gateway@sboa.in.gov).

Uniform Compliance Guidelines Manual changes

School section of SBOA website

- <http://www.in.gov/sboa/4449.htm>
- We combined Chapters 9-18; Separated out Chapter 14 (IT); Removed numerous statutory citations.
- ECA Manual has not been changed.

Notifications are currently being sent to individuals listed as Submitters in the Gateway AFR.

Online form to be added to SBOA communication emails.

- <http://in.gov/sboa/5183.htm>

State Examiner Directives

2016-1

- House Enrolled Act 1264 (2015) amended Ind. Code § 5-3-1-3 to require certain school corporations to file annual financial reports in accordance with GAAP in order to issue bonds.
 - Reports due after August 15, 2019 for schools with ADM greater than 25,000
 - Reports due after August 15, 2020 for schools with ADM greater than 15,000

2017-1

- The purpose of this Directive is to establish procedures and a timeline for the receipt of draft financial statements and supporting documentation and the assignment of audit teams for CAFR engagements, excluding the state audit.

How to Avoid Ransomware

A local governmental entity recently became a victim to ransomware. Ransomware is a type of malicious software designed to block access to a computer system until a sum of money is paid. The principle of ransomware is that the malware encrypts files on a system's hard drive using an unbreakable key, and this is decrypted by the attacker once a ransom is paid. Beware of unexpected or suspicious emails, especially those containing a link or requesting a reply. Most ransomware is delivered via email and the typical overall themes are shipping notices from delivery companies. Also, many attacks are delivered by mass random emails because the intention is to infect as many as possible to maximize the chances of getting a result.

Consider your unit's policies related to the protection of computer information. The most common advice to recover from an attack by ransomware relies largely on whether a good backup policy is employed. Backup expectations are discussed Chapter 14 of the Accounting and Uniform Compliance Guidelines Manual for Schools. Governmental entities also should keep their anti-virus software up-to-date and apply security patches in a timely manner.

Electronic Banking Scheme

We have been made aware of numerous governmental units, including School Corporations, that have had money stolen from their bank accounts via fraudulent ACH/EFT withdrawals. The scheme includes sending a notification email that appears to be from an Administrator to an Accounts Payable Clerk or to a Bank employee. The email instructs the recipient that a bogus electronic withdrawal has been authorized for payment. The Bank makes the electronic payment and the governmental unit does not discover it for a number of days. Frequently, because of the lapse of time and complex scheme money is not recovered.

Recommendations:

- Have a well thought out set of procedures naming specific positions/employees that have the ability to approve payments for electronic withdrawal and to authorize electronic payments.
- Work with a specific bank employee, or a limited number of bank employees that can authorize an electronic payment from the School Corporation's bank account.
- Routinely monitor bank activity for any potential unauthorized charges.

USDA Requirement for Prepaid Student Meal Accounts

Summary article in the December 2016 School Bulletin, page 5

- <http://www.in.gov/sboa/files/2016%20December%20School%20Bulletin.pdf>

Memo SP 46-2016

- To address the need for SFAs to institute and communicate a meal charge policy
 - Either the State or SFA should pass a meal charge policy to allow students to charge all types of reimbursable meals, offer alternate meals, impose limits on charges, or denial of meals. Policy may be uniform or vary for different grade levels.
 - Policy must also include how delinquent meal charges will be collected.
 - Students, Parents, and applicable school staff must be informed about the requirements of the policy.
 - Deadline for Policy and Communication is July 1, 2017.

USDA Requirement for Prepaid Student Meal Accounts (continued)

Memo SP 47-2016

- Clarifies the process of designation of delinquent debt that has been determined to be uncollectible as bad debt.
 - Delinquent Debt – payment overdue, but there is a reasonable expectation and efforts made to collect amount owed.
 - “SFAs must make reasonable efforts to collect unpaid meal charges classified as delinquent debt and the cost of these efforts is an allowable use of NSFSA funds.”
 - Bad Debt – Determination made that further collection efforts are useless or too costly.
 - 2 CFR 200.426 – NSFSA resources may not be used to cover costs related to bad debt.
 - Therefore, operating losses from bad debt must be restored using non-Federal funds.

Memo SP 57-2016

- Unpaid Meal Charges: Guidance and Q&A

Records Retention

Indiana Archives and Records Administration has updated the School specific retention schedule (listed under “Other Local Retention Schedules”) and the local government retention schedule.

<http://www.in.gov/iara/2739.htm>

Per instructions on the schedules, Schools should refer to the unit specific schedule first. If the record is not listed, then you go to the Local Government general schedule second. If the record is not listed, then you go to your Local Records Retention Board, usually headed by the County Clerk.

Per SBOA Board for records retention requirements, ECA records are considered “audited” the same year that School Corporation records are covered in an audit report.

Recent Audit Positions

SBOA audit costs -

- We have made a decision to not take exception to schools using any of the property tax funds to cover the audit costs because of the process detailed in IC 5-11. We are also not taking exception to the General fund reimbursing the property tax fund in which it was withheld by the county, which would conform with the statutes for each property tax fund in IC 20-40.

Local Income Tax Distributions –

- Our understanding is that Local Income Tax revenue is not restricted in statute. Therefore, our general expectation would be that distributions should be receipted into the General fund. However, we would not take exception to the School Board declaring/restricting the distributions to be receipted in a specific local fund, for example Transportation.
- Continue to use Receipt Account #1130 (Income Taxes-Local Option Tax) or #1232 (Local Option-Property Tax Replacement until we get the chart of accounts updated.

Legislation involving SBOA

House Bill 1031

- Specifies requirements for corrective action when audited entities fail to comply with certain guidelines or laws. Requires an audited entity to file a corrective action plan following findings of noncompliance in two consecutive examination reports. Specifies actions that the audit committee may take if an audited entity fails to comply with a corrective action plan.
- Currently in conference committee

House Bill 1009

- Does the following, effective January 1, 2019: (1) Eliminates the school general fund. (2) Creates an education fund to be used as the exclusive fund to pay expenses allocated to student instruction and learning. (3) Creates an operations fund to replace the capital projects fund, the transportation fund, the school bus replacement fund, an art association or a historical society fund, and the public playground fund. Provides that the state board of accounts shall before January 1, 2019, develop a chart of accounts to be used by school corporations to reflect the implementation of the education fund and the operations fund. Provides that on January 1, 2019, the balance in the school corporation's general fund shall be transferred to the education fund. Specifies that before March 1, 2019, the governing body of a school corporation may transfer to the school corporation's operations fund, from the amounts transferred from the school corporation's general fund, any amounts that are not allocated to student instruction and learning. Allows transfers between the education fund and operations fund. Allows a school corporation to request authorization from the state board of accounts to opt out of examination requirements by the state board of accounts and instead contract with a certified public accountant for an annual financial audit.
- Returned to House with amendments

Internal Controls

Training has been approved for Schools by the following:

- Safe Schools
- CIESC

Questions?