

ECA Training

Indiana Association of School
Principals

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Frequently Asked Questions



Financial Report – Submission to School Board



- Was a financial report made within two weeks after the close of the **school year** of all fund activity to the school board and superintendent of schools in accordance with IC 20-41-1-3 and IC 20-41-1-8?
- **School Year** = ECA Fiscal Year
 - Does not need to coincide with Corporation FY.

General (Student Activity) Funds



- The State Board of Accounts consistently has been of the audit position to not take an audit exception to a school extra curricular account having a general fund if the fund consists of revenues received from functions (vending machines or sales of a similar nature, etc.) not generated by students for a specific class or organization (for which a fund should be established).
- Our audit position has been with the provision that the functions for which the expenditures are made benefit the student body as a whole (as opposed to a select group of students, school employees or administrators).
- Examples of appropriate expenditures would be convocations, field trips which the entire student body has the opportunity to take during the course of the school year, etc.

General (Student Activity) Funds



- Our audit position has been based in part upon the substance of the transaction (the revenues are primarily from students or parents paying into vending machines, picture money, etc.).
- We would not take audit exception to a public policy of a school corporation which would provide that a general fund does not exist and that money from these type of functions be used to offset the cost of the function (reduced prices of vending machine items, reduce the costs of pictures, etc.).

Spell Bowl Fees



- We have received numerous questions on if Spell Bowl fees can be paid out of the ECA General Fund.
- We will not take exception to the membership fee to the Dept. of Student Programs, which includes participation in academic competitions, art contests, Student Day at the Legislature, etc. being paid from the Student Activity Fund.
- The entry fee for the specific competition should be paid from the school corporation general (operations) fund or by the participants in the competition.

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.

BOOKSTORE



- Sales tax does not apply when:
 - *Sales of tangible personal property intended primarily for the education purpose of the organization and not used in carrying on a private or proprietary function*

BOOKSTORE



- Sales tax does apply when:
 - *Sales by a bookstore of non-education-related items such as T-shirts, sweatshirts, hats, memorabilia, class rings, license plates, etc.*
- <https://www.in.gov/dor/files/reference/sib32.pdf>

School Libraries



- A Library is a facility provided by the school board.
 - Does not meet the definition of an ECA Fund per IC 20-41-1.
- Fines/fees should be remitted to School Corporation
- Books purchases should be budgeted and spent by the corporation
- Exception: School Reading Program – could meet definition of an ECA fund if not a curricular expense and is voluntary participation.

RECORD RETENTION



- Maintain ALL documentation until after documentation has been audited
- After documentation have been audited, follow Retention and Disposition Schedule for IARA
- <http://www.in.gov/iara/2359.htm>

DORMANT FUNDS



- IC 20-41-1-4(b)
- Approval must be given from majority of group/class.
- If the ECA Treasurer is unsuccessful in attempts to get all required approvals, **take situation to school board.**

ELECTRONIC TICKETS



- IC 36-1-8-11
- Allows for credit card and electronic payments if properly authorized
- Internal controls must be established and implemented over the collection of and proper receipting of electronic tickets

USE OF ONLINE PAYMENT SYSTEM FOR PAYMENT TO ATHLETIC OFFICIALS



- Following Requirements must be in place:
 1. The School Board must authorize the use of the online payment system through a resolution, which has been approved in minutes.
 2. The School Board must implement and ensure that proper internal controls are in place.
 3. The athletic director shall provide the ECA treasurer with a detailed list of athletic officials that have been scheduled to officiate each contest. A Purchase Order/Accounts Payable Voucher (SA-1) must be completed with a copy of the detailed list attached.

USE OF ONLINE PAYMENT SYSTEM FOR PAYMENT TO ATHLETIC OFFICIALS (CONTINUED)



4. The ECA treasurer shall transfer the appropriate rate of payment of each official on the detailed list and the estimated transaction fees for the corresponding payments to the trust account.
5. After the officials have officiated a contest, the athletic director must validate that the contest was held and services were provided through the online payment system.
6. Once the contest validated by the athletic director, payments to the officials are initiated by the ECA treasurer through the online payment system.
7. The ECA treasurer shall print and retain a report of all payments and transaction fees paid from the trust account. This listing should be attached to the SA-1, supporting the disbursements from the trust account. Any payment without proper documentation may be the responsibility of that officer or employee.

USE OF ONLINE PAYMENT SYSTEM FOR
PAYMENT TO ATHLETIC OFFICIALS
(CONTINUED)



8. The trust account must be reconciled by the ECA treasurer on a monthly basis.

9. The ECA treasurer is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue

10. At the end of the school year, all funds remaining in the trust account must be receipted back into the extra-curricular Athletic Fund and deposited into the ECA bank account.

ECA TRIP CANCELLATIONS



- Follow normal refund policy.
- Receipts should support the amounts refunded.
- Shall be by check and not cash.

ECA TRIP CANCELLATIONS



- Funds raised through fundraisers:
 - Not aware of specific statutes that govern fundraiser
 - Consult with school attorney
 - Follow policies adopted by the school board
 - Treat consistently
 - May apply general policy guidance memo regarding Coronavirus - <https://www.in.gov/sboa/files/Policy%20Regarding%20Coronavirus%203.12.2020.pdf>



General ECA Guidance

Proper Accounting – Cashless Transactions



- Since ECAs are on a cash basis
 - Record all receipts / disbursements as they occur.
 - Any fees charged should be recorded separately.
 - Maintain documentation of all receipts to correspond with deposit, including electronic ticket “stubs” or a sales report.

PO vs. Claim for Payment



- Purchase Order – To be used when a purchase is made for **delivery at a later date**
- Claim for Payment – To be used for in all other instances (**salesmen, athletic officials etc...**).

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.

DONATIONS



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

Equipment Purchases



- Extracurricular equipment purchases should be approved prior to purchase by the Board of School Trustees.
- IC 20-26-5-4 School Board duty to acquire property.

Bonds



- Bond amount: Should cover the approximate amount of funds that will come into the possession of the Treasurer at any one time.
- Superintendent and principal set the bond amount (or the school board if School Lunch or Curricular Materials are accounted for in the ECA).
- May have an individual or position bond. See School Bulletin 212-4.
- **Anyone else** who receives over \$5,000 and has access to public funds – they **must be bonded** as well.

Curricular Materials



- Curricular Materials (Textbooks):
 - The preferred method of accounting for a textbook rental program is through a Textbook Rental Fund in the **school corporation account**.
 - Where no textbooks have been purchased and no financial commitments or guarantees for such purchases have been made by the school corporation, authority is provided to account for the textbook rental program in the extra-curricular account or accounts. (IC 20-41-2-5)
 - If textbook rental is accounted for in the ECA accounts, the school board shall approve the amount of the official bond of the treasurer of the extra-curricular account in an amount deemed by the school board sufficient to protect the account for all funds coming into the custody of said treasurer. (IC 20-41-2-6).

Fees – SBOA Audit Position



- IC 20-26-12-2 allows for rental charge for items that meet the definition of a “curricular material”.
- The school corporation would also be allowed to charge an educational fee for items that meet the Indiana Department of Education’s definition of “consumable curricular” material.
- **PPE** does not meet the definition of curricular materials under IC 20-18-2-2.7

Fees – SBOA Audit Position: Continued



1. *The school would be able to establish a rental charge based on the requirements of IC 20-26-12-2 for items that meet the definition of a “curricular material”.*
- *IC 20-18-2-2.7 states, “Curricular materials means systematically organized material designed to provide a specific level of instruction in a subject matter category, including:
 - (1) books;
 - (2) hardware that will be consumed, accessed, or used by a single student during a semester or school year;
 - (3) computer software; and
 - (4) digital content.”*
 - *IC 20-26-12-2 states in part: “...The annual rate may not exceed twenty-five (25%) of the retail price of the curricular materials. (b) Notwithstanding subsection (a), the governing body may not assess a rental fee of more than twenty-five percent (25%) of the retail price of curricular materials that have been:
 - (1) extended for usage by students under section 24(e) of the chapter; and
 - (2) paid for through rental fees previously collected.”*

Fees – SBOA Audit Position: Continued



- *IC 20-26-12-2 states in part: “...The annual rate **may not exceed twenty-five (25%)** of the retail price of the curricular materials. (b) Notwithstanding subsection (a), the governing body may not assess a rental fee of more than twenty-five percent (25%) of the retail price of curricular materials that have been:
 - (1) *extended for usage by students under section 24(e) of the chapter; and*
 - (2) *paid for through rental fees previously collected.”**

Fees – SBOA Audit Position: Continued



2. The school would be able to establish an educational fee for items that meet IDOE's definition of "consumable curricular material".

- IDOE has defined "consumable curricular materials" as a **consumable core instructional curricular material used by students for no more than one (1) school year**. In addition, consumable kit materials that are part of an adopted curricular material are considered part of this category.
- Allowable costs include, but are not limited to:
 - Standard workbooks; activity logs; practice sets; manipulatives; authentic literature; materials used for laboratory courses; instructional materials used for high ability or special education; and high ability or special education books selected locally.

Fees – SBOA Audit Position: Continued



3. The school would be able to establish an educational fee for items in which they receive a **written legal opinion that the fee would not violate the Indiana Constitution.**

- *IC 20-26-4-1 concerning duties of the School Corporation Treasurer, states in part: "The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds . . ."* Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions.
- The school can only charge rental and educational fees **to students that receive the good/service** in which the fee was based.

Receipting of Educational Fees



- All authorized educational fees (*the School Board should be able to justify any educational fees and ensure Constitutional problems do not exist*) **must be receipted to the Operations/Education** Fund of the school corporation.
- Textbook rental funds maintained at a school building may be used to temporarily record proper fees collected (as a convenience during the collection process of textbook rental).
- Proper educational fees should be transferred timely.

Educational Fees



- The following types of items should not be assessed, collected or receipted to a school extracurricular account:
 - Air Conditioning Fees
 - Parking Fees
 - Instructional Fees
 - Bus Rider Fees
 - Fees for Payroll Positions
(Nurses, Principals, Counselors, etc.)

ECA Investments



- Investments and Investment Income Fund:
 - 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.
 - Investments 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.

Investments: Continued



- 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.**
- Receipts shall be deposited in the same form in which they are received.
- All disbursements from ECA funds must be made by check or credit card, if you have a board approved policy.

Vending, Concessions or Other Sales Controls



- 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.
- Persons with access to vending should be properly designated and access should be limited to those designated.

Vending Machine Commissions and/or Profits



- There should be a clearly defined procedure adopted by the governmental unit concerning placement, use, maintenance, and commissions and/or profits of vending machines on their property.
- All revenues generated and costs incurred in operating vending machines located on the government premises should be accounted for through the governmental unit's records.
- **If vending machines are located in restricted areas** (areas other than those available to the public) and if the governmental body and chief executive officer wish for those revenues to be restricted for the **use and benefit of those employees** who use the machines and generate the revenues, the State Board of Accounts takes no exception to such action in an audit.

Vending Machine Commissions and/or Profits



- The decisions must be authorized by proper resolution or ordinance of the governing body.
- If vending machines are **located in areas where the public makes use** of the machines and generates the resulting revenues, we advise officials to **place the revenues in the general fund** for the benefit of the general public, the machine users.
- Any alternative procedure should be authorized by resolution or ordinance of the governing body.

Vending Machine Commissions and/or Profits



- In the event personnel other than the governmental unit's personnel maintain, stock, and clean up around vending machines, we take no audit exception when such persons are paid for these services.
- A written agreement should be entered into listing the services to be rendered, the amount to be paid for such services, timing of payments, and any other areas deemed necessary by the governmental unit.

GIFT CARDS



- SBOA will not take exception to the use of gift cards by an ECA provided the following criteria are observed:
 1. The **School Board must authorize gift card purchases** through a resolution, which has been approved in the minutes.
 2. The purposes for which gift cards may be issued must be specifically stated in the resolution.
 3. Purchase and issuance of gift cards shall be handled by an official or employee designated by the school principal.
 4. The designated responsible official or employee **shall maintain an accounting system or log** which includes the name of the business from which the gift cards were purchased, their amounts, fund and account numbers to be charged, date the card was issued, person gift card was issued to, proof that the gift card was received by the person it was issued to, etc.

GIFT CARDS (CONTINUED)



5. Gift cards **shall not be used to bypass the accounting system.**

One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.

6. Procedures for **payments shall be no different than for any other claim.** The school principal must approve the expenditure and supporting documents such as paid bills and receipts must be available. Additionally, any purchase or issuance of gift cards without proper documentation may be the responsibility of that officer or employee.

Cash Change



- Procedures:

- Draw a check from Student Activity Fund
- Designate a custodian
- Convert to cash and safekeep cash
- Account for receipts and cash change
- Reconcile amounts received and cash change
- Deposit within 1 week

Deposits and Accounts



- The treasurer shall deposit all receipts in one 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.

Forms



- All ECA forms and records shall be prescribed or approved by the SBOA.
- As of April 1, 2014, there is a new form approval process detailed in the March 2014 School Administrator.
- The cost of prescribed or approved ECA records and the bond of the ECA treasurer shall be paid for from the Operations Fund of the School Corporation.
- Separate funds are required for each class or activity.
- ECA records shall be examined by SBOA as determined by the State Examiner.

Updated Positions, Internal Controls, Reference Material



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.

Recording Prepaid School Lunch Transactions



1. When student makes payment – a receipt should be recorded to the Prepaid Food fund (8400).
 2. When a student receives a school meal – a transfer should be made from the Prepaid Food (disbursement) fund to the School Lunch fund (receipt).
 3. The Prepaid Food fund balance should be reconciled to the detail of individual student account balances routinely.
- Columns to account for Prepaid Transactions have been provided on the form SF-2, SF-3, and SF-4. (see ECA Manual Ch. 3, pg. 3)

Internal Controls



- IC 5-11-1-27
 - 1. Adopt minimum standards
 - 2. Train *Personnel* defined in IC 5-11-1-27(c)
- Next steps? Creating an Internal Control Policy!

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

Components of Internal Control



- **C**ontrol Activities
 - Actual procedures performed
- **R**isk Assessment
 - Where could things go wrong?
- **I**nformation and Communication
 - If things go wrong, do you know?
- **M**onitoring
 - It needs to be continuous process
- Control **E**nvironment
 - 'Tone at the top'

C.R.I.M.E!

Best Practices



• Recommendations for:

- *Annual Financial Report*
- *Bank Account Reconciliations*
- *Credit Card Purchases*
- *Disbursing Activities*
- *Overdrawn Cash/Investment Balances*
- *Payroll Activities*
- *Receipting Activities*
- *SEFA*
- *Prepaid Meals*

Schools Webpage:

<https://www.in.gov/sboa/4449.htm>

Scroll down to “Best Practices”

A screenshot of a web browser displaying the Indiana State Board of Accounts website. The browser's address bar shows "in.gov/sboa/4449.htm". The page has a dark red header with the board's logo and name, and navigation links for "Search Audit Reports" and "Political Subdivisions". Below the header, the text "Presentations and Training Materials" is visible. A dropdown menu is open, showing "Best Practices" with a downward arrow.

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.

SBOA Website



<https://www.in.gov/sboa/4449.htm>

Questions?

