



SBOA Update

Chase Lenon, CPA, CFE, CGFM

SBOA Audit Services

Prescribed Forms



- Forms and records prescribed by SBOA.
- Form approval process in March 2014
School Administrator
 - https://www.in.gov/sboa/files/scb2014_205.pdf

Inventory Requirements



- Form SF-6 – Food Service Equipment
- Form SF-7 – Food Inventory
- Form SA-9 – Accountable Items Review

- Capital Assets inventory
 - Minimum once every two years – Chapter 1 School Manual.

School Lunch Accounts



- Preferred – School Corporation records.
 - IC 20-41-2-4 – Allows accounting in ECA records.
- Prepaid School Lunch transactions
 - https://www.in.gov/sboa/files/scb2015_211.pdf
 - Prepayments → 8400 Prepaid Food Fund
 - Detail of student balances should be reconciled to 8400 Fund routinely
 - Transfers from 8400 to School Lunch (800) Fund to recognize income once balance used

Monthly Uploads



- Submissions due by 15th of each month
 - For the activity of two months prior (January information in March).
- 1st month required: January 2019
 - <https://www.in.gov/sboa/files/Directive%202018-1.pdf>

Monthly Uploads



1. Bank reconcilements
2. Approved board minutes
3. Funds ledger, summarizing total receipts, disbursements, and balances by fund

Annual Uploads



- Year-end bank statement
- Year-end outstanding check list
- Year-end investment statements
- Detail of receipt activity
- Detail of disbursement activity– N/A for manual records
- Current year salary resolution
- Annual vendor history report – N/A for manual records

Credit/Debit Cards



- Requirements:

1. School Board must authorize use
2. Use of cards by individuals designated by School Board
3. Purposes for cards must be stated in the adopted resolution
4. Must maintain system/log with individuals using the cards, their position, estimated amounts to be charged, fund/accounts used, date card issued/returned.

Credit/Debit Cards



5. Cards should not be used to bypass the accounting system. Purchase orders should be issued to enable tracking of encumbrances and appropriations to provide officials with timely and accurate accounting and monitoring information.
6. Payments should not be made based off of a bank statement or credit card slip alone. Documentation such as paid bills and receipts must be available.
 - i. Interest/penalties may be the responsibility of the employee.

• https://www.in.gov/sboa/files/scb2011_196.pdf

Record Retention



- SBOA Purposes – Until Audited!
- Indiana Archives and Records Administration (IARA) – Retention Schedules
 - <https://www.in.gov/iara/2739.htm>

Public Purchasing



- Uniform Guidance

- <https://www.whitehouse.gov/wp-content/uploads/2018/06/M-18-18.pdf>

- Small purchase threshold

Federal \$ amount

less than \$10,000

State \$ amount

less than \$50,000

- Requirement for Quotes

\$10,000 - \$250,000

\$50,000 - \$150,000

- Requirement for Bid Process

over \$250,000

over \$150,000

- IC 5-22 – State Purchasing Requirements

- <https://www.in.gov/sboa/files/IASBO%20Purchasing%20presentation%204-18-17.pdf>

Common Audit Finding – Preparation of SEFA



FINDING 2016-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2014-001.

Condition

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's SEFA. The Treasurer prepared the federal award information entered into Gateway without a control in place to prevent, or detect and correct, errors prior to submission.

Commodities amounts on CNP Web

Recipient Agency Summary			Indianapolis Public Schools (5385)			
Applications	Entitlement	Surveys	Allocations	Inventory	Orders	Invoicing
Current Year	Prior Year	Total Entitlement	Entitlement Used	Remaining Balance	No Charge Used	Bonus Used
1,313,674.02	0.00	1,313,674.02	1,339,671.05	-25,997.03	173,740.05	3,156.42
Recipient Agency Allocations			X		X	X
Allocation Code	Allocation Date	Entitlement Used	No Charge Used	Bonus Used	Action	
SVY103269	9/16/2016	1,770.00	0.00	0.00	View	
SVY103304	10/07/2016	4,034.04	0.00	0.00	View	
SVY103313	10/14/2016	578.36	0.00	0.00	View	
SVY103353	11/03/2016	1,770.00	0.00	0.00	View	
SVY103432	1/06/2017	3,169.34	0.00	0.00	View	
SVY103515	2/01/2017	14,605.68	0.00	0.00	View	
SVY103526	2/10/2017	1,770.00	0.00	0.00	View	
Bonus103560	3/02/2017	0.00	0.00	808.00	View	
SVY103631	3/03/2017	6,358.13	0.00	0.00	View	
SVY103748	3/09/2017	1,409.32	0.00	0.00	View	
SVY103749	3/09/2017	13,196.36	0.00	0.00	View	
Alloc103772	3/30/2017	0.00	3,371.96	0.00	View	
Req106643	5/04/2017	0.00	35,599.80	0.00	View	
Req106644	5/04/2017	0.00	933.10	0.00	View	

↑ Top of Form



<https://www.in.gov/sboa/files/2018%20March%20School%20Bulletin.pdf>

Allowable Costs/Activities



FINDING 2016-004

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY2014-15, FY2015-16

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Modified Opinion

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Effective controls were not in place to ensure that only applicable employees were paid from program funds. The School Corporation paid \$166,186 of administrative, treasurer, and maintenance salaries/wages that were allocated to the programs based on fixed percentages. There was no supporting documentation to indicate how the amounts were determined.

Allowable Costs – 2 CFR
200.403

<https://www.gpo.gov/fdsys/pkg/CFR-2014-title2-vol1/pdf/CFR-2014-title2-vol1-sec200-403.pdf>

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!

Internal Controls



- **Benefits:**

- Financial information reliability
- Achievement of goals
- Compliance with laws/regulations
- Detection or errors/fraud
- Accountability and transparency
 - Internally – quickly evaluate; address inefficiencies
 - Externally – encourage efficient use of government resources

Internal Controls



- **Benefits:**

- Conveys to citizens commitment to detect fraud/waste/abuse
- Reduces cost of errors or noncompliance
- Lower audit costs

- **Disadvantage**

- Costly and time consuming, but necessary!

Components of Internal Control



- Control Activities
 - Actual procedures performed
- Risk Assessment
 - Where could things go wrong?
- Information and Communication
 - If things go wrong, do you know?
- Monitoring
 - It needs to be continuous process
- Control Environment
 - 'Tone at the top'

C.R.I.M.E!

Financial Statement Assertions



- Completeness – is all the activity included?
- Accuracy – is the activity accurate?
- Valuation – are the assets valued correctly?
- Existence – does the fund balance exist?
- Classification – transactions recorded in proper accounts?
- Rights/Obligations – do you have title to your accounts?
- Occurrence – did the transactions occur?
- Cut-Off – recorded in the proper accounting period?

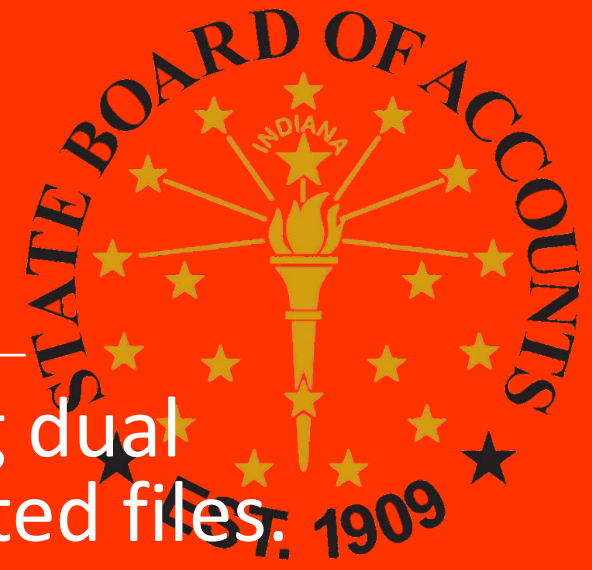
C.A.V.E C.R.O.C!

Internal Controls



- Logical Process when designing controls:
 - 1. Identify an Objective
 - 2. Determine the level of risk you are willing to accept
 - Any potential material errors should be addressed!
 - 3. Design Controls to accomplish Objective
 - 4. Put Controls in place
 - 5. Monitor that the controls are achieving the objective
 - 6. Revise controls based upon monitoring assessment

Types of Controls



- *Preventative controls* are those such as requiring dual signatures on checks or having password-protected files. This type of control protects and limits access to assets.
- *Detective controls* include reconciling the bank or inventory counts. Typically these internal controls are performed periodically to see if any need to be corrected. They will often turn up internal errors or problems, as well as any external errors (such as bank errors).

Internal Controls



- Document everything!
- Significant Areas to Consider:
 - Who does what and when
 - Proof that procedures and policies are being followed
 - Evaluation of how effective the policies and procedures are
 - Corrective actions taken to address identified problems

Internal Controls



- Bottom Line → Lack of Oversight
- Divide and Conquer
- Trust the System – Not People
- Be Proactive!
- Bridge the Expectation Gap

Segregation of Duties



- Duties that “should” be separated
 - Receipt roles – **Collecting, Depositing, Recording, and Disbursing Functions**
 - Inventory roles – **Requisition, Receipt, Disbursement, Disposal, Inventory taking**

Responsibility	Duty Category	Ideal: 4-person Environment	Good: 3-person Environment	Minimal: 2-person Environment
Order initiation in CruzBuy	Asset handling	Coworker 1	Coworker 1	Coworker 1
Order approval in CruzBuy	Booking/ Recording	Coworker 2	Coworker 2	Coworker 2
Confirmation of the receipt of the product or service	Asset handling	Coworker 3	Coworker 1	Coworker 1
Expense-related ledger correction or adjustment (journal voucher) review and approval	Booking/ Recording	Coworker 2	Coworker 2	Initiation: Coworker 2 Approval: Coworker 1
Ledger transaction review and certification	Comparison/Review	Coworker 4	Coworker 3	Coworker 2*

* Ideally, the fund custodian or his or her authorized designee, either of whom should be someone other than coworkers 1 or 2, should review and certify the ledger transaction review.

		Employee Number							
Duties		1	2	3	4	5	6	7	8
<u>Cash Receipts</u>									
1.	Open mail and write receipt								
2.	Receive money, issue official receipts								
3.	Take off cash register totals								
4.	Balance cash drawer or cash register								
5.	Make up bank deposits								
6.	Take deposits to bank or remit to receiving officer								
7.	Post receipts								
8.	Access to computer system to make adjustments								
9.	Approves adjustments								
10.	Post credits to accounts receivable								
11.	Prepare customer billings								
12.	Mail billings or statements								
13.	Approve bad debt write offs								
14.	Approve accounts receivable adjustments								
15.	Issue permits, licenses, etc.								
16.	Issues receipts for electronic deposits								

<u>Cash Disbursements</u>									
1.	Authorize purchases								
2.	Prepare purchase orders								
3.	Certify receipt of goods or services								
4.	Audit claims								
5.	Approve claims - Disbursing Officer								
6.	Approve electronic transfers								
7.	Write checks								
8.	Initiate electronic transfers								
9.	Post checks								
10.	Sign checks - Control of signature stamp								
11.	Mail or distribute checks								
12.	Custodian of petty cash								
13.	Custodian of investments								
14.	Access to check stock								
15.	Access to computer system to make adjustments								
16.	Approves adjustments								

<u>Payrolls</u>								
1. Post vacation and sick leave records								
2. Check and extend time cards								
3. Prepare payroll claims								
4. Approve payroll claims for department								
5. Approve payroll claims for disbursing officer								
6. Calculate deductions and net pay								
7. Write payroll checks								
8. Sign payroll checks								
9. Distribute payroll checks								
10. Prepare earnings and deductions reports								
11. Prepare W-2s and compare to earnings records								
12. Access to computer system to make adjustments								
13. Approves adjustments								

<u>Cash</u>								
1. Receives bank statement in mail and opens it								
2. Compares checks cleared to disbursements posted								
3. Compares deposits to receipts posted								
4. Prepares bank reconciliation								
5. Approves bank reconciliation								
<u>Statement of Expenditures of Federal Assistance</u>								
1. Enters grant information into Gateway								
2. Approves grant information entered in Gateway								
3. Approves the prepared SEFA								
<u>Financial Close and Reporting</u>								
1. Closes the financial records								
2. Enters financial statement information into Gateway								
3. Approves the Gateway annual report								
4. Approves the prepared financial statements								
<u>Notes to the Financial Statements</u>								
1. Enters the required information into Gateway								
2. Approves the notes to the prepared financial statements								

Resources



- Resources for Reference
 - SBOA Internal Controls Standards webpage
 - www.in.gov/sboa/5071.htm and/or www.in.gov/sboa/4445.htm
 - SBOA Internal Controls webinar
 - Embedded on above pages and can be found on YouTube:
<https://www.youtube.com/watch?v=LON80PBbPHQ>
 - Standards for Internal Control in the Federal Government (the Green Book)
 - www.gao.gov/assets/670/665712.pdf



Website Overview



Questions?