

The background features a large, faint watermark of the Seal of the State Board of Accountants, Indiana. The seal is circular, with the words "STATE BOARD OF ACCOUNTANTS" around the perimeter and "INDIANA" at the top. It contains a central figure holding a scale and a sword, surrounded by stars.

# SBOA Update

**Chase Lenon, CPA**

**Jonathan Wineinger**

**Government Technical Assistance and Compliance (GTAC) Directors**

## Contact Information



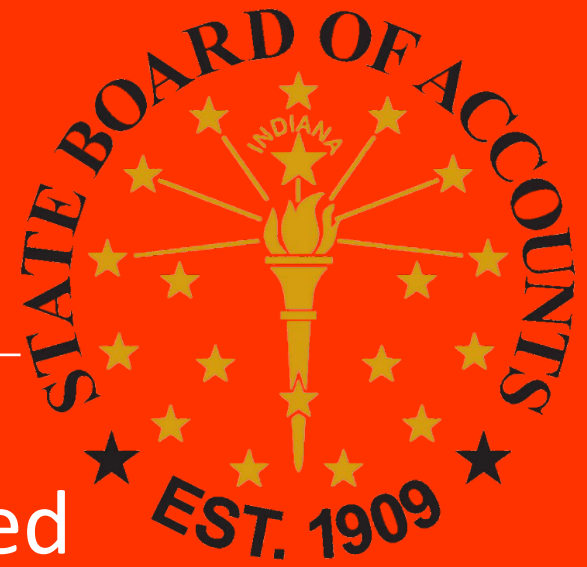
- Website – <https://www.in.gov/sboa/4445.htm>
- Phone – (317) 232-2512
- Email – [Schools.Townships@sboa.in.gov](mailto:Schools.Townships@sboa.in.gov)

## Cryptocurrency



- Not considered “Legal Tender”.
- E-Sports teams may receive donations in Crypto.
- School equipment should not be used for personal use (mining) beyond de minimum limitations per local policies.
- We recommend consulting with the school attorney on issues involving cryptocurrency.

## Enhanced Regulatory - Delayed



- On March 28<sup>th</sup>, 2022 the decision to delay enhanced regulatory was made by the SBOA Board.
- There is not currently an implementation date set.
- We will re-evaluate once we start school audits in the fall to assess our staffing levels.

## Audit Periods – Enhanced Regulatory



~~• Biennial Audits for the period of:~~

~~• 7-1-20 to 6-30-22~~

- Next Round of audits for the period of:
  - 7-1-19 to 6-30-21 → still 'old' regulatory basis.
  - Should be starting those in late February.

## School Audit Schedules



- **185 Schools** on next audit cycle should be finished by March (if federal).
  - Audit Period: July 1, 2020 to June 30, 2022
  - Scheduled to start **in early October**.
  - 7 Fiscal Year 2021 GAAP schools will remain with CPA firms.
  - 30-40 schools may be contracted-out for this period.
- **68 Schools** on this audit cycle were contracted out to private examiners.
  - Audit Period: July 1, 2019 to June 30, 2021
  - We contracted out ~1/2 of schools on this cycle. **We should finish these audits by the end of June.**

## SBOA Contracted Audits – What to Expect



- Email from **SBOA Director of Procured Audits - Jennifer Marshall**
- Communication with the audit firm
  - Engagement Letter
  - The audit firm will send this to you - please sign and return as requested.
- List of items needed
- The audit firm will have access to information you entered in Gateway.
- Link to firm's upload portal

## SBOA Contracted Audits – What to Expect



- Please be responsive to audit requests.
- If you will not be able to electronically provide requested documents, please contact [procuredaudits@sboa.in.gov](mailto:procuredaudits@sboa.in.gov)
- Upon completion of the audit the firm will schedule an exit conference. The report will be reviewed and approved by SBOA prior to being finalized and posted on our website as a public report.
- State Examiner Joyce requests your full cooperation with representatives of the contracted audit firm just as you have always given our field examiners.
- Please feel free to contact Jennifer Marshall or a member of the procured audits team at [procuredaudits@sboa.in.gov](mailto:procuredaudits@sboa.in.gov) or [schools.townships@sboa.in.gov](mailto:schools.townships@sboa.in.gov) with any questions you may have at any time.



## SBOA Fees – IC 5-11-4-3



- **Taxing Unit Rate: \$175/day** (\$23.33/hour)
- **Full Cost Rate\*: \$802.50/day** (\$107/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.

## ECA Audits



- Extra-Curricular engagements
  - ECA with Receipts > \$1,000,000 will be examined **during the School Corporation audit.**
  - ECAs with receipts between \$100,000 - \$1,000,000 will be selected using a **risk-based approach** to determine if a centralized compliance engagement is required.
  - ECA with receipts < \$100,000 and *not having a specific risk identified* will be assessed in a **centralized review process.**
    - Approximately 10% of Statewide Activity
- ECA reviews performed by outside contractors will be considered a management tool.

## ECA Gateway Changes



- Additional question added by each fund on the ECA Risk Report.
- “Is this fund included in the records of the school corporation?”

## Annual Financial Report (AFR)



- Importance of Accuracy
- Schools are audited biennially per IC 5-11-1-25(d)
  - Bond rating agencies have been using Form 9 and AFR information in lieu of annual audit reports.
    - *If these agencies lose faith in the accuracy of the information reported in the AFR, there may be a push for annual school audits.*
- Our staffing levels could not handle annual traditional school audits.

## Gateway Changes



- AFR Grant Upload Option

- [https://gateway.ifionline.org/userguides/AFRguide#nav\\_GrantUpload](https://gateway.ifionline.org/userguides/AFRguide#nav_GrantUpload)

- Chart of Accounts Updates

- Announced in school bulletins.
- If you see an account code that should be allowed in another fund, let us know!

# School Crossing Guards



Our audit position is that a school crossing guard **can only be appointed by the parties noted in the statute below.**

IC 9-13-2-161.3 states: "School crossing guard" means a person at least eighteen (18) years of age appointed by one (1) of the following:

- (1) Safety board.
- (2) Board of public works and safety.
- (3) Town board.
- (4) Board of public safety.
- (5) Sheriff.

IC 9-13-2-161.5 describes a "school crossing zone" and states that a school crossing zone means a part of a roadway distinctly indicated for crossing by children on the way to or from school by lines or other markings on the surface of the roadway or by signs.

## Federal Programs



- Grant application, and amendments, must be retained locally.
- Federal Program must be accounted for in separate funds.
  - Must also use the correct federal receipts/disbursement codes.
- Claims paid must identify the fund and project number.
  - Reports to the State or Federal agency must also be retained and identify the same information.
- Indirect costs allocation estimates shall be used on applications.
  - The actual amount of indirect costs must still be calculated after total direct costs are known. Amounts received shall be receipted into the Operations fund.

## Self-Certification of Micro Purchase Threshold above \$50,000



- USDA notified schools that they may self-certify a micro-purchase threshold up to \$50,000.
- To increase the threshold above \$50,000 you must obtain approval from the cognizant agency.
- You must include a justification, clear indication of the threshold, and supporting documentation of any the following (2 CFR 200.320(a)(1)(IV))
  1. Qualification as a low-risk auditee. **If audited on a biennial basis cannot qualify as a low-risk auditee per 2 CFR 200.520(a)**
  2. Annual internal institutional risk assessment to identify, mitigate, and manage financial risks
  3. For public institutions, a higher threshold consistent with State law.



## Self-Certification of Micro Purchase Threshold above \$50,000 (Continued)



- IC 5-22-8-2 applies to any **purchase of supplies less than \$50,000**. “A purchasing agent may make a purchase under small purchase policies established by the purchasing agency or under rules adopted by the governmental body.”
  - However, IC 5-22-8-1(b) still applies, “purchase requirements may not be artificially divided as to constitute a small purchase under this chapter”
- IC 5-22-6-1 applies to services. “The purchasing agency of a governmental body **may purchase services using any procedure the governmental body or the purchasing agency of the governmental body considers appropriate.**” There is no dollar threshold in the IC for purchases of services.
- IC 36-1-12-3 covers the requirements for public work projects of local governments.

Self-Certification of Micro Purchase Threshold  
above \$50,000  
(Continued)



- This is reflective of changes made to Uniform Guidance **effective 11/12/2020** for most federal grants, except for HHS grants.
- Local units of government cannot apply the updates to procurement regulations retroactively.
- Written procurement policies would have to be updated and procurements going forward would be affected

# Purchasing Requirements – Reference Chart



	What is Covered	Thresholds	Indiana Code Requirement	Matching Federal Requirement
<b>IC 5 - 22 - 8</b>	Covers Supplies	Less than \$50,000	Follow policy established by local government	Informal - Micro Purchase
		Between \$50,000 - \$150,000	Minimum of 3 quotes	Informal - Small Purchase
<b>IC 5 - 22 - 6</b>	Covers Services	None	Follow policy established by local government	Informal -Micro Purchase < \$10,000 - \$50,000 Informal - Small Purchase < \$250,000
<b>IC 36 - 1 - 12 - 3</b>	Covers Public Works	Less than \$150,000	Minimum of 3 quotes	Informal - Small Purchase <\$250,000

## Disaster Recovery Plans



- Written plan with detailed instructions on how to respond to natural disasters, cyber-attacks, or other disrupting events.
- Should include procedures to back-up financial data frequently.
  - Storing data in a secure location not connected to main network is ideal.
  - Plan should include procedures to test backup data.
- Antivirus software and security patches should be up to date to prevent cyber-attacks.
- The Indiana Office of Technology (IOT) has many resources available.

# Indiana Office of Technology – Local Government Services



- The Indiana Office of Technology (IOT) provides services to local units of government.
- Website services
  - **FREE\*** - offers for a small monthly fee: website support, online payment processing, analytics/3<sup>rd</sup> party tools, application development...
- Email services
  - **Secure** /w @in.gov domain
- QPAs Assistance
  - Purchasing through State approved Contractors, hardware, software, telecom needs
- Cybersecurity Consulting
  - Response assistance
- Geographic Information System (GIS) services
- <https://www.in.gov/sboa/files/iot-services-3-24-22.pdf>

## Common Fraud Scheme Direct Deposits



- Payroll Diversion (Third-party payroll fraud)
- *Scammer sends an email, that looks like it is coming from an employee's account, requesting that their direct deposit information be changed.*
- You can mitigate the risk of this type of fraud by **verifying that the request came from the employee** (in-person or telephone confirmation).



# SBOA Audits – Compliance Testing

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Signature

Date



## Compliance Testing



- Annual Financial Report (AFR)

- Ensure the AFR was completed and submitted timely

- IC 5-11-1-4

*The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year.*

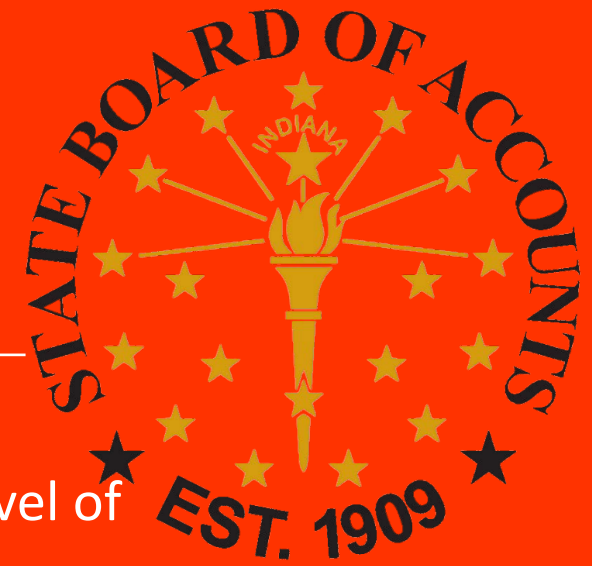


## Compliance Testing



- AFR (Continued)
- Were each of the following AFR components **materially** accurate and complete?
  - Schedule of Payables and Receivables
  - Schedule of Leases and Debt
  - Schedule of Capital Assets
  - Financial Data By Fund (Combining Schedules)
  - Grant Schedule

# Compliance Testing



- **Adoption** of Internal Control Standards
  - Determine that the school board has adopted the acceptable minimum level of internal control standards
- **Training** on Internal Control Standards
  - Determine that personnel have received the training over internal controls standards that were developed
- IC 5-11-1-27(g)

*After June 30, 2016, the legislative body of a political subdivision shall ensure that:*

*(1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and*

*(2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision.*

# Compliance Testing



- **Certification** of Internal Control Standards
  - Determine that the certification in Gateway on the adoption and training of internal control standards was made correctly.

- IC 5-11-1-27(h)

*After June 30, 2016, the fiscal officer of a political subdivision shall certify in writing that:*

- (1) the minimum internal control standards and procedures defined under subsection (e) have been adopted by the political subdivision; and*
- (2) personnel, who are not otherwise on leave status, have received training as required by subsection (g)(2).*

*The certification shall be filed with the state board of accounts at the same time as the annual financial report required by section 4(a) of this chapter is filed. The certification shall be filed electronically in the manner prescribed under IC 5-14-3.8-7.*

# Compliance Testing



- Ensure that the Certified Report of Names, Addresses, Duties and Compensation of Public Employees (**100R**) was completed and submitted timely (By January 31, XXXX)

- IC 5-11-13-1

*Each audited entity shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of the officers, employees, and agents of the audited entity. The report shall indicate the respective duties and compensation of each officer, employee, and agent of the audited entity. The audited entity shall file the report in the office of the state examiner of the state board of accounts. The report must also indicate whether the political subdivision offers a health plan, a pension, and other benefits to full-time and part-time employees.*

## Compliance Testing



- Annual and Monthly Uploads
- Determine that the school Corporation has properly completed the monthly and annual uploads in Gateway Per State Examiner Directive 2018-1 Amended November 9, 2020

[https://www.in.gov/sboa/files/Directive-2018-1-Monthly-and-Annual-Engagement-Uploads-Amended-11\\_9\\_2020.pdf](https://www.in.gov/sboa/files/Directive-2018-1-Monthly-and-Annual-Engagement-Uploads-Amended-11_9_2020.pdf)

## Compliance Testing



- Required Monthly Uploads
  1. Bank Reconcilements, Bank Statements, and Outstanding Check Lists
  2. Approved Board Minutes
  3. Funds Ledger, summarizing total receipts, disbursements, and beginning and ending balances by fund

# Compliance Testing



- Required Annual Uploads
  - Year-end Investment Statements
  - Detail of Receipts for the year
  - Detail of Disbursements for the year
  - Annual Vendor History Report
  - Annual Payroll History Report, **without social security numbers**
  - Annual Funds Ledger, summarizing year-to-date total receipts, year-to-date disbursements, and beginning and ending balances by fund
  - School Lunch Prepaid Account Balance Report as of June 30
  - Approved Salary Schedule for Noncertified Employees and Amendments

# Compliance Testing



- Misappropriation of Assets
  - Determine if the officials are aware of any misappropriation of public funds or assets by employees, officials or in-house contractors
  - Indiana Code 5-11-1-27(I)

*A public officer who has actual knowledge of or reasonable cause to believe that there has been a misappropriation of public funds or assets of the public office, including:*

- (1) information obtained as a result of a police report;*
- (2) an internal audit finding; or*
- (3) another source indicating that a misappropriation has occurred;*

*shall immediately send written notice of the misappropriation to the state board of accounts and the prosecuting attorney serving in the area governed by the political subdivision.*



# Compliance Testing



- Approved Depositories
  - Determine that the financial institutions utilized by the school corporation were included in the approved depository listing
- IC 5-13-6-1 states in part:
  - *“... All public funds...shall be deposited with the treasurer of state, or an approved depository selected by the treasurer of state...”*
- Treasurer of State’s Approved Depositories list
  - <https://www.in.gov/tos/deposit/indiana-approved-depositories-and-how-to-apply/>

# Compliance Testing



- Capital Assets

- Determine that the school corporation has a **capital assets policy** that includes a threshold.
- Determine that a complete **physical inventory** has been take at least every two years, unless more stringent requirements exist.
- Determine that the school corporation has a **complete detail listing of all capital assets** owned with reflects their acquisition value and it is being maintained properly.
- Capital Assets Every unit **must have a capital assets policy that details the threshold at which an item is considered a capital asset**. Every unit must have a complete detail listing of all capital assets owned which **reflects their acquisition value**. Capital Asset Ledger (Form 369) has been prescribed for this purpose. **A complete physical inventory must be taken at least every two years**, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Chapter 1, Accounting and Uniform Compliance Guidelines Manual For Indiana Public School Corporations)

## Compliance Testing



- Curricular Materials (Textbooks) Rental
  - Did the school adopt a **policy for bad debt** or uncollectible accounts?
  - Is the school giving **notice to parents** on the availability of assistance?
  - Is the school **collecting amounts owed** to the school related to textbook rental?

## Compliance Testing



- Prepaid School Lunch
  - Did the School Corporation **establish a Prepaid School Lunch Fund (8400)**?
  - Did the unit adopt a **policy for bad debt** or uncollectible accounts?
  - Did the unit adopt a **meal charge policy**?
  - Is the unit **collecting amounts owed** to the school related to school food accounts?

## Compliance Testing



- Chart of Account Changes (2019)
- Does the General Fund have a \$0 balance?
- Are there balances in funds that have been removed in the Chart of Accounts?
- IC 20-40-2-7
  - Were transfers made to closeout the 2018 General Fund?

## Compliance Testing



- Average Daily Membership (ADM)
- Obtain policies related to ADM reporting, student engagement, student enrollment and attendance
- School Corporations **must** have an engagement policy if the schools have a virtual component

## Compliance Testing



- ADM (continued)
- Obtain copy of the signed certification of ADM submitted to IDOE
  - Certification signed appropriately (individual possessed the knowledge to properly perform the certification)
  - Did the supporting records agree to the ME Report
  - Determine if any students participated in either a virtual program or virtual instruction within the corporation or both



- ADM (continued)
- Trace the total number of students from the ME Report to the Tuition Support Calculation Worksheets
  - Investigate any variances



## Compliance Testing



- ADM (continued)
  - Sample Individual Students for Eligibility
    - Properly Enrolled
    - Attending
    - Meets Age Requirement
    - Indiana Resident

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# Education Stabilization Fund

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## Federal Program Audit Considerations

- 84.425C: Governor's Emergency Education Relief (GEER) Fund
- 84.425D: Elementary and Secondary School Emergency Relief (ESSER) Fund

# Education Stabilization Fund



## Compliance Matrix

Compliance Requirement	Applicable per Matrix	Applicable at Local Level in Indiana
A. Activities Allowed or Unallowed	Y	Y
B. Allowable Costs / Cost Principles	Y	Y
C. Cash Management	Y	Y
E. Eligibility	N	N/A
F. Equipment and Real Property Management	Y	Y
G. Matching, Level of Effort, Earmarking	N	N/A
H. Period of Performance	N	N/A
I. Procurement and Suspension and Debarment	N	N/A
J. Program Income	N	N/A
L. Reporting	Y	Y
M. Subrecipient Monitoring	Y	N
N. Special Tests and Provisions		
1. Participation of Private School Children	Y	Y
2. Prioritizing Services or Assistance to Non-Public Schools under the EANS Program	Y	N

IDOE published lists of “Suggested Uses” for ESF funds. Per Department of ED, the State could not be more restrictive than the enabling statute for the ESF program.



Schools may use ESF funds outside of IDOE “suggested uses” so long as the expense is otherwise allowable as defined in the compliance supplement.



Education  
Stabilization Fund –  
Allowable Activities

## ESF – Expenditures



- The ESF does not have a non-supplant requirement; however, LEAs should be cautious that their expenditures from ESF funds do not put them out of compliance with the Maintenance of Effort requirements of other Federal programs, such as Title I.

## CASH MANAGEMENT - ESF



- ESSER I, ESSER II, and GEER I funds are provided on a reimbursement basis.
- For ESSER & GEER funds, School Corporations request reimbursement through the Title I Application Center.
  - Reimbursements are due the first and fifteenth of each month, just like for other federal grants.
- For GEER funds, the lead applicant will request reimbursement through the Title I Application Center and all other LEAs joining the project will receive reimbursement from the lead applicant.
- SBOA will test to ensure reimbursements are requested after the disbursements have incurred. Reimbursements should not be received prior to payment being made.

## Equipment & Real Property Management



- Schools using ESSER or GEER funds to purchase equipment or fund construction projects must seek prior approval from IDOE.
- SBOA will request documentation from the school to support that they received approval before obligating ESF funds for equipment or construction projects.
- Mobile temporary classroom units, improvements or replacements of HVAC systems, and any computing equipment with a per unit value greater than the *lesser* of the capitalization threshold used by the school or \$5,000.
- Equipment with a per unit value less than the threshold described above would not need prior approval. Schools may elect to use a capitalization value lower than \$5,000.

## Reporting – Annual Data Report



- Schools are responsible for submitting an annual Data Report for the ESSER & GEER funds.
- SBOA will verify the information provided to supporting documentation.



**Resource Library**



# SBOA Resource Library



The State Board of Accounts (SBOA) is pleased to present an online resource library for our clients and the citizens of Indiana. The following information can be now searched in the resource library.

- SBOA Uniform Compliance Guidelines (including previously issued bulletin articles)
- State Examiner Directives
- Best Practice Documents
- Indiana Code Section Summaries
- Frequently Asked Questions
- Other Miscellaneous Materials

Resource Library - Tutorial Video



<https://www.youtube.com/watch?v=bf82lq6pQZk>

## Resource Library - Exercise



<https://www.in.gov/sboa/library/>

## SBOA Email List



Subscribe for  
e-mail updates >

<https://www.in.gov/sboa/about-us/sboa-communications-sign-up/>

## Website Overview

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

## IASBO Region Meetings



- If you would like training on specific topics, we would be happy to do so.
- We have a goal to visit every IASBO region at least once in 2022.
- In-person or virtual attendance – whatever is best for your region!



# Questions?