

# THE CHARTER SCHOOL ADMINISTRATOR

## AND UNIFORM COMPLIANCE GUIDELINES ISSUED BY STATE BOARD OF ACCOUNTS

Volume 3

June 2013

### ITEMS TO REMEMBER

#### June

- 1 Prove the Fund Ledger and Ledger of Receipts for the month of May to the control of all funds and reconcile the control with the depository statement. Prove all receipt accounts for each fund to total receipts for that fund. Prove the Ledger of Appropriations, Allotments, Encumbrances, Disbursements, and Balances to the total disbursements of the control account of the Fund Ledger. Prove all expenditure accounts within each program to the total disbursements of that program.
- 20 Last day to report and make payment of state and county income tax withheld during May to the Department of Revenue.
- 30 Close out all payroll deduction clearing accounts. Balance and close the Fund Ledger and Ledger of Receipts for the school year and reconcile with depositories. Total the Ledger of Appropriations, Allotments, Encumbrances, Disbursements, and Balances (January 1 to June 30). Close the ledger for the school year and prove to the Fund Ledger.

#### July

- 1 Open a Fund Ledger and Ledger of Receipts for the next school year by entering the balance of each fund as determined and proved for June 30. Open a Ledger of Appropriations, Allotments, Encumbrances, Disbursements, and Balances for the next school year by entering in each program account the balance of unexpended appropriations, and by entering in each expenditure account within each program, the balance of the unexpended allotment.
- 4 Independence Day - Legal Holiday (IC 1-1-9-1)
- 20 Last day to report and make payment of state and county income tax withheld during June to the Department of Revenue.
- 31 Last day to submit Biannual Financial Report (Form 9) to the Department of Education.  
  
Last day to file Employer's Quarterly Federal Tax Return (Form 941) with the Internal Revenue Service for federal and social security taxes for the second quarter.

#### August

- 1 Prove all ledgers for the month ending July 31 as outlined for the month of June.
- 20 Last day to report and make payment of state and county income tax withheld during July to the Department of Revenue.

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### AFFORDABLE CARE ACT PENALTIES, FINES, OR TAX

The State Board of Accounts has received many questions regarding our audit position with regards to the Affordable Care Act. Most of the questions have inquired specifically about the penalties, fines, or tax associated with this law. While our general audit guidelines prohibit the paying of penalties and interest and states that those payments would be a personal charge to the fiscal officer, administrator, or board, we do not believe this general guideline should apply to this controversial, mandated, and complicated law.

We also believe that the governing boards should be making the fiscal decisions associated with their unit of government and the implementation of this law. Therefore, if the fiscally wise decision of the board is to pay the penalties, fines, or tax instead of the cost of the insurance then we will not personally charge the officials involved. One of the conditions necessary to not charging the penalties, fines, or tax is to have the governing board officially document their decision to not comply with the Affordable Care Act. This could be a motion in the board minutes, a resolution, or an ordinance.

In summary, as long as there is an official action of the board to choose to pay the fines, penalties, or tax, the State Board of Accounts will not personally hold anyone in that unit of government accountable for reimbursing the cost of those penalties, fines, or tax.

### INDIANA SALES TAX

Please visit the Department of Revenue site at <http://www.in.gov/dor/3650.htm> for information pertaining to numerous items of interest to charter schools, including, but not limited to Sales Tax Bulletins 4 and 32. Any questions concerning the information included therein should be directed to the Department of Revenue.

### INTERNAL CONTROLS

Internal controls are the policies and procedures used by management to ensure that their programs and functions operate efficiently and effectively in conformance with applicable laws and regulations. One purpose of internal control is to ensure that financial reporting of the financial statements and the schedule of expenditures of federal awards is completed accurately. It is also used to reduce the risk associated with fraud related to the operations of the governmental unit. Internal control is essentially a check and balance system over the operations. The foundation for a good internal control system starts with making sure that there are appropriate procedures in place to ensure that errors and fraud are either prevented or detected and corrected in a timely manner.

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### INTERNAL CONTROLS (Continued)

In order to have an effective internal control system, it is important to have proper segregation of duties. Segregation of duties is a common term referred to in relation to internal control. This means to have a separation of functions over certain activities that would provide internal control. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same action. An example of appropriate segregation of duties would be having one individual prepare claims, having another individual review and approve the claims, and having a third individual sign the checks for payment of the claims. Without proper segregation of duties, it is difficult to have an effective system of internal control. Sufficient compensating controls would then need to be implemented. This might entail random verification and approval by the official at different points in the process or switching duties. There are two main advantages to implementing segregation of duties. The first is that fraud is more difficult to perpetrate when proper segregation of duties is in place because it would require collusion of two or more individuals. Secondly, with several individuals involved in the process, innocent errors are more likely to be detected and corrected. Officials have the fiduciary responsibility to ensure the proper accountability of financial activity. This is accomplished by making sure there is proper oversight, reviews and approvals.

The Accounting and Uniform Guidelines Manual for each unit provides that internal controls be established and put into operations. Therefore, a sound internal control system should be put in to place to ensure accurate reporting of the financial statements and the schedule of expenditures of federal awards. Additionally, a sound internal control system should be put into place to ensure that all requirements related to federal awards received are complied with. The requirements of a federal program can be obtained from various sources which include but are not limited to the grant agreement with the Federal agency/pass-through entity, the appropriate section of the Code of Federal Regulations and United States Code, and applicable handbooks and other guidance provided by the Federal agency and/or pass-through entity.

In addition to the guidance noted above, the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. OMB Circular A-133 requires auditors to obtain an understanding of the non-Federal entity's internal control over Federal programs sufficient to plan the audit to support a low assessed level of control risk for major programs, plan the testing of internal control over major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program, and, unless internal control is likely to be ineffective, perform testing of internal control as planned.

As the auditor of your local governmental entity, the State Board of Accounts or a private examiner will be assessing the controls you have in place over the preparation of the financial statements and schedule of expenditures of federal programs and over the compliance with the requirements of federal programs. If we determine that controls for any of these areas are either not in place or are not operating effectively, we are required by the standards we follow to report those issues. This reporting is required to be made in the form of written Federal finding included in the audit report. In order for us to be able to determine operating effectiveness of the controls, we must have documentation of the controls to audit. Therefore, any review completed over the preparation of the financial statement or schedule of expenditure of federal awards should be documented in some way. Additionally, the oversight given to ensure compliance with requirements of the federal programs should be documented.

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### ISSUING DUPLICATE WARRANTS

When a charter school warrant is lost or for some other reason has not been presented for payment by the depository on which drawn, and evidence of this fact is submitted, the charter school is authorized to issue a duplicate warrant to replace the original warrant; however, certain safeguards should be exercised before the duplicate warrant is issued, as recommended in the following outline:

1. The person, firm, or corporation requesting the duplicate warrant should submit to the charter school treasurer an affidavit setting out all pertinent information with reference to such warrant. A separate affidavit should be furnished by the payee and by each party to whom it was endorsed. A suggested form of affidavit will be found on page 5.
2. Immediately upon receipt of the affidavit, the charter school treasurer should issue a stop payment order on the original warrant to the bank on which it was drawn.
3. Delay issuing the duplicate warrant until the warrants for the month in which the stop payment order was issued are returned by the bank and the charter school treasurer has verified that the original warrant has not been cashed.
4. Issue the duplicate warrant on the next warrant number of the current series, under current date (not the date it was originally issued), bearing the payee's name, amount and other details shown on the original warrant, but clearly indicate thereon that it is "issued to replace warrant number \_\_\_\_, dated \_\_\_\_\_, 20\_\_." In this manner no problems should arise when the warrant is presented to the bank for payment, which sometimes happens when it is given the date and number of the original warrant on which payment was stopped. It is not permissible to have unnumbered warrants furnished by the printer for this purpose; always use the next warrant number in the current series but show thereon the warrant number it replaces.
5. The duplicate warrant is not to be posted to the ledgers since it is issued only for the purpose of replacing the original warrant. To identify it as a duplicate so it will not be posted and added with the disbursements for the month, simply circle the copy in the warrant register or otherwise identify it as a "Duplicate."

A duplicate warrant might, under emergency conditions, be issued within a short time after the stop payment order is given the bank where the bank furnishes a statement that they have checked the paid warrants to date and the warrant in question has not been paid. However, a safe position is to wait until the canceled warrants for the month in which the stop payment order was issued are returned by the bank and the fiscal officer has verified the warrant has not been paid.

\*\*\*\*\*  
\*FOR USE OF THE CHARTER SCHOOL\*  
\*Duplicate Issued on \_\_\_\_\_\*  
\* Warrant Number \_\_\_\_\_\*  
\* Date \_\_\_\_\_, 20\_\_\*  
\*\*\*\*\*

AFFIDAVIT FOR ISSUANCE OF DUPLICATE WARRANT

STATE OF INDIANA )  
 )SS:  
COUNTY OF \_\_\_\_\_)

I, \_\_\_\_\_, presently residing at \_\_\_\_\_  
\_\_\_\_\_ County, Indiana, being first duly sworn upon my oath, say:

1. That I have been informed a charter school warrant was issued from the \_\_\_\_\_ Fund, in the sum of \$\_\_\_\_\_, said warrant bearing number \_\_\_\_\_, dated \_\_\_\_\_, 20\_\_, payable to \_\_\_\_\_ for \_\_\_\_\_.

2. That I am the person to whom said warrant was payable, or am the owner, partner or an officer in the firm or corporation to which payable or to which the warrant was subsequently endorsed.

(Strike out 3a or 3b, whichever is not applicable)

3a. That payment has not been received on said warrant or on any other warrant for the sum due as described above, for the reason that said warrant was (describe whether lost, destroyed or stolen; the date of the occurrence, if known; and all other pertinent facts).

3b. That payment was received on said warrant from \_\_\_\_\_ to whom it was subsequently endorsed.

4. That I fully understand payment will be stopped on the original warrant and, if a duplicate warrant is issued and payment is obtained thereon, that I will not be entitled to receive payment on the original warrant; and, further, should said original warrant ever come into my possession I will immediately forward it to the charter school treasurer.

\_\_\_\_\_  
(Signature of Affiant)

Subscribed and sworn to before the undersigned, a Notary Public, in and for said county and state, this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_

Note: If the payee did not receive payment, strike out paragraph 3b. If the payee and any subsequent endorser received payment, strike out paragraph 3a. In the latter instance the last party to whom the warrant was endorsed should complete paragraph 3a. A separate affidavit should be obtained from the payee and from each party to whom the warrant was endorsed.

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### NEW LAWS AFFECTING CHARTER SCHOOLS

The following is a digest of some of the laws passed by the 2013 Regular Session of the General Assembly affecting charter schools. Please note the effective dates. Some of the laws do not pertain directly to charter schools but are included in the Digest for ready reference to the covered subject matter.

The digest is not intended as an expression of legal interpretations, nor is the digest intended to be all inclusive. References in the digest will be to the Indiana Code in the following form (Amends IC 12-20-9-6) (Amends Indiana Code, Title 12, Article 20, Chapter 9, Section 6). If you have any questions regarding legal interpretation, please consult your attorney.

#### **Public Law 172 - Senate Enrolled Act 001 School Resource Officers and School Safety Effective Upon Passage Adds IC 10-21; IC 20-26-18.2**

Specifies how a school resource officer program may be established and sets forth duties and responsibilities for school resource officers. Establishes the Indiana secured school fund (fund) under the administration of the department of homeland security to provide matching grants to enable school corporations and charter schools to establish programs to: (1) employ school resource officers; (2) conduct threat assessments of school buildings; or (3) purchase safety equipment and technology. Provides that a matching grant from the fund may not exceed the following: (1) \$50,000 per year, in the case of a school corporation or charter school that has an ADM of at least 1,000 and is not applying jointly. (2) \$35,000 per year, in the case of a school corporation or charter school that has an ADM of less than 1,000 and is not applying jointly. (3) \$50,000 per year, in the case of a coalition of schools applying jointly. Eliminates the authority to use money in the safe schools fund for certain purposes. Provides that in order to receive a matching grant, a school corporation or charter school must be located in a county that has a county school safety commission. Provides that the statute regarding possession of a firearm on school property does not apply to a person who may legally possess a firearm and who has been authorized by a school board or body that administers a charter school to carry a firearm in or on school property.

#### **Public Law 122 - Senate Enrolled Act 345 Use of Restraints and Seclusion in Schools Effective Upon Passage Adds IC 20-20-40, Amends IC 34-13-3-3**

Establishes a commission on seclusion and restraint in schools to adopt rules concerning the use of restraint and seclusion in schools and develop a model restraint and seclusion plan. Requires a school corporation and accredited nonpublic school to have in place a restraint and seclusion plan for the 2014-2015 school year.

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### NEW LAWS AFFECTING CHARTER SCHOOLS

**Public Law 190 - Senate Enrolled Act 352**  
**School Policies on Gang Activities**  
**Effective July 1, 2013**  
**Adds IC 20-26-18, Amends IC 5-2-10.1-2**

Allows the Indiana safe schools fund to be used to provide educational outreach and training to school personnel concerning the identification and prevention of, and intervention in, criminal gang activity. Requires the governing body of each school corporation to develop and maintain a criminal gang policy. Requires each school corporation to develop: (1) an educational criminal gang awareness program for students, school employees, and parents; and (2) a school employee development program to provide training to school employees in the implementation of the school corporation's criminal gang policy. Requires, beginning in 2017 and each year thereafter, each school corporation to submit a report to the department outlining the activities undertaken by the school corporation to address criminal gang activity.

**Public Law 129 - Senate Enrolled Act 464**  
**Education Funding for Children in Residential Care**  
**Effective July 1, 2013**  
**Adds IC 20-26-11-11.5**

Provides that if a student is placed in a state licensed residential mental health facility under written orders of a licensed physician, if the student receives educational services provided by the facility, and if certain other conditions are satisfied, the school corporation receiving state tuition support for the student at the time of the student's admission to the facility shall pay the facility a per diem for the educational services provided by the facility to the student during the student's admission in the facility. Specifies that the amount such a school corporation shall pay to a facility is the amount, prorated according to the number of instructional days for which the student receives the educational services, that is equal to: (1) the student's proportionate share of basic tuition support distributions that are made to the school corporation for the school year; and (2) any special education grants received for the student. Requires a facility to provide written notice to the school corporation not later than five business days after a student is admitted to the facility

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### NEW LAWS AFFECTING CHARTER SCHOOLS

#### **Public Law 211 - House Enrolled Act 1003**

##### **Nonpublic School Scholarships**

##### **Effective Various Dates**

**Adds IC 6-3.1-30.5-9.5, IC 20-51-4-2.5, IC 20-51-1-4.3, IC 20-51-4-4.5, IC 20-51-4-4.6**

**Amends IC 20-51-1-5, IC 20-51-3-3, IC 20-51-4-4, IC 20-51-4-5, IC 20-51-4-7, IC 20-51-4-10, IC 20-51-4-11**

Provides that a taxpayer may carry forward a school scholarship income tax credit for a taxable year that begins after December 31, 2012. Specifies eligibility standards for choice scholarships. Makes various administrative changes to the choice scholarship program. Removes a provision that allows the department to make only a partial choice scholarship grant. Provides that an eligible choice scholarship student is eligible to receive as part of the choice scholarship any applicable amount that a school corporation (in which the student has legal settlement) would receive for a student as part of a special education grant. Provides that a public school is not required to make available special education and related services to an eligible choice scholarship student who receives special education funding as part of the choice scholarship. Provides that a school corporation may not include in its special education grant count an eligible choice scholarship student who receives an amount related to special education as part of a choice scholarship. Requires the state board to adopt rules, including emergency rules, for the provision of special education or related services to an eligible choice scholarship student who receives special education funds as part of the choice scholarship. Provides that the choice scholarship shall be distributed each semester during the school year. Amends the definition of "eligible student" for purposes of the statutes concerning scholarship granting organizations. Provides that the legislative council shall assign certain topics to the commission on education interim study committee.

#### **Public Law 17 - House Enrolled Act 1012**

##### **Sale of a Public School Building**

##### **Effective Upon Passage**

**Amends IC 20-26-7-1**

Provides that a school corporation may sell a vacant or unused school building after the school building is made available for sale or lease to a charter school for at least two years. (Current law says after 48 months.) Provides that a governing body shall make available for lease or purchase to any charter school any vacant or unused school building owned by the school corporation or any other entity that is related in any way to, or created by, the school corporation or the governing body, including a building corporation. (Includes school corporations and building corporations). Provides that a governing body of a school corporation may request a waiver from the department of education (department) from the requirement that a vacant school building must be made available to a charter school.

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### NEW LAWS AFFECTING CHARTER SCHOOLS

#### **Public Law 220 - House Enrolled Act 1159**

##### **School Liability**

**Effective July 1, 2013**

**Adds IC 34-31-10, Amends IC 34-13-3-3**

Limits the liability of a public school or an accredited nonpublic school that provides community use physical fitness activities to the general public. Specifies that the tort claims act applies to charter schools, and provides tort claims immunity to a public or charter school for a claim based on the adoption or enforcement of a policy, or on the failure to adopt or enforce a policy.

#### **Public Law 280 - House Enrolled Act 1338**

##### **Charter School Administration**

**Effective Various Dates**

**Adds IC 20-24-1-2.5, IC 20-24-1-6.1, IC 20-24-2.2-1.5, IC 20-24-2.2-6, IC 20-24-2.2-7, IC 20-24-2.3, IC 20-24-3-2.5, IC 20-24-3-17, IC 20-24-4-1.5, IC 20-24-4-2, IC 20-24-4-3, IC 20-24-8-8, IC 20-24-9-4.5, IC 20-39-1-4**

**Amends IC 5-2-10.1-6, IC 5-2-10.1-7, IC 5-11-1-9, IC 5-14-1.5-3.6, IC 20-24-1-3, IC 20-24-2.1-1, IC 20-24-2.1-2, IC 20-24-2.2-1, IC 20-24-2.2-2, IC 20-24-2.2-3, IC 20-24-2.2-4, IC 20-24-2.2-5, IC 20-24-3-1, IC 20-24-3-2, IC 20-24-3-3, IC 20-24-3-4, IC 20-24-3-5.5, IC 20-24-3-7, IC 20-24-3-9, IC 20-24-3-10, IC 20-24-3-11, IC 20-24-3-12, IC 20-24-3-14, IC 20-24-3-16, IC 20-24-4-1, IC 20-24-5-4,, IC 20-24-6-1, IC 20-24-6-8, IC 20-24-7-8, IC 20-24-7-10, IC 20-24-8-3, IC 20-24-9-2, IC 20-24-9-3, IC 20-24-9-4, IC 20-24-9-5, IC 20-24-9-7, IC 20-24-11-1, IC 20-39-1-1**

**Repeals IC 20-24-1-9, IC 20-24-3-5, IC 20-24-3-8, IC 20-39-1-2**

Provides that a charter school is eligible to receive a school safety grant. Provides that a charter school may use certain electronic meeting procedures. Replaces references to "sponsor" with "authorizer" in the charter school law. Adds definition of "education service provider". Adds certain requirements to be contained in a proposal to establish a charter school pertaining to education service providers. Provides that before a charter school authorizer may issue a charter to an organizer that has had its charter terminated or has been informed that its charter will not be renewed by the organizer's current authorizer, the authorizer must request to have the proposal reviewed by the state board of education (state board) at a hearing; that the state board shall conduct a hearing; and that the authorizer must present information at the hearing indicating that the organizer's proposal is substantively different from the organizer's current proposal with its current authorizer. Adds various charter renewal requirements. Provides that an organizer may hold more than one charter contract, but that each charter school that is part of a charter contract must be separate and distinct. Requires an authorizer to develop a charter school closure protocol.

Provides that a public audit of a charter school or organizer of a charter school is limited to the use of the public money received by the organizer of a charter school or the charter school. Provides for the release to a charter school authorizer of certain covered records that are in the possession of the department of education (department) or the state board and that concern the charter school. Requires that the state pay directly to a charter school any federal or state aid attributable to a student with a disability attending the charter school. Repeals a provision that requires the city-county council of Indianapolis to approve a charter school authorized by the mayor of Indianapolis. Establishes the Indianapolis charter school board. Repeals a provision that provides a governing body must obtain approval from the department before granting a charter under which more than 50% of the students in the school corporation will attend the charter school.

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### NEW LAWS AFFECTING CHARTER SCHOOLS

#### **Public Law 280 - House Enrolled Act 1338 (Continued)**

Requires the department, with the approval of the state board, to submit an annual report to the budget committee pertaining to virtual charter schools. Provides that if an organizer of a charter school maintains an Internet web site for a charter school, the organizer shall publish the names of the members of the charter school's governing body on the Internet web site. (Current law unconditionally requires an organizer to publish the names of the members of the governing body on the charter school's Internet web site.)

Requires charter school organizers to adopt and accurately implement a single, unified accounting system for charter school organizers as prescribed by the state board and the state board of accounts. Repeals a provision pertaining to accounting and financial reporting of charter schools. Provides that a member of the state charter board may not be removed before the end of the member's full term by the member's appointing authority without cause. Provides that the state charter board must collectively possess strong experience and expertise in certain areas. Provides that the department's Internet web site must include a charter school annual report. Requires an authorizer to adopt national industry standards of quality charter school authorizing. Provides that a charter school agreement must include a requirement that a charter school not remain in the lowest category or designation of school improvement in the third year after initial placement in the lowest category or designation.

Requires the state board to provide an authorizer a hearing if the authorizer fails to close a charter school that does not meet the minimum standards in the charter agreement. Provides that the state board, after providing a hearing, may close the charter school at the end of the school year. (Current law provides that the charter school may be closed on a date set by the state board.) Provides that the state board, after providing a hearing, may reduce the administrative fees that an authorizer may receive. (Eliminates the provision of current law under which the administrative fees may be reduced by no more than 50%.) Provides that if an authorizer does not correct the deficiencies that prohibit the authorizer from opening new charter schools, the state board may, with a 2/3 vote, decommission the authorizer. Provides that the decommissioned authorizer's charter schools must apply to be approved by another authorizer within 150 days. Provides for the voluntary relinquishment of authorizer status. Provides that a virtual charter school is eligible to receive new charter school startup grants.

#### **Public Law 286 - House Enrolled Act 1427**

##### **Various Education Matters**

**Effective July 1, 2013**

**Adds IC 20-18-2-2.7, Repeals IC 20-18-2-23**

A majority of the enrolled act places requirements on the state board and the department of education.

Replaces the definition of "textbook" with a definition of "curricular materials".