

THE CHARTER SCHOOL ADMINISTRATOR

and Uniform Compliance Guidelines ISSUED BY STATE BOARD OF ACCOUNTS

Volume 6

March 2014

ITEMS TO REMEMBER

March

- 1 Prove the Fund Ledger and Ledger of Receipts for the month of February 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.
- 20 Last day to report and make payment of state and county income tax withheld during February to the Department of Revenue.

April

- 1 Prove all ledgers for the month ending March 31 as outlined for the month of February.
 - 18 Good Friday - Legal Holiday (IC 1-1-9-1)
 - 20 Last day to report and make payment of state and county income tax withheld during March to the Department of Revenue.
 - 30 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 first quarter.
- Last day to file quarterly reports with the Indiana Department of Workforce Development for the quarter ending March 31.

May

- 1 Prove all ledgers for the month ending April 30 as outlined for the month of February.
- 20 Last day to report and make payment of state and county income tax withheld during April to the Department of Revenue.
- 26 Memorial Day - Legal Holiday (IC 1-1-9-1)

**THE CHARTER SCHOOL ADMINISTRATOR
and Uniform Compliance Guidelines**

Volume 6, Page 2

March 2014

SALE OF UNNEEDED PROPERTY; LEASE OR SALE TO CHARTER SCHOOL

IC 20-26-7-1 states in part:

"(d) A governing body may not make a covenant that prohibits the sale of real property to another educational institution.

(e) This subsection does not apply to a school building that on July 1, 2011, is leased or loaned by the school corporation that owns the school building to another entity, if the entity is not a building corporation or other entity that is related in any way to, or created by, the school corporation or the governing body. Except as provided in subsections (k) through (n), a governing body shall make available for lease or purchase to any charter school any 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 but not limited to a building corporation, that:

(1) either:

(A) is not used in whole or in part for classroom instruction at the time the charter school seeks to lease the building; or

(B) appears on the list compiled by the department under subsection (f); and

(2) was previously used for classroom instruction;

in order for the charter school to conduct classroom instruction.

(f) Not later than August 1 each calendar year, each governing body shall inform the department if a school building that was previously used for classroom instruction is closed, unused, or unoccupied. The department shall maintain a list of closed, unused, or unoccupied school buildings and make the list available on the department's Internet web site. Each school corporation shall provide a list of closed, unused, or unoccupied buildings to the department by the date set by the department. The department must update the list each year before August 31.

(g) A school building that appears for the first time on the department's list under subsection (f) shall be designated as "Unavailable until (a date two (2) years after the school building first appears on the list)" if the governing body of the school corporation that owns the school building indicates to the department, on a form prescribed by the department, that the school building may be reclaimed during that period for classroom instruction. If a governing body does not indicate that a school building may be reclaimed, the governing body shall designate the school building as "Available" on the department's list. The governing body may change the designation of a building from unavailable to available at any time. If a school building that is designated as unavailable on the department's list remains unused for classroom instruction one (1) year after being reclaimed under this subsection, the governing body shall designate the school building as "Available" on the department's list. A governing body may reclaim a school building only one (1) time under this subsection.

**THE CHARTER SCHOOL ADMINISTRATOR
and Uniform Compliance Guidelines**

Volume 6, Page 3

March 2014

SALE OF UNNEEDED PROPERTY; LEASE OR SALE TO CHARTER SCHOOL
(Continued)

(h) If a charter school wishes to use a school building on the list created under subsection (f), the charter school shall send a letter of intent to the department. Within thirty (30) days after receiving a letter from a charter school, the department shall notify the school corporation of the charter school's intent, and, within thirty (30) days after receiving notification from the department, the school corporation that owns the school building shall lease the school building to the charter school for one dollar (\$1) per year for as long as the charter school uses the school building for classroom instruction or for a term at the charter school's discretion, or sell the school building to the charter school for one dollar (\$1). The charter school must begin to use the school building for classroom instruction not later than two (2) years after acquiring the school building. If the school building is not used for classroom instruction within two (2) years after acquiring the school building, the school building shall be placed on the department's list under subsection (f). If during the term of the lease the charter school closes or ceases using the school building for classroom instruction, the school building shall be placed on the department's list under subsection (f). If a school building is sold to a charter school under this subsection and the charter school or any entity related to the charter school subsequently sells or transfers the school building to a third party, the charter school or related entity must transfer an amount equal to the gain in the property minus the adjusted basis (including costs of improvements to the school building) to the school corporation that initially sold the vacant school building to the charter school. Gain and adjusted basis shall be determined in the manner prescribed by the Internal Revenue Code and the applicable Internal Revenue Service regulations and guidelines.

(i) During the term of a lease under subsection (h), the charter school is responsible for the direct expenses related to the school building leased, including utilities, insurance, maintenance, repairs, and remodeling. The school corporation is responsible for any debt incurred for or liens that attached to the school building before the charter school leased the school building.

(j) Notwithstanding anything to the contrary in this section, and with the sole exception of a waiver provided in subsection (n), when a school building is designated as "Available" under subsection (g), the school building must remain designated as "Available" and may not be sold or otherwise disposed of for at least two (2) years. When the two (2) year period has elapsed, the school corporation may sell or otherwise dispose of the school building in accordance with IC 36-1-11.

(k) Notwithstanding subsection (e), a governing body may request a waiver from the department from the requirements of subsection (e). In order for a governing body to receive a waiver under subsection (n), the governing body must apply to the department, on a form prescribed by the department, for the waiver. The application must include a statement that the governing body believes that a charter school would not be interested in leasing or purchasing the vacant or unused school building.

(l) If the department receives a waiver request under subsection (k), the department, within five (5) days after receiving the waiver request under subsection (k), shall notify each charter school sponsor and statewide organization representing charter schools in Indiana by certified mail of the waiver request received under subsection (k). The notice must include a copy of the governing body's waiver request.

**THE CHARTER SCHOOL ADMINISTRATOR
and Uniform Compliance Guidelines**

Volume 6, Page 4

March 2014

SALE OF UNNEEDED PROPERTY; LEASE OR SALE TO CHARTER SCHOOL

(Continued)

(m) Not later than thirty (30) days after a charter school sponsor or statewide organization representing charter schools in Indiana receives a notice described in subsection (l), the charter school sponsor or a statewide organization representing charter schools may submit a qualified objection to the governing body's request for a waiver under subsection (k). The qualified objection must be submitted to the department in writing. In order for an objection to be considered a qualified objection by the department, the objection must include:

- (1) the name of the charter school that is interested in leasing or purchasing the vacant or unused school building; and
- (2) a time frame, which may not exceed one (1) year from the date of the objection, in which the charter school intends to begin providing classroom instruction in the vacant or unused school building.

(n) If the department receives a qualified objection under subsection (m), the vacant or unused school building shall remain on the department's list under subsection (f) with the designation with which the building is listed under subsection (g) at the time the department receives the waiver request. If the department does not receive a qualified objection, the department shall grant the governing body's request for a waiver. A governing body that receives a waiver under this subsection may sell or otherwise dispose of the unused or vacant school building in accordance with IC 36-1-11."

**THE CHARTER SCHOOL ADMINISTRATOR
and Uniform Compliance Guidelines**

Volume 6, Page 5

March 2014

OMB CIRCULAR A-133 REQUIREMENTS

The Single Audit Act and the Office of Management and Budget (OMB) Circular A-133 set out the responsibilities of entities receiving federal awards. Subrecipient monitoring is required by the governmental entity receiving the federal funds which are passed through to governmental and nongovernmental subrecipients.

We recommend that the charter school organizer have a formal subrecipient monitoring plan, in written form, for all federal programs which pass federal monies through to subrecipients. The monitoring plan should identify the procedures the charter school organizer has in place to monitor the activities of the subrecipient to ensure that the program requirements are being met. Such monitoring plans should include for instance, formal procedures to request subrecipients to provide written documentation supporting requests for reimbursements and the procedure the charter school organizer will use to review such documentation, the nature, timing, and extent of on-site visits, etc., and should also:

1. Identify federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R & D and the name of federal agency. When some of this information is not available, the pass-through entity shall provide the best information available to describe the Federal award.
2. Advise subrecipients of requirements imposed on them by federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity.
3. Monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
4. Ensure that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirements for that fiscal year.
5. Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.
6. Consider whether subrecipient audits necessitate adjustment of the pass-through entity's own records.
7. Require each subrecipient to permit the pass-through entity and auditors to have access to the records and financial statements as necessary for the pass-through entity to comply with the Circular.

**THE CHARTER SCHOOL ADMINISTRATOR
and Uniform Compliance Guidelines**

ESTABLISHING THE ESTIMATED COST OF CAPITAL ASSETS

When it is not possible to determine the historical cost of capital assets owned by a governmental unit, the following procedure should be followed.

Develop an inventory of all capital assets which are significant for which records of the historical costs are not available. Obtain an estimate of the replacement costs of these assets. Through inquiry determine the year or approximate year of acquisition. Then multiply the estimated replacement cost by the factor for the year of acquisition from the Table of Cost Indexes. The resulting amount will be the estimated cost of the asset.

In some cases estimated replacement cost can be obtained from insurance policies; however, if estimated replacement costs are not available from insurance policies, you should obtain or make an estimate of the replacement costs.

If the replacement cost is estimated to be \$76,000.00 and the asset was constructed about 1926, then the estimated cost of the asset should be reported as \$6,080.00.

$$\$76,000.00 \times .08 = \$6,080.00$$

TABLE OF COST INDEXES
1913 to 2013

<u>Year</u>	<u>Index</u>	<u>Year</u>	<u>Index</u>	<u>Year</u>	<u>Index</u>	<u>Year</u>	<u>Index</u>
2013	1.00	1985	.46	1961	.13	1937	.06
2012	.99	1984	.45	1960	.13	1936	.06
2011	.97	1983	.43	1959	.12	1935	.06
2010	.94	1982	.41	1958	.12	1934	.06
2009	.92	1981	.39	1957	.12	1933	.06
2008	.92	1980	.35	1956	.12	1932	.06
2007	.89	1979	.31	1955	.12	1931	.07
2006	.87	1978	.28	1954	.12	1930	.07
2005	.84	1977	.26	1953	.11	1929	.07
2004	.81	1976	.24	1952	.11	1928	.07
2003	.79	1975	.23	1951	.11	1927	.07
2002	.77	1974	.21	1950	.10	1926	.08
2001	.76	1973	.19	1949	.10	1925	.08
2000	.74	1972	.18	1948	.10	1924	.07
1999	.72	1971	.17	1947	.10	1923	.07
1998	.70	1970	.17	1946	.08	1922	.07
1997	.69	1969	.16	1945	.08	1921	.08
1996	.67	1968	.15	1944	.08	1920	.09
1995	.65	1967	.14	1943	.07	1919	.07
1994	.64	1966	.14	1942	.07	1918	.07
1993	.62	1965	.14	1941	.06	1917	.05
1992	.62	1964	.13	1940	.06	1916	.05
1991	.58	1963	.13	1939	.06	1915	.04
1990	.56	1962	.13	1938	.07	1914	.04
1989	.53					1913	.04
1988	.51						
1987	.49						
1986	.47						

**THE CHARTER SCHOOL ADMINISTRATOR
and Uniform Compliance Guidelines**

Volume 6, Page 7

March 2014

APPROVAL OF ACCOUNTING FORMS AND SYSTEMS

The State Board of Accounts is charged by law with the responsibility of prescribing and installing a system of accounting and reporting which shall be uniform for every public office and every public account of the same class and contain written standards that an entity that is subject to audit must observe. The system must exhibit true accounts and detailed statements of funds collected, received, obligated and expended for or on account of the public for any and every purpose. It must show the receipt, use and disposition of all public property and the income, if any, derived from the property. It must show all sources of public income and the amounts due and received from each source. Finally it must show all receipts, vouchers, contracts, obligations, and other documents kept, or that may be required to be kept, to prove the validity of every transaction. [IC 5-11-1-2]

The system of accounting prescribed is made up of the uniform compliance guidelines and the prescribed forms. A prescribed form is one which is put into general use for all offices of the same class.

Computer hardware, software and application systems can now produce exact replicas of the forms prescribed by the State Board of Accounts. An exact replica of a prescribed form is a computerized form that incorporates all of the same information as the manual prescribed form. Prescribed form replication is the preferred approach from the State Board of Accounts' position. These exact replicas are the equivalent of the prescribed form and require no further action for the charter school to install the form within their accounting system.

Units are required by law to use the forms prescribed by this department. However, if it is desirable to use a form other than the prescribed manual form, that is not an exact replica; the new form must be approved by State Board of Accounts.

All forms previously approved by sending copies to State Board of Accounts and receiving a form approval letter are approved with the conditions contained with the letter.

After April 1, 2014, if a unit implements, consistent with the provisions of Indiana Code and Uniform Compliance Guidelines, an automated accounting system that is to be considered for approval, the responsible official is not required to maintain the prescribed forms replaced by the automated system while awaiting the approval. New forms must be in place during at least one (1) State Board of Accounts audit and must not be an element of an audit finding or audit result and comment that is responsible or partially responsible for an exception found during an audit to be considered approved. The unit is responsible for placing on new forms the year of installation in the upper right corner. This reference should be similar to "Installed in _____ Charter School, (Year)." The charter school must maintain and present for audit a log of forms installed after April 1, 2014 with the year installed for all forms that replace forms prescribed by State Board of Accounts.

**THE CHARTER SCHOOL ADMINISTRATOR
and Uniform Compliance Guidelines**

Volume 6, Page 8

March 2014

APPROVAL OF ACCOUNTING FORMS AND SYSTEMS
(Continued)

The unit agrees to comply with the following conditions, if applicable, for any new forms installed.

1. The forms and system installed are subject to review and/or recommendations during audits of the unit to ensure compliance with current statutes and uniform compliance guidelines.
2. The unit shall continue to maintain all prescribed forms not otherwise covered by an approval.
3. All transactions that occur in the accounting system must be recorded and accessible upon proper request. Transactions can be maintained electronically, with proper backups, microfilmed, or printed on hardcopy. These transactions include, but are not limited to, all input transactions, transactions that generate receipts, transactions that generate checks, master file updates, and all transactions that affect the ledgers in any way. The system must be designed so that changes to a transaction file cannot occur without being processed through an application.
4. The ability must not exist to change data after it is posted. If an error is discovered after the entry has been posted, then a separate correcting entry must be made. Both the correcting entry and the original entry must be maintained.
5. If the unit owns the source code, sufficient controls must exist to prevent unauthorized modification. If the unit does not own the source code, the vendor shall provide representatives of the State Board of Accounts with access to all computer source codes for the system upon request for audit purposes. In addition, the vendor shall provide representatives of the State Board of Accounts with a document describing the operating system used, the language that the source code is written in, the name of the compiler used, and the structure of the data files including data file names, data file descriptions, field names, and field descriptions for the system.
6. Any receipts, checks, purchase orders, or other forms that require numbering shall be either pre-numbered by an outside printing supplier or numbered by the units computer system with sufficient controls installed in the system to prevent unauthorized generation of the form or duplication of numbers.
7. All receipts must be either in duplicate or recorded in a prescribed or approved register of receipts.
8. All checks must be either in duplicate or recorded in a register of checks generated by the computer.
9. Recap sheets for each deposit for deposit advices, if applicable, will be maintained indicating direct deposits. Individual wage assignment agreements will be kept on file to support direct deposit.
10. "Installed by _____ Charter School, (Year)" shall be printed, in the upper right corner, on each approved form furnished by a printing supplier and, when practical, on those printed from accounting systems at the unit. Upon the installation of a new form the form will be entered on a log for this purpose with the date of installation; and the name and number of the prescribed form replaced. The log must be available for audit.

**THE CHARTER SCHOOL ADMINISTRATOR
and Uniform Compliance Guidelines**

Volume 6, Page 9

March 2014

APPROVAL OF ACCOUNTING FORMS AND SYSTEMS
(Continued)

11. The unit officials are responsible to ensure that forms and accounting systems installed comply with the uniform compliance guidelines for information technology services published in the Charter School Administrator and accounting manuals. This includes ensuring that customization of the system done by the vendor for implementation at the government is done in such a manner that the system remains compliant.

12. In the event a change is required due to the passage of a State or Federal law, the unit agrees to implement the change in a timely manner.