

THE CHARTER SCHOOL BULLETIN

And Uniform Compliance Guidelines

ISSUED BY STATE BOARD OF ACCOUNTS

Vol. No. 12

September 2015

ITEMS TO REMEMBER

September

- 1 Prove the Fund Ledger and Ledger of Receipts for the month of August 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 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.
- 7 Labor Day – Legal Holiday (IC 1-1-9-1)
- 18 The Fall ADM data will be reported on the DOE-ME (Membership) for the 2015-2016 school year and will be submitted by individual student record via the STN Application Center. The fall count of students for ADM will occur on Friday, September 18, 2015. The required collection period for the count is September 18, 2015, 8:00 a.m., EDT, through October 2, 2015, 11:59 p.m. EDT, which is the final date for submission. The clean-up and restricted period will begin on October 3, 2015, 8:00 a.m. and end on October 9, 2015, 11:59 p.m. EDT. The signoff only period will begin on October 10, 2015, at 8:00 a.m. EDT and end on October 14, 2015 at 11:59 p.m. EDT. You will not be able to obtain a report for signature until the signoff only period opens.
- 30 Last day to report and make payment of state and county income tax withheld during August to the Indiana Department of Revenue.
- 30 All local investment officers shall reconcile at least monthly the balance of public funds as disclosed by the records of the local officers, with the balance statements provided by the respective depositories. (IC 5-13-6-1)

October

- 1 Prove all ledgers for the month of September.
- 12 Legal Holiday – Columbus Day (IC 1-1-9-1)
- 30 Last day to report and make payment of state and county income tax withheld during September to the Department of Revenue.
- 31 Last day to file Employer's Quarterly Federal Tax Return, Form 941, with the Internal Revenue service for payment of federal tax withheld.
- 31 Requests for textbook reimbursements should coincide with the required collection period beginning October 1, 2015, and ending October 31, 2015, and the required sign-off period beginning November 1, 2015, and ending November 7, 2015. The information is required to be filed per instructions provided by the Department of Education, Office of School Finance.

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ITEMS TO REMEMBER
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October (Continued)

- 31 All local investment officers shall reconcile at least monthly the balance of public funds as disclosed by the records of the local officers, with the balance statements provided by the respective depositories. (IC 5-13-6-1)
- 31 Last day to file quarterly reports with the Indiana Department of Workforce Development for the quarter ending September 30.

November

- 1 Prove all ledgers for the month of October.
- 7 Last day to print, sign, and mail the completed form DOE-TB for textbook reimbursement to DOE. Contact the Department of Education, Office of School Finance, for instructions.
- 11 Legal Holiday – Veterans Day (IC 1-1-9-1)
- 26 Legal Holiday – Thanksgiving Day (IC 1-1-9-1)
- 30 All local investment officers shall reconcile at least monthly the balance of public funds as disclosed by the records of the local officers, with the balance statements provided by the respective depositories. (IC 5-13-6-1)
- 30 Last day to report and make payment of state and county income tax withheld during October to the Department of Revenue.

STATE EXAMINER DIRECTIVE 2015-5 – SCHOOL FEES AND TEXTBOOK ASSISTANCE

Effective August 19, 2015, the state examiner issued a directive to help clarify the ability of public school corporations to charge and collect fees from students that meet the eligibility standards for financial assistance that are set in IC 20-33-5-3. Please go to http://www.in.gov/sboa/files/SBOA_Directive_2015_5.pdf to see the details of the directive.

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OFFICIAL BOND OF TREASURERS

During the past legislative session, Public Law 230, Senate Enrolled Act 393 was passed and the public official bond requirements for School Corporation Treasurers were changed. We have been asked by several governmental units to provide an audit opinion of the new official bond requirements. We believe that our audit opinion should be extended to the compliance requirement that charter schools have to provide adequate protection. Included below is the portion of our audit opinion that pertains to schools.

- A. **School Treasurers.** School treasurers, deputy treasurers, and “any individual whose official duties include receiving, processing, depositing, disbursing, or otherwise having access to funds that belong to a school corporation or the governing body of a school corporation” must be bonded. IC 20-26-4-5(a).
1. The bond amount is determined by the school corporation’s governing body. IC 20-26-4-5(a).
 2. The term of the bond is one year commencing on July 1.
 3. The bond may be an individual bond, or a blanket bond if (1) the blanket bond is endorsed “to cover the faithful performance of all employees and individuals acting on behalf of the governing body or the governing body’s school corporation,” and (2) “includes aggregate coverage sufficient to provide coverage amounts specified for each individual required” to be bonded. IC 20-26-4-5(b).
 4. The governing body must determine who must be bonded under the statute. The term “official duties” is not defined. It is our position that “official duties” may include duties set forth in a job description, duties that are customary or routinely performed, or duties that are assigned but not frequently performed. For example, cafeteria cashiers, teachers who routinely collect lunch money from students and employees who collect textbook rental fees must be bonded. The statute does not require the individual to be an employee of the school corporation. So, for example, parents volunteering in the school lunchroom or at an extracurricular sporting event must be bonded if their official volunteer duties include receiving public funds such as lunch money or admission fees.
 5. There is no dollar threshold or *de minimis* exception in the statute. Thus, it is our position that all individuals whose official duties include receiving, processing, depositing, disbursing, or otherwise having access to public funds—regardless of the dollar amount—are required to be bonded. For example, a teacher who collects \$1.20 per day for milk from each student in her kindergarten class is required to be bonded.
 6. We recommend that all bonds be filed with and kept by the trustee or board of school trustees. Copies of the bonds must also be submitted to the State Board of Accounts electronically via Gateway with the school’s Annual Financial Report.

PREPAID SCHOOL MEAL ACCOUNTS

During our recent run of school training presentations, we have included our opinion on the proper treatment of student meal deposits. Our opinion is that money a student puts into their individual meal account should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while it is in the student's individual account the balance should not be included in Fund 800 School Lunch. Our recommendation is that you set up a clearing account with the fund number of 8400. Our suggestion is when a student brings in a deposit the receipt would be recorded to fund 8400 using receipt account number 1630. Periodically, after the student has charged meals, you should disburse the amount charged from 8400 using expenditure account 31900 and receipt it into fund 800 using receipt accounts 1611-1623. At this point it is considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis the balance of the 8400 fund should be reconciled with the total of the individual meal accounts. We will update the chart of accounts to reflect these suggestions when the School Manual is updated.

Along with recording student meal deposits properly, we have been discussing the need of the school board to set a policy that would dictate how situations are treated when it comes to student meal accounts. The school board should adopt a policy if they want to allow accounts to be able to accrue negative balances, to be written off at any point, what the process is for collecting balances owed, etc. We will audit to the policy set by the school board, but in the absence of a policy we will audit to the requirements noted in Chapter 9 of the Accounting and Uniform Compliance Guidelines Manual for Indiana School Corporations.

GRANT REPORTING ON GATEWAY ANNUAL FINANCIAL REPORT

We have received many inquiries about the correct information that needs to be reported in the Grant section of the Gateway Annual Financial Report. The information that you input into this section will be used during your next audit to compile the Schedule of Expenditures of Federal Awards (SEFA). The main question we have gotten is what to include in the receipts and disbursements columns. For most grants you will simply include the actual receipts and disbursements from your records for the period covered. Your selection in the "Grant Type" column will dictate to our SEFA macro which column to pull for inclusion on the SEFA, receipts for reimbursement grants and disbursements for advance grants. For schools there are two exceptions that we know of for the Child Nutrition Cluster grants and the Special Education grants.

Child Nutrition Cluster grant activity is recorded in the School Lunch fund, 800, along with other program transactions. Therefore, you should input into the receipt column only the federal grant reimbursements that you have actually received from July to June. In most cases, it is hard to segregate which expenses are attributable and paid for federal expenses and which expenses are paid or partially paid with local dollars. Therefore, our suggestion is to use a federal in, federal out theory. Meaning that the first money you use to pay for expenses was the federal grant money that you received. So, for the period you would include the same amount in the disbursements column as you did in the receipts column. I would also remind you that many schools participate in the commodities program. So, you would have to obtain an amount that you would input into the "Amount of Federal Noncash Assistance for the Year" column. To get the commodities information you will have to access the School Nutrition portal (scnweb.doe.state.in.us). After you have logged in, you will click the green puzzle piece labeled "Food Distribution Program" and click continue at the bottom of the Welcome page. You select the program year and then you click "Summary Menu" near the top of the next page. Click "R/A Summary" and then search for your school corporation's name. This will take you to the School Corporation's page and you will want to go to the "Entitlement" tab. When you get to the entitlement tab you will add the amounts in the following columns "Entitlement Used", "No Charge Used", and "Bonus Used". The sum will be included in the School Lunch Program grant line.

For the schools that participate in a Special Ed Cooperative, we have been made aware of some additional information that will probably change how Special Ed grant funds have been reported in the past. We met with IDOE officials and learned that the grant awards for the past few years have actually been given to member schools and not any Special Ed Co-Ops. Therefore, our opinion is that for a school's SEFA to be correct, they would have to include the Special Ed grant money on their schedule and not a Co-Op schedule. We have been

GRANT REPORTING ON GATEWAY ANNUAL FINANCIAL REPORT (continued)

told that local Co-Op relationships are handled in a number of different ways throughout the state. Here are three basic relationships that we are aware of and how to handle including the Special Ed grants in your grant section.

1. Grants are awarded to member schools, a Co-Op is named the fiscal agent, and all grant reimbursements are sent to Co-Op. Schools pay Special Ed program expenses like salaries, and equipment and apply for reimbursement to the Co-Op. The Co-Op reimburses the member school, who records the receipt in a Special Ed fund. Since all the receipts and disbursements are included in the member school's records, then they would just include those amounts in their grant section.
2. Similar to situation #1 where the member school pays expenses and receives reimbursements from the Co-Op, but the Co-Op retains an administrative fee from the grant funds. The Co-Op should allocate how much of the administrative fee retained is attributable to each member school. The allocation could be based on the local agreement, percentage of total grant awards for the member schools, percentage of students served for each member school, etc. As long as there is a reasonable basis for the allocation, IDOE has indicated they do not have an issue. For the grant section, each member school would have to add the reimbursements they received to their allocation of the administrative fee the Co-Op provided.
3. In this situation grants are awarded to member schools, a Co-Op is named the fiscal agent, and all the grant reimbursements are sent to the Co-Op. The difference is that the Co-Op pools all the money and pays for the expenses of the Special Ed programs. Because both receipts and disbursements are running through the Co-Op, the member schools do not show any Special Ed transactions in their records. So, the Co-Op will have to do a similar allocation as mentioned in #2, but it will have to be based on all the grant reimbursements and expenses for the period. They should provide the member schools with their total allocation and that is what each member school should include in the grant section of their Gateway AFR.