

THE SCHOOL ADMINISTRATOR

AND UNIFORM COMPLIANCE GUIDELINES ISSUED BY STATE BOARD OF ACCOUNTS

Volume 198 - Page 1

June 2012

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, Indiana Government Center North, Indianapolis. (Please review Volume 180, December 2007, of "The School Administrator and Uniform Compliance Guidelines".)
- 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.

School board members taking office in July, file certified copy of oath in the circuit court clerk's office of the county containing the greatest percentage of population of the school corporation. (IC 5-4-1-4)

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, Indiana Government Center North, Indianapolis. (Please review Volume 180, December 2007, of "The School Administrator and Uniform Compliance Guidelines".)
- 31 Last day to file Form 941, Employer's Quarterly Federal Tax Return, with the Internal Revenue Service for federal and social security taxes for the second quarter.

ITEMS TO REMEMBER
(Continued)

August

- 1 Prove all ledgers for the month ending July 31 as outlined for the month of June.
- 15 Not earlier than August 1 or later than August 15 the secretary of the board of school trustees is to publish an annual financial report, one time, in accordance with IC 5-3-1-1 et seq.
- 20 Last day to report and make payment of state and county income tax withheld during July to Department of Revenue, Indiana Government Center North, Indianapolis. (Please review Volume 180, December 2007, of "The School Administrator and Uniform Compliance Guidelines".)

NOTE: See the September "The School Administrator and Uniform Compliance Guidelines" for budget dates or call the Department of Local Government Finance at 317-232-3777.

Prior to September 1 of each year, the superintendent of each school corporation shall cause to be made to the division of fire and building safety an inspection report of all heating systems and supporting fuel lines used for school purposes. (IC 20-26-7-28)

SCHOOL BUS DRIVER CONTRACTS

IC 20-27-8-7 states: "When a school bus driver operates under a transportation or fleet contract, the compensation for the school bus driver or fleet contractor is determined and fixed by the contract on a per diem basis for the number of days on which: (1) the calendar of the school corporation provides that students are to attend school; (2) the driver is required by the school corporation to operate the bus on school related activities; and (3) inservice training is required by statute or authorized by the school corporation, including the safety meeting workshops required under section 9 of this chapter."

The contract forms for school bus providers are prescribed by the State School Bus Committee and are the Driver Owned Equipment Contract for Transporting Children or the Fleet Contract for Transporting Children, as applicable, for a driver-owner or a fleet contractor respectively.

CAPITAL PROJECTS FUND

The Department of Local Government Finance has published rules, regulations and memorandum concerning Capital Project Funds all of which are considered in audits in addition to the following:

IC 20-40-8-10 states:

“(a) Except as provided in subsection (b), with respect to any facility used or to be used by the school corporation, money in the fund may be used to pay for the following:

- (1) Planned construction, repair, replacement, or remodeling.
- (2) Site acquisition.
- (3) Site development.
- (4) Repair, replacement, or site acquisition that is necessitated by an emergency.

(b) Except as provided in section 12 of this chapter, money in the fund may not be used to pay for:

- (1) planned construction, repair, replacement, or remodeling;
- (2) site acquisition;
- (3) site development; or
- (4) repair, replacement, or site acquisition that is necessitated by an emergency; of a facility used or to be used primarily for interscholastic or extracurricular activities.”

IC 20-40-8-11 states:

“Money in the fund may be used to pay for the purchase, lease, repair, or maintenance of equipment to be used by the school corporation. However, money in the fund may not be used to pay for the purchase, lease, repair, or maintenance of the following:

- (1) Vehicles to be used for any purpose.
- (2) Except as provided in section 12 of this chapter, equipment to be used primarily for interscholastic or extracurricular activities.”

IC 20-40-8-12 states:

“Money in the fund may be used to pay for the construction, repair, replacement, remodeling, or maintenance of a school sports facility. However, a school corporation's expenditures in a calendar year under this section may not exceed five percent (5%) of the property tax revenues levied for the fund in the calendar year.”

CAPITAL PROJECTS FUND
(Continued)

IC 20-40-8-13 states:

“Money in the fund may be used for any of the following purposes:

- (1) To purchase, lease, upgrade, maintain, or repair one (1) or more of the following:
 - (A) Computer hardware.
 - (B) Computer software.
 - (C) Wiring and computer networks.
 - (D) Communication access systems used to connect with computer networks or electronic gateways.
- (2) To pay for the services of full-time or part-time computer maintenance employees.
- (3) To conduct nonrecurring in-service technology training of school employees.
- (4) To pay advances, together with interest on the advances, from the common school fund for educational technology programs under IC 20-49-4.
- (5) To acquire any equipment or services necessary:
 - (A) to implement the technology preparation curriculum under IC 20-30-12;
 - (B) to participate in a program to provide educational technologies, including:
 - (i) computers in the homes of students (commonly referred to as "the buddy system project") under IC 20-20-13-6;
 - (ii) the 4R's technology program; or
 - (iii) any other program under the educational technology program described in IC 20-20-13; or
 - (C) to obtain any combination of equipment or services described in clauses (A) and (B).”

IC 20-40-8-14 states:

“Money in the fund may be used to purchase any of the following for the use of vocational building trades classes to construct new buildings and remodel existing buildings:

- (1) Building sites.
- (2) Buildings in need of renovation.
- (3) Building materials.
- (4) Equipment.”

IC 20-40-8-15 states:

“Money in the fund may be used for leasing or renting existing real estate. However, money in the fund may not be used for payments authorized under IC 20-47-2 and IC 20-47-3.”

CAPITAL PROJECTS FUND
(Continued)

IC 20-40-8-16 states:

“(a) For purposes of this section, maintenance does not include janitorial or comparable routine services normally provided in the daily operation of the facilities or equipment.

(b) Subject to this section, money in the fund may be used to pay for services of school corporation employees who are: (1) bricklayers; (2) stone masons; (3) cement masons; (4) tile setters; (5) glaziers; (6) insulation workers; (7) asbestos removers; (8) painters; (9) paperhangers; (10) drywall applicators and tapers; (11) plasterers; (12) pipe fitters; (13) roofers; (14) structural and steel workers; (15) metal building assemblers; (16) heating and air conditioning installers; (17) welders; (18) carpenters; (19) electricians; or (20) plumbers; as these occupations are defined in the United States Department of Labor, Employment and Training Administration, Dictionary of Occupational Titles, Fourth Edition, Revised 1991.

(c) Payment may be made under this section for employee services described in subsection (b) only if:

(1) the employees perform:

(A) construction of;

(B) renovation of;

(C) remodeling of;

(D) repair of; or

(E) maintenance on; the facilities and equipment specified in sections 10 and 11 of this chapter;

(2) the total of all annual salaries and benefits paid by the school corporation to employees described in this section is at least six hundred thousand dollars (\$600,000); and

(3) the payment of the employees described in this section is included as part of the school corporation's proposed plan.

(d) The number of employees covered by this section is limited to the number of employee positions described in this section that existed in the school corporation on January 1, 1993.”

IC 20-40-8-17 states:

“Money in the fund may be used to pay for energy saving contracts entered into by a school corporation under IC 36-1-12.5.”

IC 20-40-8-18 states:

“Money in the fund may be used to carry out a plan developed under IC 16-41-37.5.”

IC 20-40-8-19 states:

“Money in the fund may be used before January 1, 2014, to pay for up to one hundred percent (100%) of the following costs of a school corporation:

(1) Utility services.

(2) Property or casualty insurance.

(3) Both utility services and property or casualty insurance.

A school corporation's expenditures under this section may not in a calendar year exceed three and five-tenths percent (3.5%) of the school corporation's 2005 calendar year distribution.”

CAPITAL PROJECTS FUND
(Continued)

IC 20-40-8-20 states:

“ Money in the fund may be transferred to another fund and used as provided by law. The laws permitting a transfer of money from the fund include the following:

- (1) IC 20-20-10-5 (implementation of technology preparation task force).
- (2) IC 20-40-11-3 (repair and replacement fund).
- (3) IC 20-40-12-6 (self-insurance fund).
- (4) IC 20-49-4-22 (advance for educational technology program).”

IC 20-40-8-21 states:

“Money in the fund may be transferred to another fund to replace property tax revenues lost to the fund as a result of the granting of circuit breaker credits under IC 6-1.1-20.6. A school corporation shall make a transfer of money under this section if the fund experiencing a shortfall is a debt service fund and money is not transferred from any other fund to cover the shortfall. The amount transferred must be equal to the amount of the shortfall that is not replaced from other funds.”

INTERNAL CONTROL SUGGESTIONS

Requests have been received that an article containing some suggestions or recommendations for improving internal control procedures in the operation of a school corporation, including ancillary programs, be included in "The School Administrator".

We encounter two entirely different sets of circumstances which affect internal control. Multi-person offices provide an opportunity to segregate or divide duties in such a manner as to provide greater internal control. Internal control becomes more difficult to implement for small offices, particularly where one person has many duties or is the only employee in the business office.

Internal control in relation to cash receipts should have the various functions segregated such that the person that receives the cash and prepares the official receipt is not the one who enters the receipt on the records and deposits the cash in the public depository or calculates the record balance and prepares the bank reconciliation. The functions should be handled by as many different persons as feasible. Comparisons provide good control and provide for the discovery of errors or irregularities by the school corporation employees in the normal course of their duties.

Cash Receipts must be written on serially prenumbered receipt forms (with a duplicate) at the time of receipt; the cash should be counted and totaled at least daily, compared to and balanced with the total shown on the cash register tape, if used, or an adding machine tape of all receipts written. The deposit should agree with the total received during the period for which the deposit is made and payment type and amount should be clearly denoted (cash, check, money order, etc.). Post to the Ledger of Receipts and compare the total posted with the total received. Cash must be deposited no later than the next business day following the day received and should never be used to cash personal checks. Persons receiving or handling money must be properly bonded and the bond recorded with the County Recorder.

INTERNAL CONTROL SUGGESTIONS
(Continued)

Good control in relation to cash disbursements requires the segregation of purchasing from the certification of the receipt of goods and services as well as the writing of checks and the posting of those checks to the records. The more these functions can be handled by separate persons, the better the control. Also, uncompleted check forms should not be accessible to persons other than those authorized to prepare or supervise the check writing process. All blank check forms must be serially numbered duplicate or be electronically listed in serial number sequence on an approved check register format in lieu of duplicate. Check forms should never be signed and signatures should never be applied in advance of preparation of the check. Voided or damaged check forms should be rendered non-negotiable and filed for subsequent inspection or audit. Checks should be mailed without allowing them to be returned to the persons who approved the transaction for payment.

Similar controls should be applied to other functions such as petty cash handling, payrolls (preparation and distribution), accounts receivable and payable, investments and investment income, inventories or materials, supplies, property and equipment, bonds payable, prenumbering of other processing programs and procedures. All of these areas should be controlled very carefully and the most acceptable method is through the separation of duties among personnel.

**SPREADSHEET SOFTWARE UTILIZATION TO GENERATE EXACT REPLICAS OF PRESCRIBED
FORMS**

The Indiana State Board of Accounts prescribes the forms to be utilized in accounting systems, but does not specify the source from which the prescribed forms must be obtained. The use of spreadsheet software may, with the current capabilities of spreadsheet software, in some instances, be an acceptable method of generating exact replicas of prescribed forms.

Spreadsheets may not be utilized to replace functionality that should be an integral function of a computerized accounting system or replace a controlled document for the entry of accounting information. Examples of controlled document type of forms include forms that are required to be either prenumbered by an outside printing supplier or numbered by the accounting system with sufficient controls to prevent unauthorized generation of the form or duplication of control numbers on the forms. These forms include receipts, checks, purchase orders and material receiving documents. Additionally, spreadsheets should not be utilized to generate control documents such as ledgers, receipt registers, check registers, outstanding check lists and similar reports.

Under no circumstances is it acceptable to implement an electronic interface from spreadsheet software directly to the information files of an accounting system without being processed through the same edit and control features as are utilized to ensure the accuracy of information entered manually into the accounting system.

**SPREADSHEET SOFTWARE UTILIZATION TO GENERATE EXACT REPLICAS OF PRESCRIBED
FORMS**
(Continued)

Exact replicas of prescribed forms generated by spreadsheet software may be utilized for forms incidental to the computerized accounting system. Examples of these forms which might be applicable with the aforementioned requirements are:

Corporation forms

- Requisition Blank (Form 500)
- Mileage claim (Form 101)
- Treasurer's Daily Balance of Cash and Depositories (Form 361)
- Storeroom Record (Form 513)
- Bond Register (Form 53)
- Register of Investments (Form 350)
- Register of Insurance (Form 351)
- Contractor's Combination Bid Bond and Bond for Construction (Form 86)
- Contractor's Bond for Construction (Form 86A)
- Contractor's Bid for Public Work (Form 96)
- Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100R)
- Authorization Agreement for Automatic Deposit (Electronic Funds Transfers Form 368)
- Application for Free Meals or Reduced Price Meals and Other Benefits (Form 521)
- Application for Free Milk and Other Benefits (Form 522)
- Capital Assets Ledger (Form 369)
- Transfer Tuition Statement (Form 515)

Extracurricular forms:

- Ticket Sales Report (Form SA-4)
- Equipment Inventory (Form SF-6)
- Food Inventory (Form SF-7)
- Inventory of Rental Textbooks (Form TBR-1)

ASSIGNMENT OF WAGES

Any assignment of the wages of an employee is valid only if all of the following conditions are satisfied in accordance with IC 22-2-6-2:

1. The assignment is:
 - A. in writing;
 - B. signed by the employee personally;
 - C. by its terms revocable at any time by the employee upon written notice to the employer; and
 - D. agreed to in writing by the employer.
2. An executed copy of the assignment is delivered to the employer within ten (10) days after its execution.

Some of the purposes for which paying a wage assignment may be made include the following:

1. Premium on a policy of insurance obtained for the employee by the employer.
2. Pledge or contribution of the employee to a charitable or nonprofit organization.
3. Purchase price of bonds or securities, issued or guaranteed by the United States.
4. Purchase price of shares of stock, or fractional interests therein, of the employing company, or of a company owning the majority of the issued and outstanding stock of the employing company, whether purchased from such company, in the open market or otherwise. However, if such shares are to be purchased on installments pursuant to a written purchase agreement, the employee has the right under the purchase agreement at any time before completing purchase of such shares to cancel said agreement and to have repaid promptly the amount of all installment payments which theretofore have been made.
5. Dues to become owing by the employee to a labor organization of which the employee is a member.
6. Purchase price of merchandise sold by the employer to the employee, at the written request of the employee.
7. Amount of a loan made to the employee by the employer and evidenced by a written instrument executed by the employee.
8. Contributions, assessments, or dues of the employee to a hospital service or a surgical or medical expense plan or to an employees' association, trust, or plan existing for the purpose of paying pensions or other benefits to said employee or to others designated by the employee.
9. Payment to any credit union, nonprofit organizations, or associations of employees of such employer organized under any law of this state or of the United States.
10. Payment to any person or organization regulated under the Uniform Consumer Credit Code (IC 24-4.5) for deposit or credit to the employee's account by electronic transfer or as otherwise designated by the employee.
11. Premiums on policies of insurance and annuities purchased by the employee on the employee's life.
12. The purchase price of shares or fractional interest in shares in one (1) or more mutual funds.
13. A judgment owed by the employee if the payment:
 - A. is made in accordance with an agreement between the employee and the creditor; and
 - B. is not a garnishment under IC 34-25-3.

COLLECTIVE BARGAINING AGREEMENTS

Please be advised that IC 20-29-6-4.5 prohibits collective bargaining agreements between school corporations and their exclusive representatives from containing "...Any subject not expressly listed in section 4" of IC 20-29-6. Section 4 requires a school employer to bargain collectively with the exclusive representative on salary, wages, and "salary and wage related fringe benefits, including accident, sickness, health, dental, vision, life, disability, retirement benefits, and paid time off as permitted to be bargained under IC 20-28-9-11."

IC 20-29-6-4.5(b) states that a subject "that may not be bargained collectively may not be included in an agreement entered into under this article." SBOA will review school corporations' collective bargaining agreements during the audit process to determine whether the agreements contained prohibited subjects of bargaining. The following is the rubric that our examiners will use to identify prohibited subjects. Financial losses related to a corporation's inclusion of prohibited subjects may be the personal obligation of the responsible school official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

School Corporation: _____

Contract "entered into" date: _____

Date reviewed: _____

- Contracts entered into pre-April 21, 2011: 575 does not apply; contract terms govern until the contract expires.
- Contracts entered into between April 21, 2011 – July 1, 2011: (1) may not contain language regarding "evaluation criteria and procedures" and (2) may not extend past the date of a state budget biennium.
- Contracts entered into on or after July 1, 2011:
 - ✓ May contain only the following terms:
 - Salary.
 - Wages.
 - Salary and wage related fringe benefits, including accident, sickness, health, dental, vision, life, disability, retirement benefits, and paid time off as permitted to be bargained under IC 20-28-9-11.
 - Salary and wages include the amounts of pay increases available to employees under the salary scale adopted under IC 20-28-9-1, but do not include the teacher evaluation procedures and criteria, or any components of the teacher evaluation plan, rubric, or tool.
 - A grievance procedure, but the procedure cannot culminate in binding arbitration (authorized by IC 20-29-6-5).

COLLECTIVE BARGAINING AGREEMENTS
(Continued)

- ✓ May not contain the following terms or subjects:
 - A term that extends beyond the biennium (June 30, 2013).
 - Any item of discussion, including
 - Curriculum development and revision.
 - Textbook selection.
 - Teaching methods.
 - Hiring, evaluation, promotion, demotion, transfer, assignment, and retention of certificated employees.
 - Student discipline.
 - Expulsion or supervision of students.
 - Pupil/teacher ratio.
 - Class size or budget appropriations.
 - Safety issues for students and employees.
 - Hours. (The words “hour” and “hours” should not appear in the contract unless their inclusion is necessary to list an hourly wage such as \$15 per hour, \$20 per hour, etc.)
 - The school calendar.
 - Teacher dismissal procedures and criteria.
 - Restructuring options available to a school employer under federal or state statutes, regulations, or rules because of the failure of the school corporation or a school to meet federal or state accountability standards.
 - The ability of a school employer to contract, partner, or operate jointly with an educational entity that provides postsecondary credits to students of the school employer or dual credits from the school employer and the educational entity.
 - Teaching/working conditions (e.g., conference/preparation time).
 - Unpaid leave.
 - Management rights.
 - Exclusive representative rights.
 - Teacher rights (or “professional advantages” clauses).
 - Language providing for or requiring binding arbitration.
 - Reductions in force.
 - Due process.
 - Negotiation/discussion procedures.
 - Impasse procedures.
 - Paycheck deductions.

COLLECTIVE BARGAINING AGREEMENTS
(Continued)

- A wage payment arrangement detailing the number and frequency of wage payments to school employees (such agreements are authorized by IC 20-26-5-32.2, but they should not appear in the collective bargaining agreement).
- Reimbursements (however, reimbursements or allowances that function as compensation may be included in the contract; for example, mileage reimbursements that exceed the IRS standard mileage rate).
- Boilerplate contract terms not authorized by statute, such as
 - Supremacy (supersedes any other agreements);
 - Amendment to agreement ;
 - Severability clause (a/k/a conformity to law clause, savings clause, etc.);
 - or
 - Incorporation of individual teacher contracts into CBA.
- Any other term that is not a salary, wage, or fringe benefit:
 - _____
 - _____
 - _____

Notes:

¹ If a contract does not contain an “entered into” date, the signature date is considered the entered into date. If the contract contains neither an entered into date nor a signature date, the effective date serves as the entered into date.