

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

SBOA UPDATE

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

Contact Information



- Website - <https://www.in.gov/sboa/political-subdivisions/schools/>
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School Audit Schedules

- **Approximately 120 Schools** were on the last audit cycle.
 - Audit Period: July 1, 2021 to June 30, 2023
 - Federal audits were due by **the end of March**.
 - Approximately 40 school audits were contracted out last cycle.

- **Approximately 180 Schools** are on this audit cycle
 - Audit Period: July 1, 2022 to June 30, 2024
 - Some school audits will be contracted out.
 - Scheduled to start school audits **in Fall 2024 and have completed by the end of March 2025**.



Extra-Curricular Accounts

- Extracurricular engagements
 - ECA with Receipts > \$1,000,000 will be examined during the School Corporation audit.
 - ECAs with receipts < \$1,000,000 will be examined through a centralized compliance engagement.

TICKET SALES

SCHOOL _____
GAME _____
OTHER _____

TOWN OR CITY _____
DATE _____
ACTIVITY _____

TICKETS								
KIND	ISSUED		RETURNED		TICKETS SOLD	PRICE	TOTAL AMOUNT SALES	
	SERIAL NO.	AMT.	SERIAL NO.	AMT.				
TOTAL								

SAMPLE

Made by _____
(Title)

Verified and Approved by _____
(Official or Sponsor)

ORIGINAL

Most Frequently Audited Federal Programs
July 1, 2021 to June 30, 2023



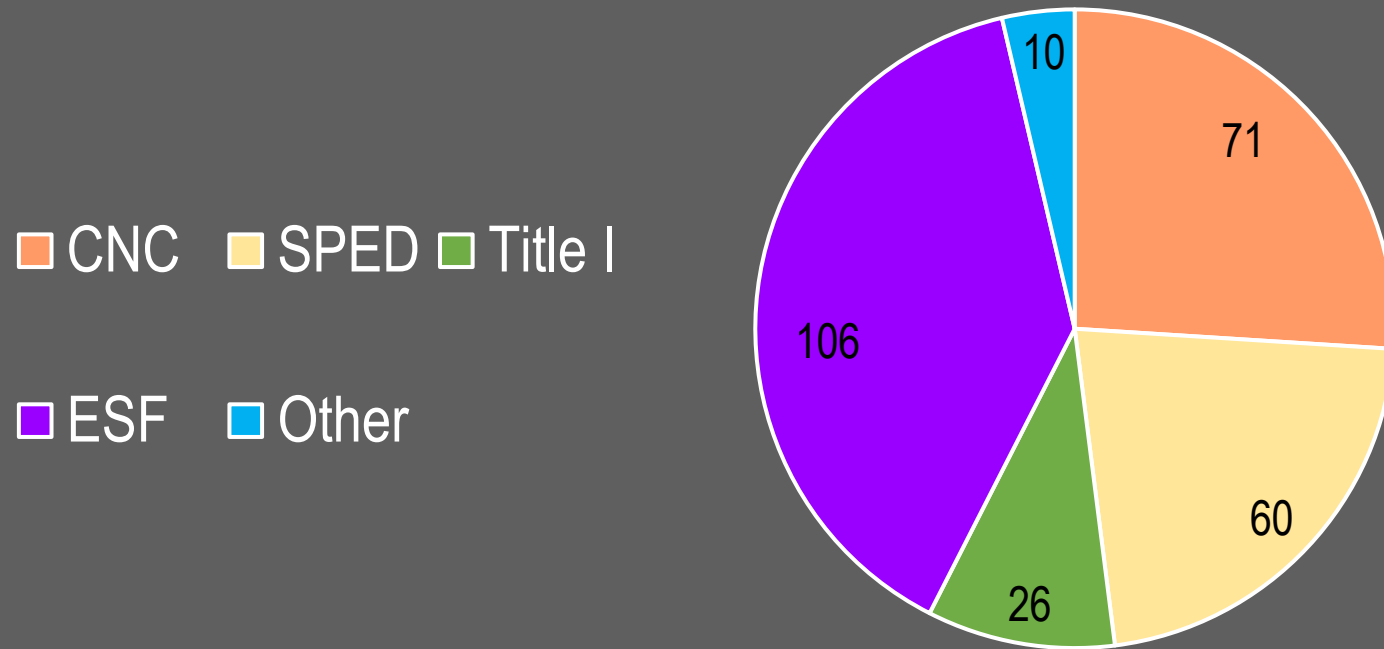
- Child Nutrition Cluster (ALNs 10.553, 10.555, 10.556, 10.559, 10.582)
- Special Education Cluster (ALN 84.027, 84.173)
- Title I Grants to Local Educational Agencies (ALN 84.010)
- Education Stabilization Fund (ALN 84.425)



Federal Programs Audited

Audit Period: July 1, 2021 to June 30, 2023

Major Programs Audited

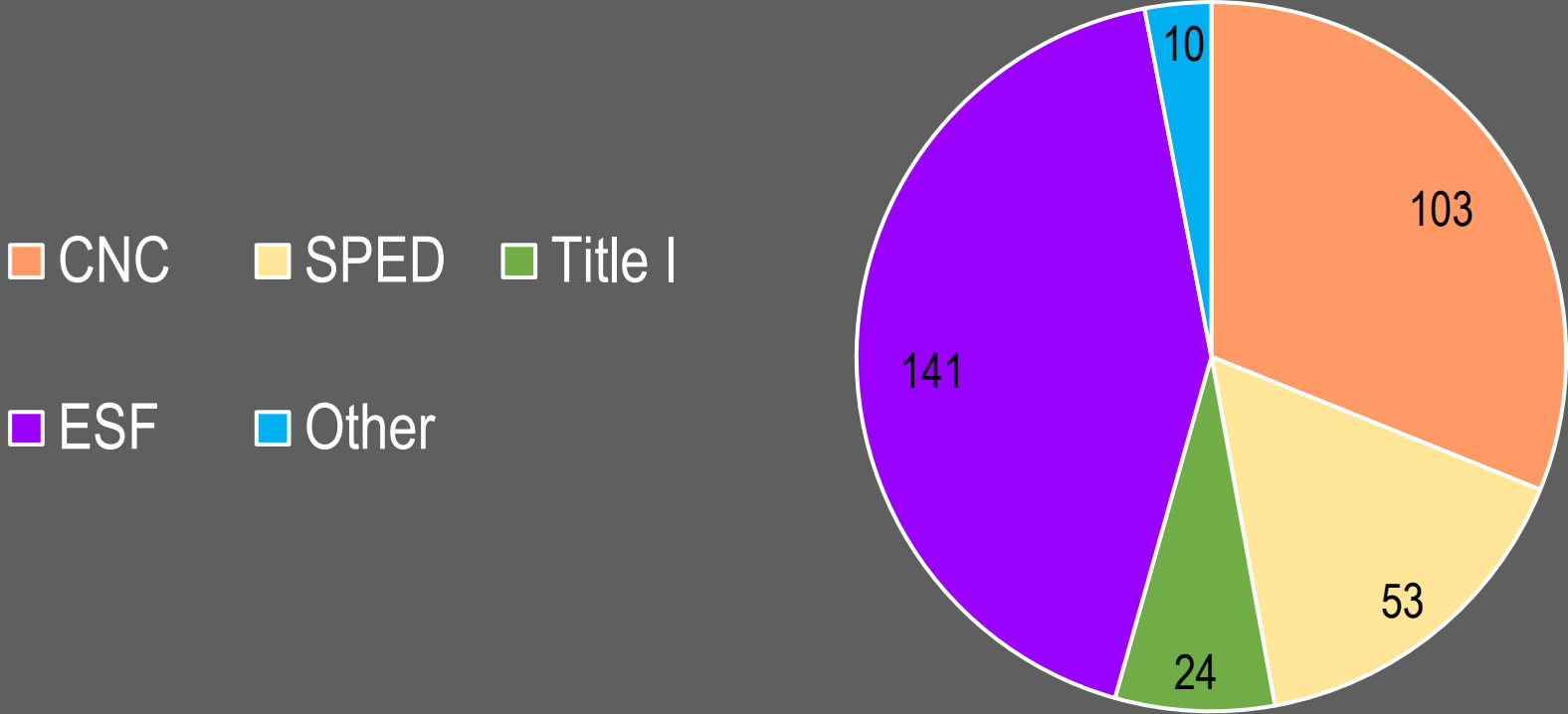


Federal Findings Per Program

Audit Period July 1, 2021 to June 30, 2023



Number of Findings



Education Stabilization Fund
(ALN 84.425)



- 141 Total Findings (most of any program)
- Compliance requirements with the most findings:
 - ❖ Reporting (46 Findings)
 - ❖ Special Tests & Provisions – Wage Rate (42 Findings)
 - ❖ Equipment and Real Property Management (31 Findings)

Child Nutrition Cluster
(ALNs 10.553, 10.555, 10.556, 10.559, 10.582)



- 103 Total Findings
- Compliance requirements with most findings:
 - ❖ Procurement, Suspension and Debarment (31 findings)
 - ❖ Eligibility (25 findings)
 - ❖ Reporting (12 findings)
 - ❖ Special Tests and Provisions – Verification of Free and Reduced-Price Applications (12 findings)

Special Education Cluster
(ALNs 84.027, 84.173)



- 53 total findings
- Compliance requirements with the most findings:
 - ❖ Procurement, Suspension and Debarment (21 findings)
 - ❖ Matching, Level of Effort, Earmarking (18 findings)
 - Specifically Earmarking
 - **Non-Public Proportionate Share**

Title I Grants for Local Educational Agencies (ALN 84.010)

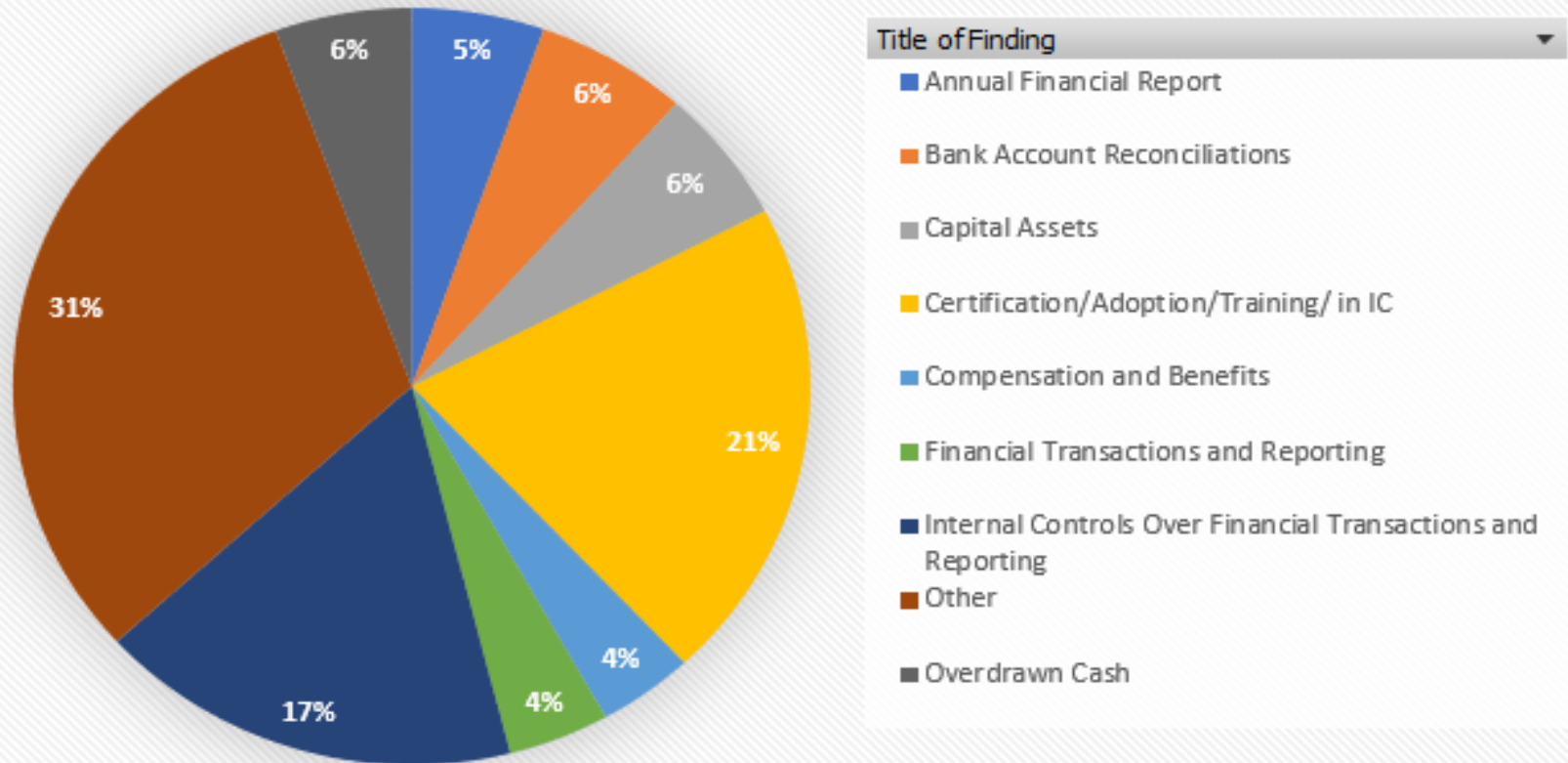


- 24 total findings
- Compliance requirements with the most findings
 - ❖ Allowable Costs/Cost Principles (5 findings)
 - ❖ Activities Allowed or Unallowed (4 findings)
 - ❖ Level of Effort - Maintenance of Effort (4 findings)
 - ❖ Special Tests and Provisions (4 findings)
 - Annual Report Card
 - Highschool Graduation Rate

Noncompliance Requiring Corrective Action Plans – All Unit Types

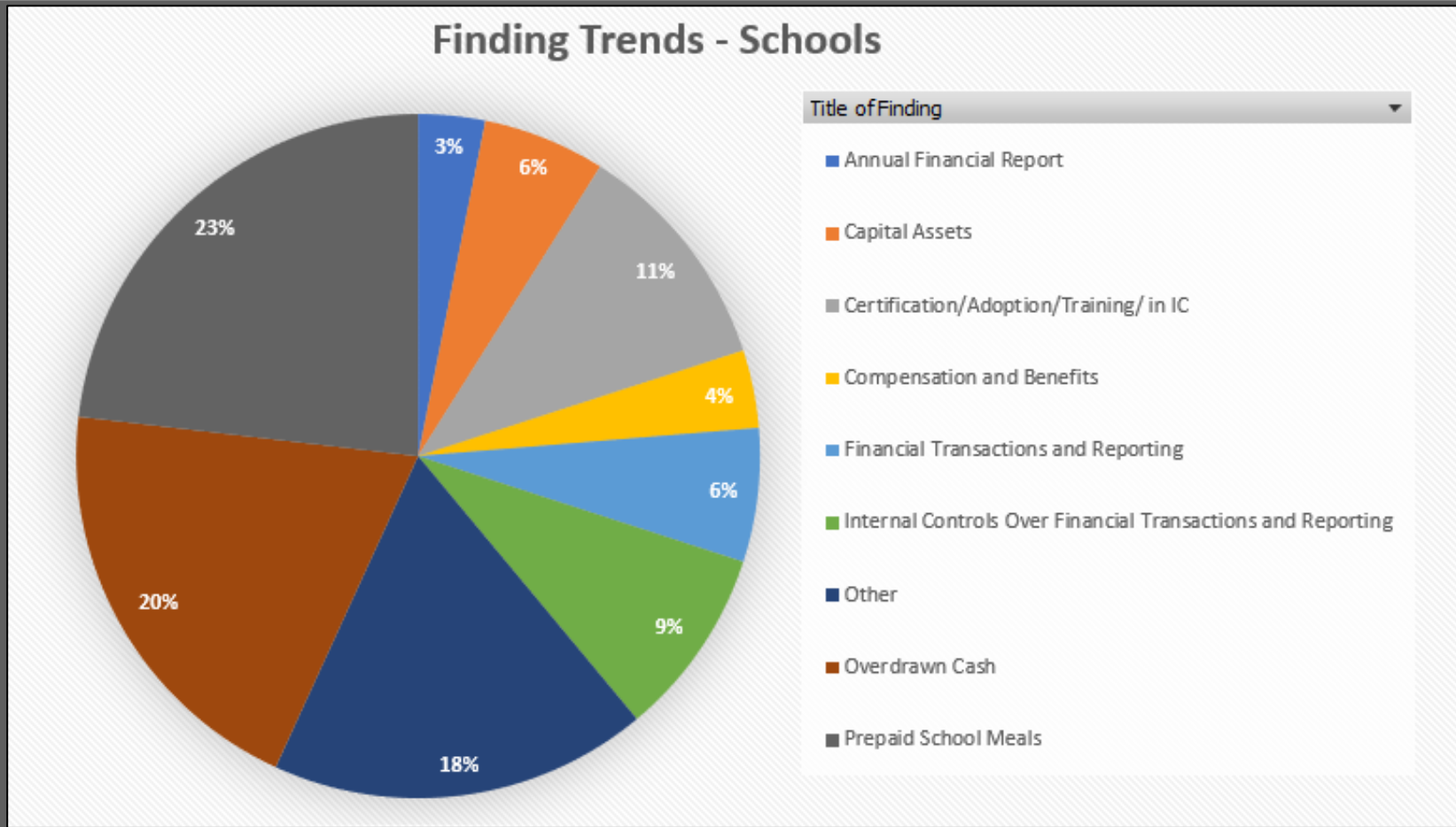


Finding Trends - All Unit Types





Noncompliance Requiring Corrective Action Plans – Schools



Annual Financial Report (AFR)



- **IC 5-11-1-4(a)**

- 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 as set forth in the Uniform Compliance Guidelines.
- Issues related to the AFR typically encompass the inclusion of incorrect information, the omission of required information, and/or untimely submission of the report in Gateway.

Capital Assets



- Accounting and Uniform Compliance Guidelines
 - 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.
 - Comments related to capital assets occur when a capital asset policy hasn't been established or a complete capital asset ledger is not being maintained or updated

Certification, Adoption, and Training on Internal Control Standards



- 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.
 - Internal control issues include an absence of training over the standards. Certifications are not always obtained/maintained as evidence that each person meeting the definition of personnel in IC 5-11-1-27(c) has received the internal control policy training.

Compensation and Benefits



- Accounting and Uniform Compliance Guidelines
 - All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements.
 - Comments related to noncompliance with compensation and benefits requirements typically relate to noncompliance with employment contracts, salary resolutions/schedules approved by the governing board.

Financial Transactions and Reporting



• IC 5-11-1-4(a)

- The state examiner shall require 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 as set forth in the Uniform Compliance Guidelines.
- Comments related to financial transactions and reporting include the improper recording of transactions within the unit's financial system. This can include, omitted, duplicated, or incorrect posting of receipts, disbursements, and/or transfers. These comments may also be related to a material misstatement of the information presented by the unit in their financial statements.

Internal Controls Over Financial Transactions and Reporting



- IC 5-11-1-27
 - Issues included in this comment are related to either the absence of an internal control structure or the existence of either deficiencies or weaknesses within any control structure established by the unit.
 - The most common control issues exist in relation to processes surrounding the recording of receipts and disbursements, cash reconciliations, and financial reporting.

Overdrawn Cash



- Accounting and Uniform Compliance Guidelines
 - The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit.
 - In an instance in which a unit receives a reimbursement grant, the unit must be claiming reimbursement in a timely manner. In this case, it would be possible for a fund to be overdrawn for a short period of time.



Prepaid School Lunch

- Accounting and Uniform Compliance Guidelines
- Establish Fund 8400 Prepaid School Lunch
- When money is added to a student account use receipt account 1630 Special Functions
- After students charge meals to their individual student account the disbursement from Prepaid School Lunch (8400) to School Lunch (800) should be completed using disbursement code 31900 Other Food Services
- The funds are to be receipted into School Lunch (800) using food service receipt accounts 1611-1623
- Reconcile the 8400 fund balance with the total of the individual meal accounts **at least monthly**
- <https://www.in.gov/sboa/files/2019-February-School-Bulletin.pdf>



School Lunch and Curricular Materials ECA

- IC 20-41-1-2

“Note: This version of section effective 1-1-2024. See also preceding version of this section, effective until 1-1-2024.”

Sec. 2. Any self-supporting programs maintained by a school corporation, excluding school lunch, may be established as a separate fund, separate and apart from any other school corporation fund, if no local tax rate is established for the programs.”

- School Lunch and Curricular Materials Programs are prohibited from being accounted for in an extracurricular account
- Must remit any school lunch or curricular material fund balances to the school corporation before January 1, 2024
- SBOA will not take audit exception to an extracurricular treasurer initially collecting and accounting for receipts turned in by a student at the building level
 - Must remit any collections for the school lunch or curricular materials program to the school corporation on a timely basis
 - The balance of each of the ECA funds must be zero at the end of each calendar and fiscal year

HEA 1120



- Effective January 1, 2025
- Amends IC 20-26-12-1
 - Does not prohibit a school board from assessing and collecting a fee for lost or significantly damaged curricular materials in accordance with rules established by the SBOE under subsection (c)
 - Fees collected under this subsection **must be deposited in the education fund of the school corporation**



- Effective January 1, 2025
- Amends IC 20-26-12-2(d)
 - A governing body shall collect and deposit the amount received from the rental or curricular materials to a nonpublic schools into the school corporation's education fund

HEA 1120
Continued



- Effective January 1, 2025
- Amends IC 20-40-2-3
 - Distributions of (1) tuition support and (2) money for curricular materials shall be received in the education fund.



- Effective January 1, 2025
- Amends IC 20-40-2-4
 - Education fund of the school corporation shall be used only to pay for expenses:
 - (1) allocated to student instruction and learning under IC 20-42.5; and
 - (2) related to the cost of providing curricular materials



- Effective January 1, 2025
- Adds IC 20-40-2-5.5
 - The State Board of Accounts may take action, including the establishment of an account code, to track expenditures of money distributed for curricular materials

HEA 1120 Continued



- Effective January 1, 2025
 - Repeals IC 20-40-22-9 (Establishing a separate curricular materials account)
 - Adds IC 20-40-22-10
 - A school corporation that receives a distribution of money from the curricular materials fund under this chapter shall deposit the amount in the education fund of the school corporation.
 - Money received from the curricular materials fund under this chapter by a public school may be used only for the costs of curricular materials and shall not be subject to collective bargaining
 - The State Board of accounts may take action, including the establishment of an account code for the funds into which distributions are deposited under this section, to track expenditures of money distributed for curricular materials.



Receiving Electronic Payments

- IC 36-1-8-11(c)
 - A payment to a political subdivision for any purpose may be made by any of the following financial instruments that the fiscal body of the political subdivision authorizes for use:
 - Cash; Check; Bank Draft; Money order; Bank card or credit card; Electronic Fund transfer; Any other financial instrument authorized by the fiscal body



Receiving Electronic Payments (Continued)

- Venmo and PayPal are examples of financial instruments used to collect payments
 - The following requirements must be followed:
 1. The fiscal body authorizes the use of the financial instruments through ordinance/resolution, which has been approved in a public meeting and documented in the minutes
 2. The use of a financial instrument that requires an account should be an authorized officer/employee designated by the fiscal body
 3. Receipting, timely recording, and depositing requirements must be met. Pushing the funds from these apps to the bank account would be considered depositing.
 4. A monthly reconciliation should be performed for these transaction by running a transaction history report within the Venmo/PayPal account and reconciling to the amount deposited in the bank account. The reconciliation including the transaction history report should be maintained for audit purposes
 5. These financial instruments should not be used for disbursements as it would bypass the accounting system and claims process.
 6. Proper Internal controls should be established around the process of collections, receipting, and depositing of the funds.

<https://www.in.gov/sboa/files/All-Manuals-Chapter-1-2023-1.pdf>

Contracting and Purchasing

IC 5-11-10-1.6



- Allows for advance payments to contractors to allow them to purchase materials needed for public works projects. The solicitation for the public works contracts must include:
 - That the school corporation will make advance payments to contractors to enable the purchase of materials
 - Any limitations on the amount of the advance payment that will be made
 - Requirements for documentation relating to making advance payments to contractors for materials
 - Any other information about advance payment for materials that the school corporation considers useful to contractors the make offers



Contracting and Purchasing IC 5-11-10-1.6

- Allows for advance payments on goods and services, if
 - The School Board authorizes making advance payments
 - Prepayments are tracked by defining the prepayment on a purchase order
 - A prepayment invoice is created that is associated with the purchase order
 - An insurance or surety bond in the amount of the prepayment is required if the prepayment is more the \$150,000
 - **Advance payments can't exceed 50% of the entire cost or \$2,000,000, whichever is lower**
 - **New prescribed form from SBOA – 98P**

Bad Debt



- Units have a responsibility to collect amounts owed to the unit pursuant to procedures authorized by law
- School Board must have a written policy concerning a procedure for the writing off bad debts
- Bad debts would need to be covered by non-federal funds
 - *School Lunch Fund (800) may not be used for bad debt*

State Examiner Directive 2018-1 (Amended October 2023)



- Dated October 30, 2023
 - https://www.in.gov/sboa/files/Directive_2018-1_Monthly_Uploads_10_30_2023.pdf
- Effective starting with December 2023 monthly files and 2023 annual files
 - December 2023 Monthly file uploads are due February 15, 2024, and by the 15th of each month thereafter
 - For schools and ECAs, the Annual file uploads for the year ending June 30, 2024, are due August 29, 2024, and on August 29 each year thereafter

State Examiner Directive 2018-1 (Amended October 2023)



- Additional Uploads

- Monthly Uploads

- For ECAs – Bank Statements (all pages) and Outstanding Check Lists

- Annual Uploads

- Register of Investments (General Form 350)
 - Excel Data Capture
 - Detail of Receipts by fund and account (if Data Capture not available)
 - Detail of Disbursements by fund and account (if Data Capture not available)
 - Accounts Payable/Accounts Receivable Schedule Support
 - Direct Federal Grant Agreements/Award Letters and Amendments initiated during the year
 - Agreements for Subawards made to Subrecipients for all federal grants initiated during the year
 - Personnel Policy (to be uploaded once and then if future years if updated)
 - Capital Assets Ledger (General Form 369) – **GAAP and ACFR units only**

Scholarships



- Transactions for scholarships should be included in the school corporation's financial records
 - IC 20-40-14 specifically allows school corporations to account for gifts and endowments given for a special purpose in its own school corporation fund
 - More closely associated with educational expense and not an extracurricular expense
- Scholarships are to be accounted for in the fund range 2700-2799
- The schools should pay the scholarship directly to the college/university on behalf of the student that receives the scholarship
 - **The check should not be written to an individual**



Chart of Account Updates

Receipt Account: 5201 Transfer from Operations to Education

Expenditure Account: 60101 Transfer from Operations to Education

Receipt Account: 5202 Transfer from Operations to Rainy Day

Expenditure Account: 60102 Transfer from Operations to Rainy Day

Receipt Account: 5203 Transfer from Education to Operations

Expenditure Account: 60103 Transfer from Education to Operations

Receipt Account: 5204 Transfer from Education to Rainy Day

Expenditure Account: 60104 Transfer from Education to Rainy Day

Receipt Account: 5205 Transfer from Rainy Day to Operations

Expenditure Account: 60105 Transfer from Rainy Day to Operations

Receipt Account: 5206 Transfer from Rainy Day to Education

Expenditure Account: 60106 Transfer from Rainy Day to Education

Receipt Account: 5207 Transfer from Medicaid Reimbursement to Education

Expenditure Account: 60107 Transfer from Medicaid Reimbursement to Education



PUBLIC WORK PROJECTS UNDER \$50,000

- IC 36-1-12-5
 - Cost estimated to be under \$50,000
 - Board **SHALL** invite quotes from at least 3 persons known to deal in the class of work proposed by either:
 - Mailing a notice stating the plans and specifications are on file in a specified office not less than 7 days before the time fixed for receiving quotes, or
 - Soliciting three quotes by telephone, fax, or email
 - Board cannot require submission of quotes prior to meeting
 - Board must award to lowest responsible and responsive quoter



Public Work Projects Between \$50,000 - \$300,000

- IC 36-1-12-4.7
 - Board **SHALL** invite quotes from at least 3 persons known to deal in the class of work proposed
 - Invitation is to be through mailing a notice stating the plans and specifications are on file in a specified office
 - Notice must be mailed not less than 7 days before the time fixed for receiving quotes.
 - Board cannot require submission of quotes prior to meeting
 - Board must award to lowest responsible and responsive quotes
 - Board may reject all quotes
 - Statute does **NOT** allow Board to then negotiate and enter into agreements in open market as they could with a public works project under \$50,000

PUBLIC WORK PROJECTS OVER \$300,000



- IC 36-1-12-4
 - Board must prepare general plans and specifications
 - Must avoid specifications which might unduly limit competition
 - Board must file the plans and specifications in a place reasonably accessible to the public



PUBLIC WORKS PROJECTS OVER \$300,000

- Board must publish notice in accordance with IC 5-3-1 calling for sealed proposals
 - Notice must state the time and place fixed for receiving bids
- If the anticipated size of the project is under \$25,000,000, there may not be more than six weeks between the date of the first publication and receiving bids
- If the anticipated size of the project is \$25,000,000 or more, there may not be more than ten weeks between the date of the first publication and receiving bids

PUBLIC WORKS PROJECTS OVER \$300,000



- Board shall require from submitters:
 - Financial Statement
 - Statement of Experience
 - Proposed plan for performing the public work
 - Equipment bidder has available for the performance of the public work

PUBLIC WORKS PROJECTS OVER \$300,000



- Board cannot require bid before meeting
- Board can delay the opening if:
 - They determine in writing that it is in their best interest
 - They announce at the originally assigned meeting the new time and place

PUBLIC WORKS PROJECTS OVER \$300,000



- Bid opening meeting has to be a public meeting
 - Bids are to be opened and read aloud
- Board must award bid to lowest responsive and responsible bidder
 - If not awarded to the lowest bidder, board must state in the minutes at the time the award is made the factors used to determine which bidder is the lowest responsive and responsible bidder to justify the award
- Board can reject all bids



PUBLIC WORKS PROJECTS OVER \$300,000

- In determining if a bidder is responsive, Board may consider the following:
 - Whether the bid submitted conforms in all material respects to the specifications
 - Whether the bid submitted complied specifically with the invitation to bid and the instructions to bidders
 - Whether the bidder has complied with all applicable statutes, ordinances, resolutions, and rules pertaining to the award of a public contract

PUBLIC WORKS PROJECTS OVER \$300,000



- In determining if a bidder is responsible, the Board consider the following:
 - The ability and capacity of the bidder to perform the work
 - The integrity, character, and reputation of the bidder
 - The competence and experience of the bidder

PUBLIC WORKS PROJECTS OVER \$300,000



- Board shall require the bidder to submit an affidavit stating:
 - That the bidder has not entered into a combination or agreement
 - Relative to the price to be bid by a person
 - To prevent a person from bidding
 - To induce a person to refrain from bidding
 - That the bidder's bid is made without reference to any other bid



PUBLIC WORKS PROJECTS OVER \$300,000

- IC 36-1-12-4.5
- A bond or certified check must be filed with each bid in the amount determined and specified by the board if the cost is estimated to exceed \$200,000
 - Amount may not be set at more than 10% of the contract price
 - Must be made payable to the school corporation
 - Checks of unsuccessful bidders shall be returned to them by the board
 - Checks of the successful bidder must be held until delivery of the performance bond

IASBO Region Meetings



- If you would like training on specific topics, we would be happy to do so.
- In-person or virtual attendance – whatever is best for your region!

Website Overview



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



Questions?