

# THE CHARTER SCHOOL BULLETIN

And Uniform Compliance Guidelines

ISSUED BY STATE BOARD OF ACCOUNTS

Vol. No. 13

December 2015

## ITEMS TO REMEMBER

### December

- 1 Prove the Fund Ledger and Ledger of Receipts for the month of November 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.
- 25 Legal Holiday – Christmas Day. (IC 1-1-9-1)
- 30 Last day to report and make payments of state and county income tax withheld during November to the Department of Revenue.
- 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 Audits performed by private examiners are due to be completed and all required reports issued must be submitted to the State Board of Accounts via [charterschools@sboa.in.gov](mailto:charterschools@sboa.in.gov).

### January

- 1 Legal Holiday – New Year’s Day. (IC 1-1-9-1)
- 2 Prove all ledgers for the month of December.
- 2 Open a ledger of Appropriations, Allotments, Encumbrances, Disbursements and Balances by recording the appropriations by programs approved by the board of school trustees in the Resolution of Appropriations for the 2016 calendar year unless such appropriations must be reduced pursuant to action taken by the County Board of Tax Adjustment or by the Department of Local Government Finance. Record in the expenditure accounts of each program the allotments made by the board of school trustees. Also add to the 2016 year’s appropriations by programs and to the expenditure accounts by allotments, any encumbered appropriations and allotments of the 2015 calendar year to be carried forward.
- 18 Legal Holiday – Martin Luther King, Jr’s Birthday (observed). (IC 1-1-9-1)
- 30 Last day to report and make payment of state and county income tax withheld during December 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.

**THE CHARTER SCHOOL BULLETIN**  
And Uniform Compliance Guidelines

Volume 13, Page 2

December 2015

**ITEMS TO REMEMBER**  
**(Continued)**

**January (Continued)**

- 31 Last day to furnish Form W-2 to each employee.
- 31 Last day to file Annual Personnel Report (100R), with the State Board of Accounts through Gateway. (IC 5-11-13-1)
- 31 Last day to file Biannual Financial Report (Form 9) with the Department of Education, Office of School Finance, for the period July 1, 2015 to December 31, 2015.
- 31 All local investment officers shall reconcile at least monthly the balance of public funds as disclosed by the records of the local offices, with the balance statements provided by the respective depositories. (IC 5-13-6-1)

**February**

- 1 Prove all ledgers for the month of January.
- 1 Spring 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 Spring count of students in the ADM will occur on Monday, February 1, 2016, 8:00 a.m., EDT, through February 12, 2016, 11:59 p.m. EDT, which is the final date for submission. The clean-up and restricted period will begin on February 13, 2016, at 8:00 a.m. and end on February 19, 2016, 11:59 p.m. EDT. The signoff period will begin on February 20, 2016, at 8:00 a.m. EDT and end on February 26, 2016, at 11:59 EDT. You will not be able to obtain a report for signature until the signoff only period opens.
- 12 Legal Holiday – Lincoln’s Birthday. (IC 1-1-9-1)
- 15 Legal Holiday – George Washington’s Birthday (observed). (IC 1-1-9-1)
- 28 Last day to report and make payment of state and county income tax withheld during January to the Department of Revenue.
- 29 If using paper forms, last day to file W-2 and W-3 forms with the Internal Revenue Service.
- 29 All local in investment officers shall reconcile at least monthly the balance of public funds as disclosed by the records of the local offices, with the balance statements provided by the respective depositories. (IC 5-13-6-1)

**CONFLICT OF INTEREST DISCLOSURES**

Pursuant to IC 35-44.1-1-4 and for those situations in which they are required, Conflict of Interest Disclosure statements can now be filed with the Indiana State Board of Accounts through the Gateway system. Schools can obtain PDF forms of the disclosures and meet the filing requirements by going to [https://gateway.ifionline.org/sboa\\_coi/](https://gateway.ifionline.org/sboa_coi/).

**TRANSFERS BETWEEN FUNDS**

Currently, the prescribed method for the documentation of transfers between funds in the Uniform Compliance Manuals states that a warrant should be issued, charged to the original fund, payable to the unit and the amount should be receipted into the new fund to provide an adequate audit trail for these transfers. These procedures were developed for manual record keeping and are still prescribed for all manual ledgers and tracking. However, we realize many accounting software programs are available that allows a transfer between funds that may also provide an adequate audit trail for the transfer. We have taken a new audit position that we will not take exception to an electronic transfer on the ledger if there is an adequate audit trail to support the transfer transaction. If a unit prefers to use a 'paper check' to document transfers, we would also not take audit exception. In either case, the unit needs to have sufficient internal controls over the transactions to provide accuracy. The unit should be able to provide a report of all transfers during the year from each issuing fund to the receiving fund and document that transfers in equal transfers out. It is important that the method for documenting transfers be applied consistently to provide an accurate report on transfers.

**UPDATED POSITION ON OFFICIAL BONDS**

Date: October 22, 2015

Re: Public Official Bonds

The State Board of Accounts (SBOA) received numerous questions, concerns, and comments from a variety of sources regarding the changes made to Ind. Code § 5-4-1-18 by Senate Enrolled Act (SEA) 393. In response, the SBOA is issuing the attached Updated Bulletin on SEA 393, which replaces the bulletin issued on July 24, 2015. The attached bulletin addresses or clarifies the following issues:

1. The SBOA will not take audit exception to schedule bonds—by name or position—if the bonds are authorized by ordinance, endorsed to cover faithful performance, and include aggregate coverage sufficient to cover all officers, employees, and contractors required to be bonded.

2. The SBOA will not take audit exception if a political subdivision purchases a crime insurance policy in lieu of a bond if the crime insurance policy is authorized by ordinance, endorsed to cover faithful performance, and includes aggregate coverage sufficient to cover all officers, employees, and contractors required to be bonded.

3. It is the audit position of the SBOA that, for purposes of IC 5-4-1-18(a)(7), a “contractor” is a person or business in a contractual relationship with the political subdivision who has a fiduciary relationship with or performs a fiscal responsibility for the political subdivision, and whose accounts are not otherwise covered by the Federal Deposit Insurance Corporation (FDIC).

...5. Considering materiality and the risk of loss to the governing body of a school corporation, the SBOA will not take audit exception if individuals who receive, process, deposit, disburse, or otherwise have access to public funds in an amount less than \$100 per event or duty are not bonded.

**...X. Bonds for School Treasurers**

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.

**THE CHARTER SCHOOL BULLETIN**  
And Uniform Compliance Guidelines

Volume 13, Page 4

December 2015

**UPDATED POSITION ON OFFICIAL BONDS (continued)**

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. However, considering materiality and the risk of loss to the governing body, the SBOA will not take audit exception if individuals who receive, process, deposit, disburse, or otherwise have access to public funds in an amount less than \$100 per event or duty are not 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.

**STATE EXAMINER DIRECTIVE 2015-6 - REPORTING OF VARIANCES, LOSSES, SHORTAGES, OR THEFTS**

The State Examiner issued his Directive 2015-6 on November 18, 2015, that communicates the requirement of each political subdivision to adopt a “materiality threshold” for reporting erroneous or irregular material variances. We have included some details below, but the complete directive can be accessed at [http://www.in.gov/sboa/files/SBOA\\_Directive\\_2015\\_6.pdf](http://www.in.gov/sboa/files/SBOA_Directive_2015_6.pdf).

For purposes of this directive, “political subdivision” means all counties, townships, cities, towns, school corporations, library districts, fire protection districts, public transportation corporations, local hospital authorities or corporations, local airport authority districts, special service districts, special taxing districts, and other separate local governmental entities that may sue and be sued. Ind. Code § 5-11-1- 27(d); Ind. Code § 5-11-10.5-1.

... A. Materiality Threshold for Political Subdivisions.

In general, each political subdivision must develop their own policy on materiality because the causes of irregular variances, losses, shortages, and thefts are as broad and varied as the political subdivisions in which the incidents occur. For example, a \$500 variance in Fort Wayne is not necessarily as concerning as a \$500 variance in Pershing Township, Jackson County. On the other hand, a \$100 variance in Fort Wayne that occurs every Friday may be material.

Political subdivisions must recognize that variances, losses, shortages, and thefts may occur. If an incident occurs, the political subdivision should have a policy in place that outlines the steps to be taken. The policy should include a materiality threshold at which point the political subdivision reports incidents to the State Board of Accounts.

**STATE EXAMINER DIRECTIVE 2015-6 - REPORTING OF VARIANCES, LOSSES, SHORTAGES, OR THEFTS**  
**(continued)**

The policy should be detailed, and materiality thresholds should distinguish between incidents involving cash and other types of assets. The policy should also address maintenance of documentation and resolution of incidents that do not meet the materiality threshold.

The policy should also consider IC 5-11-1-27(l), which requires public officials who have actual knowledge of or reasonable cause to believe that there has been a misappropriation of public funds to immediately send written notice of the misappropriation to the State Board of Accounts and the prosecuting attorney.

If a political subdivision does not develop a policy on materiality, then the threshold is \$0.00 and the political subdivision must report all irregular variances, losses, shortages, and thefts to the State Board of Accounts.

**B. Procedure to Report Material Variances, Losses, Shortages, and Thefts.**

When an irregular variance, loss, shortage, or theft is determined material pursuant to a political subdivision's policy on materiality (or, if no policy on materiality is developed, whenever there is any incident of irregular variance, loss, shortage, or theft), the subdivision must report the incident to the State Board of Accounts.

On the State Board of Accounts' website there is a notification link, which allows public officials to report via e-mail material irregular variances, losses, shortages, or thefts. Telephone and in-person reporting is also acceptable. Reports will be followed up with a return e-mail or call to gather additional information as necessary. All reports of irregular variances, losses, shortages, or thefts are maintained by the State Board of Accounts.

When a report is received, the State Board of Accounts will use a qualitative and quantitative analysis to determine materiality for investigative and reporting purposes, as well as written internal control recommendations as required by Ind. Code § 5-11-1-27(j).

**ADOPTION OF INTERNAL CONTROL STANDARDS**

Indiana Code 5-11-1-27 requires the state board of accounts define the acceptable minimum level of internal control standards for political subdivision. As a result, we have completed a manual entitled "Uniform Internal Control Standards for Indiana Political Subdivisions". The manual and the approved training materials were presented and approved by the Legislative Audit Committee. We have posted the manual to the SBOA website on a newly created page under Political Subdivisions called "Internal Control Standards" (<http://www.in.gov/sboa/5072.htm>). This page has a link to the manual itself and lists the approved training and the certification requirements. It also references other sources of information on internal controls. We have added the same information to each political subdivisions page on the SBOA website. Finally, you can we placed a link to the manual on the SBOA homepage under our mission statement.

Part One of the manual lists the minimum standards which include the five components of internal control and the seventeen principles. Part Two of the manual is called Approved Personnel Training Materials and also contains examples and case studies, which are not part of the minimum level of standards but do provide additional information and examples that can be used in the implementation of internal controls by the subdivision. There is a certification form for internal control training in the appendix to the manual.

**THE CHARTER SCHOOL BULLETIN**  
And Uniform Compliance Guidelines

Volume 13, Page 6

December 2015

**ADOPTION OF INTERNAL CONTROL STANDARDS (continued)**

We have completed a webinar that will be posted on the SBOA website this month which will provide additional training information that can be used by the political subdivision. In the past few months we have used the information during presentations at meetings we have attended. The webinar will make the information available to all employees of the subdivision. During the training we have done to date at various meetings, we have tried to be very clear that in order to retain our independence to audit political subdivisions; [Generally Accepted Government Auditing Standards](#) (the "Yellow Book") prohibits the SBOA from prescribing the actual internal control procedures to be used by a political subdivision.

By statute, after June 30, 2016, the legislative body must ensure that internal control standards are procedures are adopted and that the appropriate personnel receive training on internal controls and procedures. The fiscal officer will file a certification along with subsequent Gateway annual reports.

**FRAUD SCHEME ALERT**

Recently, we have been made aware of two separate cases in the last month in which political subdivisions have noticed charges to their credit cards that appeared to be from wireless companies. In both instances, the vendors appearing on the credit card statements were brand name wireless companies. We worked with the units to subpoena records from the wireless companies and neither had documentation of charges and could not provide details of the charges for the political subdivisions.

We are encouraging political subdivisions to review their credit card statements to ensure that the amounts and vendors that they are being charged for are legitimate and the items purchased were for school related activities. All credit card claims should have supporting documentation that itemizes expenses incurred during school related activities.

**THE CHARTER SCHOOL BULLETIN**  
And Uniform Compliance Guidelines

INDEX TO  
THE CHARTER SCHOOL BULLETIN  
VOLUMES 1 TO 13 INCLUSIVE  
(Symbol 8-5 Designates Volume 8, Page 5)

Accounts Receivable – School Lunch and Textbook Rental .....	2-6
Administrative Expenses Titles I and II .....	10-3
Affordable Care Act Penalties, Fines, or Tax .....	3-2
Approval of Accounting Forms and Systems .....	3-7
Athletic Officials	
Independent Contractor or Employee .....	5-5
Payment .....	5-8
Audits by Private Examiners .....	1-6
	5-8
Average Daily Membership .....	4-2
Bad Checks .....	5-2
Bank Reconcilements .....	10-2
Bonds Official .....	12-3
	13-3
Cafeteria Vending Machines .....	8-5
Conflict of Interest .....	5-4
	11-2
Contracts .....	2-2
Contracts for Retiring Employees included in PERF and TRF .....	8-2
Credit Card Refunds .....	9-2
Curricular Materials Financial Assistance .....	10-3
Digest of Laws .....	3-6
	7-5
	11-5
Drug Free Workplace Act .....	11-5
Duplicate Warrants .....	3-4
Electronic Funds Transfer of State Distributions .....	11-3
Establishing the Estimated Cost of Capital Assets .....	6-6
Garnishment of Salaries and Wages .....	4-3
Gateway Annual Report .....	7-3
Gateway 100-R .....	1-6
	2-7
Gift Cards .....	2-6
Independence Standards .....	2-2
Internal Controls .....	3-2
	13-5
Mileage Rates – State and Federal .....	2-5
Minimum Wage and Overtime Provisions .....	11-2
OMB Circular A-133 Requirements .....	6-5
Pension Reporting-GASB 68 .....	7-3

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

**Volume 13, Page 8**

**December 2015**

Performance Award Grants .....	9-3
Procurement Cards .....	7-2
Public Records .....	2-3
	9-2
Purchases Through State Contracts.....	11-5
Record of Hours Worked .....	4-2
Retainage on Public Works Contract .....	1-3
Sale of Unneeded Property; Lease or Sale to Charter School .....	6-2
Sales Tax .....	3-2
Social Security .....	1-5
	5-5
State Examiner Directives.....	10-4
	12-2
	13-4
Statutorial Leave for Teachers-Conversion Only.....	8-3
Transfers Between Funds.....	13-3
Travel Expense .....	8-4
	10-3
Unified Accounting System .....	5-7
Year End Reporting .....	5-5
	9-3
	10-2
	11-2
	12-4