

# THE SCHOOL ADMINISTRATOR

and Uniform Compliance Guidelines  
ISSUED BY STATE BOARD OF ACCOUNTS

Volume 189

March 2010

## ITEMS TO REMEMBER

### MARCH

- March 1: Prove the Fund Ledger and Ledger of Receipts for the month of February to the control of all funds and reconcile with the depository statements. 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.
- March 20: Last day to report and make payment of state and county income tax withheld during February to the Department of State Revenue, Indiana Government Center North, Indianapolis. (Please review Volume 180, December 2007 "The School Administrator and Uniform Compliance Guidelines".)

### APRIL

- April 1: Prove all ledgers for the month ending March 31 as outlined for the month of February.
- April 2: Good Friday – Legal Holiday (IC 1-1-9-1)
- April 15: Last day for the board of school trustees of the school corporation located wholly or partially within the county, which has the greatest taxable valuation of any school corporation in the county to appoint a member of the governing body to serve as a member of the county board of tax adjustment (IC 6-1.1-29-1). IC 6-1.1-29-9 provides that the county council may adopt an ordinance to abolish the county board of tax adjustment. The ordinance must be adopted by July 1 and may not be rescinded in the year it is adopted.
- April 20: Last day to report and make payment of state and county income tax withheld during March to Department of State Revenue, Indiana Government Center North, Indianapolis. (Please review Volume 180, December 2007, "The School Administrator and Uniform Compliance Guidelines.")
- April 30: Last day to file federal quarterly report, Form 941, to the Internal Revenue Service for federal and social security taxes for the first quarter.

### MAY

- May 1: Prove all ledgers for the month ending April 30 as outlined for the month of February.
- May 1: School corporations not wishing to renew teachers' contracts (non-permanent teachers) for the 2010-2011 school year on or before May 1, shall notify the teacher that the governing body will or consider nonrenewal of the contract for the next school term. The notification shall be: (A) written; and (B) delivered in person or mailed by registered or certified mail to the teacher at the teacher's last known address. IC 20-28-7-9 also provides possible additional procedures.
- May 4: Primary Election Day - Legal Holiday (IC 1-1-9-1)

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- May 20: Last day to report and make payment of state and county income tax withheld during April to Department of State Revenue, Indiana Government Center North, Indianapolis. (Please review Volume 180, December 2007, "The School Administrator and Uniform Compliance Guidelines")
- May 31: Memorial Day - Legal Holiday (IC 1-1-9-1)
- May 31: On or before June 1 and December 1 of each year (or more frequently if the county legislative body adopts an ordinance requiring additional certifications) the school corporation shall certify to the county treasurer a list of the names and addresses of each person who has money due the person from the school corporation. (IC 6-1.1-22-14).

**FAITHFUL PERFORMANCE OF DUTY BONDS**

School Corporation Treasurer And Deputy Treasurer

IC 20-26-4-1 states in part "(c) A governing body shall, appoint a treasurer of the governing body and of the school corporation who is a person, other than the superintendent of schools, who is not a member of the governing body. The treasurer may, with the approval of the governing body, appoint a deputy who must be a person, other than the superintendent of schools, who is not a member of the governing body and who has the same powers and duties as the treasurer, or lesser duties as provided by the governing body by rule."

IC 20-26-4-5 provides that "For each school year commencing July 1, the treasurer of each governing body and the governing body's school corporation and a deputy treasurer, if so appointed, shall give a bond for the faithful performance of the treasurer's and deputy treasurer's duties written by an insurance company licensed to do business in Indiana, in an amount determined by the governing body. The treasurer shall be responsible under the treasurer's bond for the acts of a deputy treasurer appointed as provided in section 1 of this chapter."

Extra-Curricular Treasurer

IC 20-41-1-6 requires bonding of the treasurer of the extra-curricular account and states in part "(a) The treasurer shall give a bond in an amount fixed by the superintendent and principal of the school approximating the total amount of the anticipated funds that will come into the possession of the treasurer at any one (1) time during the regular school year. Bonds shall be filed with the trustee or board of school trustees. The surety on the bonds must be a surety company authorized to do business in Indiana. . . ." (b) The requirements of this chapter may be fulfilled by providing a comprehensive bonding instrument, including a single blanket position bond, for all extracurricular treasurers. A comprehensive bonding instrument is acceptable instead of individual separate personal position bonds."

IC 20-41-2-6 states in part "(b) If either the lunch program or textbook rental program is handled through the extracurricular account, the governing body of the school corporation shall approve the amount of the bond of the treasurer of the extracurricular account in an amount the governing body considers sufficient to protect the account for all funds coming into the hands of the treasurer of the account."

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**FAITHFUL PERFORMANCE OF DUTY BONDS**

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All Bonding Situations

We have noted situations where various employees (other than bonded treasurers and deputy treasurers) are involved in handling cash and cash related transactions (i.e., textbook rental collections, school lunch, etc.) without the school corporation being afforded bond coverage.

We strongly recommend and encourage school officials to immediately obtain bond coverage for all employees that might be handling cash and related transactions. School corporation officials should also give consideration to providing supplemental crime insurance coverage.

Whenever deemed necessary to bond any other employee of a school corporation, the governing body may bond or cause to be bonded such employee or employees by either individual or blanket bonds conditioned upon faithful performance of duties, and in amounts and with surety approved by the school board. A blanket bond should not include any officer, deputy or employee for whom an individual bond is required by statute. Individual bonds are required for the school corporation treasurer and the deputy treasurer.

The official bonds of treasurers, corporation or extra-curricular, must be written for a period of one (1) year, the term of office of the respective treasurer. Bonds may be for a shorter period for a person appointed to complete the term of a treasurer who resigned or is deceased. The bonds shall be payable to the State of Indiana as required by IC 5-4-1-10; and, after approval, shall be filed and recorded in the office of the recorder of the county wherein the treasurer resides as provided in IC 5-4-1-5.1 as well as with Board of School Trustees. No charge shall be made by the recorder of the county for recording the official bonds of any public officer, deputy, appointee or employee (IC 36-2-7-10).

When a minimum premium is required for official bonds, school corporation officials should make certain maximum coverage is provided for the required minimum premium. The State Board of Accounts is of the audit position a new bond should be obtained each year and continuation certificates or renewals should not be used in lieu of obtaining a new bond.

**TRAVEL EXPENSE**

Official Opinion 74 of the Indiana Attorney General, issued in 1953, concluded there is no statutory authority for payment of a fixed amount of travel allowance to public employees and that a public employer may not reimburse an employee for travel expense which is, in fact, not incurred by the employee. Also, there is no authority for a travel allowance to be paid without regard to the number of miles, if any, actually traveled.

Therefore, the State Board of Accounts is of the audit position that a fixed amount for travel allowance should not be paid. The prescribed method is to reimburse the employee for travel on the basis of a claim filed on Mileage Claim, Form 101, for reimbursement at the rate per mile as established by the local board of school trustees for all employees of the school corporation.

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**PUBLIC PURCHASES - DEPARTMENT OF CORRECTION  
AND REHABILITATION CENTER PRODUCTS**

IC 5-22-11-1 states "Subject to section 2 of this chapter, a governmental body shall purchase from the department of correction supplies and services produced or manufactured by the department under IC 11-10-6 as listed in the department's printed catalog unless the supplies and services cannot be furnished in a timely manner."

IC 5-22-11-2 states "Supplies and services purchased under this chapter must:

- (1) meet the specifications and needs of the purchasing governmental body; and
- (2) be purchased at a fair market price"

IC 5-22-11-3 states "The department of correction shall furnish each governmental body a catalog with the following information:

- (1) Supplies and services available for sale.
- (2) Prices of supplies and services available for sale."

IC 5-22-12-4 states "A governmental body shall purchase articles produced by the rehabilitation center under the same conditions as articles produced by the department of correction under IC 5-22-11, unless similar articles are produced by the governmental body."

IC 5-22-12-5 states "The bureau shall publish a catalog for the use of governmental bodies, showing the products and services available through the rehabilitation center."

IC 5-22-12-6 states "Whenever a governmental body needs an article listed in the catalog published under section 5 of this chapter, the governmental body:

- (1) shall give the bureau a reasonable time to produce or supply the article; and
- (2) except for an article produced by the department of correction, may not elsewhere:
  - (A) contract for;
  - (B) purchase; or
  - (C) pay a bill for;

an article described in the catalog unless the article cannot be furnished by the bureau. (b) A governmental body may contract elsewhere for purchase of an article described in the catalog if the bureau gives a written statement that the bureau cannot furnish the article."

IC 5-22-12-7 states "Supplies purchased under this chapter must:

- (1) meet the specifications and needs of the purchasing governmental body; and
- (2) be purchased at a fair market price."

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**EARLY RETIREMENT BUYOUT PLANS**

We understand some school corporations are offering buy-out plans to staff to encourage early retirement. Some of these buy-out plans may anticipate expenditures far into the future, in some cases five years or longer.

The State Board of Accounts is of the audit position school corporations should be in compliance with IC 20-42-4-1 which states "This chapter applies to a school corporation that: (1) after June 30, 2001, establishes a retirement or severance plan that will require the school corporation to pay postretirement or severance benefits to employees of the school corporation; or (2) includes in a collective bargaining agreement or other contract entered into after June 30, 2001, a provision to increase: (A) the benefit; or (B) the unfunded liability; under a retirement or severance provision that will require the school corporation to pay postretirement or severance benefits to employees of the school corporation." And IC 20-42-4-2 which states "(a) A school corporation must fund on an actuarially sound basis the postretirement or severance benefits that will be paid to employees under a plan, an agreement, or a contract described in section 1(1) of this chapter or an increase described in section 1(2) of this chapter. (b) A school corporation must place the assets used to fund on an actuarially sound basis the postretirement or severance benefits in a separate fund or account, and the school corporation may not commingle the assets in the separate fund or account with any other assets of the school corporation."

**AUDIT COSTS**

Inquires have questioned the correct procedure for accounting for school corporation audit costs. The following information was shared with county auditors.

HEA 1001-2008 removed the school general fund tax levy from the property tax rolls beginning in 2009. Since the passage of these provisions we have been reviewing our processes for billing and collecting audit costs for school corporation audits and examinations. We find that IC 5-11-4-3(b) remains applicable to guide these processes. IC 5-11-4-3 (b) states in part: ". . . Immediately upon receipt of the certified statement, the county auditor shall issue a warrant on the county treasurer payable to the treasurer of state out of the general fund of the county for the amount stated in the certificate. The county auditor shall reimburse the county general fund, except for the expense of examination and investigation of county offices, out of the money due the taxing units at the next semiannual settlement of the collection of taxes."

Therefore, counties shall continue to forward examination of record payments to the Treasurer of State for school corporation audits and examinations when billed by the State Board of Accounts. The county general fund shall then be reimbursed from property tax collections of that school corporation at the next semiannual settlement. The school corporation may direct the county auditor to reduce the distributions of a specific fund or multiple funds that continue to have property tax levies for the examination of records expense.

**PROPERTY TAX REPLACEMENT CREDIT (PTRC)**

We have received inquiries and concerns regarding information provided to school corporations "parking" of excess PTRC for school corporations including into the general fund.

We have discussed the situation with the Department of Education and Department of Local Government Finance and have created Fund 3955, Excess PTRC Distribution to which all excess PTRC distributions should be receipted using Receipt Account 3990. We are of the audit position school corporations should transfer distributions receipted elsewhere during the current calendar year to Fund 3955 by using 60100 and 5200 Transfers From One Fund to Another.

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**CHART OF ACCOUNTS REMINDERS AND CHANGES**

Please remember the issuance in 2008, from the Indiana Department of Education, "The Office of Financial Management, Analysis, and Reporting in conjunction with the State Board of Accounts have created two new account numbers to show proper accounting regarding the Self-Insurance Fund. In the past there has been an account entitled 'Transfers to Self-Insurance Fund'. As of January 1, 2008, this account was removed from the chart of accounts. Effective immediately, two new account numbers shall be used. School personnel must still show the group insurance payment (object 220) with the proper salary class (i.e. 11100, 11200, 11300, etc.) out of the proper fund. Move these amounts to the Self-Insurance Fund by using account 1971 (Amounts Forwarded to Self-Insurance). When making payments from the Self-Insurance Fund, use expenditure account 60800 (Self-Insurance Payments)." Consequently, please do not use account 60120, Transfers to Self-Insurance Fund.

**ACCESS TO PUBLIC RECORDS**

The following was provided by the Indiana Commission on Public Records in response to an inquiry made with the Indiana Public Access Counselor "As I understand your questions, a bank/payroll vendor will be serving as an agent for an Indiana governmental unit regarding access to public records and compliance with records retention. The bank/vendor would thus be required to maintain the checks, bank statements, payroll records, etc. for the same period as the agency.

The bank/vendor may well hold the information, but the obligation remains with the agency to provide access upon request, not the bank or vendor. The agency further has the obligation to provide access to the materials throughout the required retention. In the case of cancelled checks/warrants they are currently required to be maintained for 6 (six) years after the completion of the State Board of Accounts Audit. Payroll records are dependent upon the type."

**AMERICAN RECOVERY AND REINVESTMENT ACT  
(ARRA)(STIMULUS) OF 2009 INTEREST INCOME**

We have received inquiries regarding the American Recovery and Reinvestment Act (ARRA) of 2009 monies, and subsequent return to the Federal Government of any money earned over \$100.00. Questions have included whether interest from ARRA funds should be deposited into specific ARRA funds or into the General Fund.

IC 5-13-9-6 states in part" (a) All interest derived from an investment by a political subdivision or by any other local public officer . . . shall be deposited, except as otherwise provided by law, in the general fund of the investment authority or in any other fund its governing body designates specifically or by rule, subject to the modifications and limitations in this section. (b) Interest from the following investments shall be receipted as follows: (1) Interest from investments of funds of a political subdivision that are traceable to United States government funds must be receipted to the fund of which they are a part, if required by federal law or regulation. (2) Interest from investments of funds controlled by court orders must be receipted to that fund unless otherwise designated by the court order." Therefore, we are of the audit position interest for ARRA funds should be receipted to the appropriate stimulus fund in the chart of accounts starting at fund 7950. Funds earning interest in a checking, now accounts, joint investment etc., should be proportionately considered and an approximate amount should be either receipted directly or transferred to the appropriated stimulus fund.

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**FORM APPROVALS**

Please be reminded of the form approval process as discussed in the Accounting and Uniform Compliance Guidelines Manual for School Corporations at <http://www.in.gov/sboa/2821.htm> and the Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts at <http://www.in.gov/sboa/3270.htm>.

The use of computerized systems provide for an easier process of electronic submission and approval. Accordingly, please submit all future form approval requests electronically by e-mail for consideration. You should include the request on letterhead which shows the name of the school corporation or school, address, treasurer or business official's name submitting, etc., along with the forms requested for approval. The school or school corporation submitting the request will receive a reply by e-mail.

Please send all electronic form approval requests to [bfancher@sboa.in.gov](mailto:bfancher@sboa.in.gov) Please ensure the e-mail subject line reads exactly **Form Approval 2010 (make sure you only use one space between form and approval and 2010)**.

Forms approval requests not submitted electronically, will also receive an e-mail reply.

Any school or school corporation desiring to receive a stamped hardcopy form approval (whether submitting the form approval request electronically or by mail) may receive a stamped hard copy by return mail by providing a self-addressed stamped envelope with your request.

**MIKE FIWEK**

Mike Fiwek, a former State Board of Accounts School Supervisor passed away from complications associated with Alzheimer's disease on January 9, 2010. Mike worked with schools from 1989 until 1996 when he became a Deputy State Examiner until his retirement in 2005. Mike always enjoyed his experience getting to know and work with school officials.