

STATE BOARD OF ACCOUNTS



State Board of Accounts

IASBO Region 7 Meeting – November 20th, 2024

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ECA AUDITS – EXTRACURRICULAR ENGAGEMENTS

- ECAs with Receipts equaling or exceeding \$1,000,000
 - Examined during the School Corporation audit
- ECAs with Receipts under \$1,000,000
 - Examined during a centralized review process



○ ○ ○ ○ TICKET SALES

- [Chapter 2 of the Accounting and Uniform Compliance Guidelines Manual for Extracurricular Accounts](#)
- Tickets
 - Serially prenumbered tickets should be used for all athletic and other extracurricular activities and events for which admission is charged
 - Part is given to the person paying, and part is retained by the school
 - All tickets should be retained for audit
 - Tickets for each price group should be different colors and/or different in their series numbers



○ ○ ○ ○ TICKET SALES (CONTINUED)

- The treasurer should be responsible for the proper accounting of all tickets
- The treasurer should keep a record of
 - The number purchased
 - The number issued for sale
 - The number returned



○ ○ ○ ○ TICKET SALES (CONTINUED)

- Once cash is deposited with the treasurer, the treasurer's receipt issued should include
 - The number of tickets issued to the seller
 - The number of tickets returned unsold
 - The balance remitted in cash
- All tickets (including free or reduced) must be listed and accounted for on the SA-4 Ticket Sales Form



FORM SA-4 EXAMPLE

(Form SA-4) Prescribed by State Board of Accounts

No _____

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						

Made by _____
 (Title)

Verified and Approved by _____
 (Official or Sponsor)

ORIGINAL



○ ○ ○ ○ SCHOOL AUDIT SCHEDULES

- **178 schools** on this audit cycle required to be finished by March (if federal).
 - Audit Period: July 1, 2022 to June 30, 2024
 - Schedule to start in Late November/Early December
 - 97 schools contracted-out for this period





SBOA CONTRACTED AUDITS – WHAT TO EXPECT

- Email from **SBOA Director of Procured Audits – Jennifer Marshall**
- Communication with the audit firm
 - Engagement Letter
 - The audit firm will send this to you – please sign and return as requested
- List of items needed
- The audit firm will have access to information you entered on Gateway
- Link to firm's upload portal



○ ○ ○ ○ SBOA CONTRACTED AUDITS – WHAT TO EXPECT (CONTINUED)

- Please be responsive to audit requests
- If you will not be able to electronically provide requested documents, please contact Procuredaudits@sboa.in.gov
- Upon completion of the audit the firm will schedule an exit conference. The report will be reviewed and approved by SBOA prior to being finalized and posted on our website as a public report
- State Examiner Joyce requests your full cooperation with representatives of the contracted audit firm just as you have always given our field examiners
- Please feel free to contact Jennifer Marshall or a member of the procured audits team at Procuredaudits@sboa.in.gov or schools.townships@sboa.in.gov with any questions you may have at any time.



○ ○ ○ ○ SBOA FEES – IC 5-11-4-3

- Taxing Unit Rate: \$395/day
- Full Cost Rate*: \$968/day
 - *The full cost rate is the amount we would need to bill to each unit of government to be fully funded
- Processing Fee: \$35/day
- Technology Fee: \$55/day

- CPA firm rates are higher than our full-cost rate.

- **We are subsidizing these audits.**
 - Amount SBOA pays to CPA firm: $(\text{CPA firm rate} - \text{SBOA Full Cost rate}) = \text{SBOA cost}$



HOW TO PREPARE FOR AN AUDIT – COMPLIANCE PROCEDURES TO EXPECT

- **AFR/100-R/Monthly Uploads/Annual Uploads** - Accurate, Complete, Timely
- **Internal Controls** – Adoption, Training, Certification
- **IC 5-11-1-27** – Reports
- **Approved Depositories**
- **Capital Assets** – Policy, Listing, Inventory
- **Prepaid School Lunch** – 8400 fund established, Meal Charge Policy
- **Average Daily Membership** – Engagement Policy, Certification





HOW TO PREPARE FOR AN AUDIT – ENTRANCE CONFERENCE

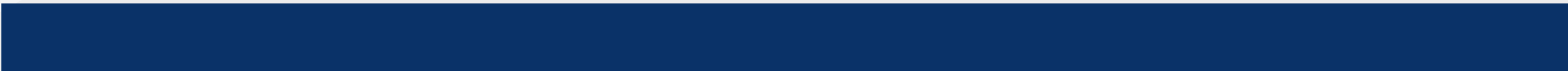
- Explanation of the objective of the engagement
 - Testing for assurance (opinion issued), limited compliance, etc.
- Explanation of Management's Responsibilities
- Informing management of fees, records to be requested, estimated timeline of engagement, etc...
- **Please ask any questions** if you are not clear on anything the examiner provides or requires!





○○○○ HOW TO PREPARE FOR AN AUDIT – WHAT WE WILL ASK FOR

- Resolutions
- Contracts
- Financial Records
- Reconcilements with Supporting Documentation
- Register of Investments
- Debt Documents
- Capital Asset Records
- Payroll Records
- Receipt/Disbursement Supporting Documentation



HOW TO PREPARE FOR AN AUDIT – PRE-AUDIT CHECKLIST

- Before an audit starts be sure to have the following things in order:
 - 1. Monthly bank accounts **reconciled**.
 - 2. Make sure all **schedules are complete** (capital asset listing, investments, inventory, etc.)
 - 3. **Supporting documentation** for expenses are in an orderly fashion.
 - 4. Check that **employee pay was correct**.
 - Withholding filings (W-2/941/WH3), salary schedules, and entries in the ledger to paychecks and contracts
 - 5. Verify **polices are updated**.
 - 6. Come with a list of questions!



HOW TO PREPARE FOR AN AUDIT - TIPS

- During the year, track restricted grants, gifts, donations, etc...
- Keep internal control documentation and supporting documentation together
- Respond quickly to inquiries – smaller audit bill
- Establish an “auditor” file:
 - Could include: regulatory agency correspondence, contracts, lawsuits, reconciliations...



○○○○ HOW TO PREPARE FOR AN AUDIT – WHAT ELSE SHOULD I DO?

- **ASK QUESTIONS!!**
- HB 1031 (2017) – repeat comments have consequences
 - Make sure to get an idea on how to fix problems before the examiner leaves
 - If not, contact us at schools.townships@sboa.in.gov
- Implement fixes immediately!
 - 2-year audit cycles – a comment could only pertain to one year, overshadows compliant years.



○○○○ HOW TO PREPARE FOR AN AUDIT – WHAT SHOULD I NOT DO?

- Panic!
- Be afraid to ask questions
- Try not to look at an audit as something to complicate your life!
 - An audit is an irreplaceable tool to ensure your finances are in order
- **The auditor should be viewed as a resource, not an adversary**



○○○○ HOW TO PREPARE FOR AN AUDIT – EXIT CONFERENCE

- Draft report provided and discussed
- Official given chance to respond to comments (Form 4) – 10 days
- Official's term, email and physical addresses verified
- Again, please ask any questions if you are not clear on anything the examiner talks about!
 - **In an exit conference there really shouldn't be any surprises!**





CURRICULAR MATERIALS FUND

- Effective until January 1, 2025
- IC 20-40-22-9
 - Each public school shall establish a separate Curricular Materials Fund (Fund 900)
 - Rental of curricular materials to nonpublic schools
 - Fees collected under IC 20-26-12-1(b) for lost or significantly damaged curricular materials
 - Distribution received from the Department of Education





◦◦◦◦ CURRICULAR MATERIALS FUND (CONTINUED)

- HB 1120
- Non-code Provision
- Any balance in a public school's curricular material's fund established under IC 20-40-22-9 shall be transferred the education fund of the school corporation that maintains the school on or before December 31, 2024





EDUCATION FUND

- Effective January 1, 2025
- IC 20-40-22-10
 - Curricular materials distribution shall be deposited in the education 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.



CHART OF ACCOUNTS

- Receipt Codes
 - [Chapter 5 of Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations](#)
- Expenditure Codes
 - [Chapter 6 of Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations](#)
- Object Codes
 - [Chapter 8 of Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations](#)
- [June 2024 School Bulletin](#)





MONTHLY AND ANNUAL ENGAGEMENT UPLOADS

- [State Examiner Directive 2018-1](#)
- Amended October 30, 2023
- Changes effective starting with December 2023 monthly files and 2023 annual files
 - December 2023 monthly uploads due February 15, 2024
 - Annual upload for the year ending June 30, 2024 due August 29, 2024





MONTHLY UPLOAD AMENDMENTS

- Corporation
 - No changes to monthly upload requirements
- Extra-Curricular Accounts
 - Bank Statement
 - Include entire statement
 - Outstanding Checklists
 - Detail that supports the total amount of outstanding checks reported in the bank reconciliation



○○○○ ANNUAL UPLOADS

- New requirements
 - Register of Investments
 - Detail of Receipts by Fund and Account
 - Detail of Disbursements by Fund and Account
 - 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 (upload once, and then only in future years if updated)
 - Capital Asset Ledger (**GAAP and ACFR units only**)





PREPAID SCHOOL LUNCH

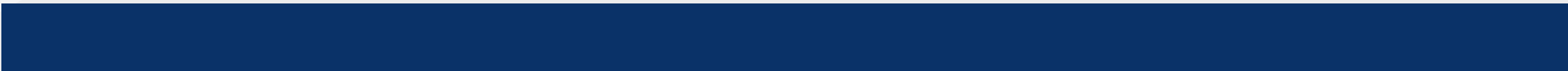
- [2019 February School Bulletin](#)
- When a student puts money into their meal account, it should not be considered income to the Child Nutrition Program until that student goes through the lunch line and charges a meal to their account
- The money in the student's individual account should not be included in the Fund 800 (School Lunch)
- Fund 8400 (Prepaid School Lunch) is to be established to account for the individual student lunch balances
- Receipt funds into Fund 8400 (Prepaid School Lunch) using receipt code 1630 (Special Functions)





PREPAID SCHOOL LUNCH (CONTINUED)

- After a student has charged meals, the school corporation should disburse the amount charged from Fund 8400 (Prepaid School Lunch) using expenditure code 31900 (Other Food Services)
- Receipt accounts 1611-1623 are to be used to receipt the funds into the Fund 800 (School Lunch)
- The balance of the Prepaid School Lunch Fund is to be reconciled with the total of the individual meal accounts at least monthly



COMMODITIES - REPORTING

- Commodities are a form of federal non-cash assistance; therefore, they are required to be reported on the SEFA
- How to determine the amount to report on the SEFA:
 - Step 1: Log in with your credentials on CNPWeb
 - Step 2: Click on “FDP” Food Distribution Program
 - Step 3: Click on “Continue”
 - Step 4: Select the program year you want to obtain data for
 - Step 5: Click on “Summary” in the top left corner of your screen
 - Step 6: Click on “R/A Summary Tab”
 - Step 7: Click on the “Entitlement” tab



CNP WEBPAGE

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Recipient Agency Summary

Indianapolis Public Schools (5385)

Applications	Entitlement	Surveys	Allocations	Inventory	Orders	Invoicing
Current Year	Prior Year	Total Entitlement	Entitlement Used	Remaining Balance	No Charge Used	Bonus Used
1,313,674.02	0.00	1,313,674.02	1,339,671.05	-25,997.03	173,740.05	3,156.42

Recipient Agency Allocations



Allocation Code	Allocation Date	Entitlement Used	No Charge Used	Bonus Used	Action
SVY103269	9/16/2016	1,770.00	0.00	0.00	View
SVY103304	10/07/2016	4,034.04	0.00	0.00	View
SVY103313	10/14/2016	578.36	0.00	0.00	View
SVY103353	11/03/2016	1,770.00	0.00	0.00	View
SVY103432	1/06/2017	3,169.34	0.00	0.00	View
SVY103515	2/01/2017	14,605.68	0.00	0.00	View
SVY103526	2/10/2017	1,770.00	0.00	0.00	View
Bonus103560	3/02/2017	0.00	0.00	808.00	View
SVY103631	3/03/2017	6,358.13	0.00	0.00	View
SVY103748	3/09/2017	1,409.32	0.00	0.00	View
SVY103749	3/09/2017	13,196.36	0.00	0.00	View
Alloc103772	3/30/2017	0.00	3,371.96	0.00	View
Req106643	5/04/2017	0.00	35,599.80	0.00	View
Req106644	5/04/2017	0.00	933.10	0.00	View

↑ Top of Form



◦◦◦◦ COMMODITIES - REPORTING

- Only use the numbers **BELOW** the “Recipient Agency Allocations”
- The amount to be reported on the SEFA for each year is the sum of the “Entitlement Used,” “No Charge Used,” and “Bonus Used” columns
- Additional Resource:
 - [March 2018 School Bulletin](#) – pp. 7-8



RESOURCES

- AFR User Guide
- Bulletin Articles –
 - OPEB – [September 2020 School Bulletin](#) – pg. 4
 - Commodities – [March 2018 School Bulletin](#) – pp. 7-8
 - Commodities – [June 2019 School Bulletin](#) – pg. 6
- [State Examiner Directive 2018-1](#) (Amended October 2023)





BUSINESS ACTIVITY CONSIDERATIONS

- Business Activity Considerations - I.e. Business being ran in a school
- Ultimately **the responsibility for business activities in a school would fall to the school board**. The school board should authorize business activities and develop a policy outlining how these activities should be conducted along with any requirements that must be met for a group to be allowed to operate.
- Obtain an understanding of activities and what proceeds will be used for. Who is running the activity?
 1. **Student group** running a coffee stand,
 2. **Outside organization** running a store within the school that students/teachers run,
 3. **Woodworking class** selling products or a **business class** where students create a business plan and sell products,
 4. **Extracurricular clubs** providing services for a fee,





BUSINESS ACTIVITY CONSIDERATIONS (CONT.)

- School Bookstores – **Different than a business being ran in a school**
 - A school bookstore could be accounted for at the school corporation or extracurricular level
- The extracurricular Student Activity (General) fund should be receiving revenue received from functions not generated by students for a specific class or organization
- Common questions – Should sales tax be collected from bookstore sales
 - IDOR Sales Tax Bulletin #32 - <https://www.in.gov/dor/files/reference/sib32.pdf>
 - The sales tax shall not apply to sales by bookstores of tangible personal property intended primarily for the educational purpose of the organization and not used in carrying on a private or proprietary function.”
 - The sales of textbooks and supplies by parochial, public, or private nonprofit schools are exempt if made to students of the school in grades 1 through 12. Such sales are primarily intended to further the educational purposes of the school. However, sales to persons who are not students or school personnel are subject to sales tax.
 - Until May 4, 2023, sales by a bookstore of non-education-related items such as T-shirts, sweatshirts, hats, memorabilia, class rings, license plates, etc. are subject to sales tax, regardless of whether the purchaser is a student or non-student. In addition, the bookstore must register as a retail merchant to purchase these items exempt for resale and to collect the tax from the ultimate purchaser. Effective May 4, 2023, all sales by schools (including yearbooks) that are a part of the Indiana public school system, which includes their sales through a school-operated bookstore, are exempt from sales tax. However, this exemption does not extend to independent school organizations, as outlined below.





BUSINESS ACTIVITY CONSIDERATIONS (CONT.)

- When determining where the activity will be accounted for (if the “business” is run by the school) – ask yourself this question:

Will the proceeds be used for a curricular (school records) or extracurricular (ECA records) purpose?





BUSINESS ACTIVITY CONSIDERATIONS (CONT.)

- **OUTSIDE ORGANIZATION'S RECORDS – BOOSTER GROUPS**

- IC 20-41-1-7 states in part: "The treasurer has charge of the custody and disbursement of any funds . . . incurred in conducting any athletic, social, or other school function (other than functions conducted solely by any organization of parents and teachers) . . ." Therefore, activities and organizations which are not extracurricular in nature should be responsible for their own accounting and cash handling systems. ***The extracurricular account should not collect, receipt, remit, or disburse outside organization's monies.***





BUSINESS ACTIVITY CONSIDERATIONS (CONT.)

- **If a group of students are running a fundraiser** for an extracurricular club, the group could account for the fundraiser's transactions in their ECA fund. We would equate this example to an ECA club or High School Class fund running a concession stand at a sporting event. The school corporation would have paid for the concession stand, but the ECA club or Class fund runs the transactions through their account.
- **If a teacher wants to run this without a group of students**, we do not think that this activity should be ran through an extra-curricular account. This activity would be like a business being ran inside of the school.
- **If the activity's purpose was to generate funding for school staff**, then the group would be able to donate the activity's proceeds to a staff fund, which can be accounted for at the corporation or extracurricular level. If an extracurricular group would like to donate their funds to a staff appreciation fund SBOA would not take audit exception as long as the proper approvals are documented, per the compliance requirement on the next slide from the ECA Manual.





BUSINESS ACTIVITY CONSIDERATIONS (CONT.)

- ECA Donations

- We will not take exception to club/organizations donating money to an outside organization *based on a majority vote of its members*. We would encourage that documentation be retained to provide approval of a majority of the members. Also, the warrant/check *should be written to an organization and not an individual*.





BUSINESS ACTIVITY CONSIDERATIONS (CONT.)

- Who is running the activity?
 - If it not a group of students, then the school is probably running a business inside the school (unless the only thing they are charging for are fees, if the activity is part of the curriculum).
- Does the group have a policy to document what prices will be charged as well as what the proceeds would be used for?
- Are students or staff running the business activity?
- Should this activity occur during normal working hours?
 - If individuals are paid for working the activity, are we in compliance with the State Ghost Employment Laws? (IC 35-44.1-1-3)
 - Are we complying with child labor laws (under the Fair Labor Standards Act (FLSA))?
 - Are we properly withholding payroll taxes?





BUSINESS ACTIVITY CONSIDERATIONS (CONT.)

- Do we have insurance that covers the group and corporation during the activity?
- Is the group running the activity an outside organization? If so, do we have a contract outlining responsibilities of both parties?
 - Is the organization incorporated as a business entity with the Indiana Secretary of State's office?
<https://bsd.sos.in.gov/publicbusinesssearch>
- Does the activity require the group to obtain a Tax Identification Number, Retail Merchant Certificate, or remit sales tax collected to IDOR?
 - IDOR Sales Tax Bulletin #10 - <https://www.in.gov/dor/files/sib10.pdf>





BUSINESS ACTIVITY CONSIDERATIONS (CONT.)

- Is the group selling prepared food?
 - Are there additional requirements or filings required to be made to the Indiana State Department of Health?
<https://www.in.gov/health/food-protection/contact-information/>

- If the activity is run by the school, is the group following guidelines prescribed by SBOA?
 - Are proper internal controls established and implemented over the activity?
 - Per the ECA Manual - Internal controls over vending operations, concessions or other sales should include, at a minimum, a regular reconciliation of the beginning inventory, purchases, distributions, items sold and ending inventory to the amount received. Any discrepancies noted should be immediately documented in writing to proper officials. The reconciliation should provide an accurate accounting.
 - Are prescribed forms being used?
 - School forms - <https://www.in.gov/sboa/files/SCHMAN03-2023Updated.pdf>
 - Extracurricular forms - <https://www.in.gov/sboa/files/ECMAN02-2023Updated.pdf>



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