

REVISED POLICY - VOL. 28, NO. 2

INTERNAL CONTROL STANDARDS AND PROCEDURES

The Superintendent shall establish and maintain effective internal control standards and procedures for all funds received by the School Corporation, including financial grants and awards from Federal ~~and or~~ State sources, that provide reasonable assurance that the program and funds are managed in compliance with applicable Federal and State statutes, Federal and State regulations, and the terms and conditions of ~~any award grants and awards~~ made to the Corporation.

The Corporation ~~will shall~~ have a process that provides reasonable assurance regarding the achievement of the following objectives:

- A. effectiveness and efficiency of operations;
- B. reliability of reporting for internal and external use; and
- C. compliance with applicable laws and regulations.

The internal control standards and procedures must provide reasonable assurance that transactions are properly recorded and accounted for in order to permit the preparation of reliable financial statements ~~that are consistent with Generally Acceptable Accounting Practices (GAAP)~~ and Federal and State reports; maintain accountability over assets; and demonstrate compliance with Federal and State statutes, Federal and State regulations, and the terms and conditions of ~~the grants and~~ awards.

The internal control standards and procedures also must provide reasonable assurance that these transactions are executed in compliance with Federal and State statutes, Federal and State regulations, and the terms and conditions of ~~the award grants and awards~~ that could have a direct and material effect on any grant or award, as well as any other Federal and State statutes and regulations that are identified in the ~~compliance supplements issued by the U.S. Office of Management and Budget (OMB) Federal Compliance Supplements~~ and/or directives of the State Board of Accounts (SBOA).

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~~Finally~~Additionally, the Corporation's internal control standards and procedures must provide reasonable assurance that all Federal and State funds, property, and other assets are safeguarded against loss from theft, fraud, ~~or~~ unauthorized use, or unauthorized disposition.

Further, erroneous or irregular variances, losses, shortages, or thefts of any amount of Corporation funds or property whose source is a Federal grant or award are considered material and therefore are to be reported immediately to the SBOA as required by Federal and State law.

Other than with respect to Corporation funds or property whose source is a Federal grant or award, any erroneous or irregular variances, losses, shortages, or thefts of Corporation funds or property in excess of:

A. with respect to cash funds:

[CHOICES: Please select one (1) of the following four (4) options that will be the materiality threshold for the Corporation.]

- \$ 500.00 in any fund
- ___ percent (___%) in any fund
- \$ _____ in the General Fund,
\$ _____ in the Debt Service Fund,
\$ _____ in the Capital Projects Fund,
\$ _____ in the Transportation Fund,
\$ _____ in the Bus Replacement Fund,
\$ _____ in the Referendum Tax Levy Fund,
\$ _____ in the Rainy Day Fund,
\$ _____ in the Pension Bond Fund,
\$ _____ in the Extracurricular Activity Fund,
\$ _____ in the _____ Fund,
\$ _____ in all other funds

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- _____ percent (__%) in the General Fund,
_____ percent (__%) in the Debt Service Fund,
_____ percent (__%) in the Capital Projects Fund,
_____ percent (__%) in the Transportation Fund,
_____ percent (__%) in the Bus Replacement Fund,
_____ percent (__%) in the Referendum Tax Levy Fund,
_____ percent (__%) in the Rainy Day Fund,
_____ percent (__%) in the Pension Bond Fund,
_____ percent (__%) in the Extracurricular Activity Fund,
_____ percent (__%) in the _____ Fund,
_____ percent (__%) in all other funds

[END OF CHOICES]

B. with respect to assets other than cash funds:

[CHOICES: Please select one (1) of the following two (2) options that will be the materiality threshold for the Corporation.]

- any asset valued in excess of \$ _____ - _____
 any asset, regardless of value

[END OF CHOICES]

are considered material and therefore are to be reported immediately to the SBOA as required by State law.

The Corporation shall:

- A. comply with Federal statutes, regulations, and the terms and conditions of the Federal ~~awards, whether the funds are received directly from the Federal government or are distributed through the State Department of Education or another State agency or department grants and awards;~~
- B. comply with State statutes and regulations related to the management and control of all funds received by the Corporation ~~from any source;~~

- C. evaluate and monitor its compliance with statutes, regulations, and the terms and conditions of Federal grants and awards, ~~as well as all other funds received by the Corporation;~~ and State and local funds received;
- D. investigate all variances, losses, shortages, or thefts of Corporation funds or property, document the investigation and its results, and maintain a record of the investigation and its results;
- E. take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; ~~and~~
- F. report all misappropriations of Corporation funds or property to the SBOA and the county prosecuting attorney whenever a Corporation employee has actual knowledge of or reasonable cause to believe that a ~~misappropriate~~ misappropriation has occurred;
- G. provide, upon employment and periodically thereafter, training concerning the internal control standards and procedures established for the Corporation for any personnel whose official duties include receiving, processing, depositing, disbursing, or otherwise having access to funds that belong to the Federal government, State government, the Corporation, or other governmental entities; and
- H. take reasonable measures to safeguard protected "personally identifiable" information (PII) and other information the State, awarding agency, or pass-through entity designates as sensitive or the Corporation considers sensitive consistent with applicable Federal, ~~state~~State, local, and tribal laws and Corporation policies regarding privacy and obligations of confidentiality.

PII is defined at 2 C.F.R. 200.79 as "information that can be used to distinguish or trace an individual's identity, either alone or when combined with other personal or identifying information that is linked or linkable to a specific individual. "

However, the definition of PII is not anchored to any single category of information or technology. Rather, it requires a case-by-case assessment of the specific risk that an individual can be identified.

[Suggested resources:

- A. *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States;
- B. *Internal Control Integrated Framework (commonly referred to as the Green Book)* issued by the Committee of Sponsoring Organizations of the Treadway Commission;
- C. *Circular A-110 Compliance Supplement* issued by the U.S. Office of Management and Budget;
- D. *Circular A-133 Compliance Supplement* issued by the U.S. Office of Management and Budget; and
- E. *Internal control guidance* issued by the U.S. Department of Education.]

I.C. 5-11-1-27

2 C.F.R. 200.61-.62

2 C.F.R. 200.79

2 C.F.R. 200.203

~~OMB Circular A-21 Compliance Supplement~~

~~OMB Circular A-110 Compliance Supplement~~

~~OMB Circular A-133 Compliance Supplement~~

~~State Examiner Directive 2015-6 (SBOA 11-18-15)~~

~~DRAFTING NOTE: The following resources are suggested as source material for developing the Corporation's Internal Control Standards and Procedures, which should be retained as confidential material not subject to release pursuant to a public records request.~~

- ~~A. *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States;~~
- ~~B. *Internal Control Integrated Framework* (commonly referred to as the Green Book) issued by the Committee of Sponsoring Organizations of the Treadway Commission;~~
- ~~C. *Circular A-110 Compliance Supplement* issued by the U.S. Office of Management and Budget;~~
- ~~D. *Circular A-133 Compliance Supplement* issued by the U.S. Office of Management and Budget; and~~
- ~~E. Internal control guidance issued by the U.S. Department of Education.~~