
Subject: **CASH HANDLING – PURCHASING / ACCOUNTS PAYABLE**

Purchases must have prior approval.

- A. Secondary schools must complete the budget process and have budgets approved by the principal/designee before purchases are considered approved.
 - 1. Once budgets are approved, teachers/department heads may spend within the parameters of the approved budgets.
 - 2. Exceptions to the approved budget need prior principal approval before purchases are made.
 - 3. When a purchase would exceed the budget, additional approval by the principal must be received before purchases are made.
- B. Elementary schools are required to fill out a Purchase Order form and have it signed by the principal/designee before purchases are made.
- C. Exceptions to the Elementary procedure:
 - 1. Elementary teachers may spend money from their approved budget, Legislative Funds, or Foundation funds and be reimbursed with a school check. This is intended for smaller purchases.
 - 2. Sales tax will not be reimbursed in situations where it could have been avoided through proper use of the purchasing procedures.

II. Purchase Orders

- A. When to use a purchase order:
 - 1. When detailed records need to be kept for a purchase.
 - 2. When a vendor requires it.
 - 3. When a budget has not been previously approved or when a purchase is greater than the previously approved budget
 - 4. When orders will be received in increments and multiple invoices will be received.
- B. Authorization: *(See Purchases must have prior approval section above)*
 - 1. Secondary schools must have approved budgets in place prior to purchases.
 - 2. Elementary schools must fill out a Purchase Order form and have it approved **before** the purchase is made.
 - 3. Purchasing procedures must be followed
 - a) Three telephone bids on purchases over \$5,000.
 - b) Board approval for purchases over \$10,000.
 - 4. Purchase orders must be signed by principal/designee before purchases are made.
 - 5. Secondary schools may designate the financial secretary the responsibility of approving and signing of purchase orders.

Subject: CASH HANDLING – PURCHASING / ACCOUNTS PAYABLE

- a) The financial secretary's authorization must be in writing and on file.
- b) Exceptions to this procedure are textbooks. All textbook orders must be approved and signed by the school administrator.

INVOICES AND CHECKS PROCESSED BY SCHOOLS

General Information for Paying Invoices

A. Payment of vendor's invoices

1. Schools should have regularly scheduled check runs.
2. Items should be received or services rendered **before** invoices are paid.
3. Partial payments may be made but should be noted on the purchase order and the invoice.
4. Principal may authorize the financial secretary to pay invoices, approval of the invoice is given at the time the check is signed.
5. Invoices must be marked as paid or attached to the check voucher and filed numerically by check number.

B. Invoice Exceptions

1. Invoice amount is greater than purchase order or expected amount.
 - a) If the invoice is 5% or \$50 more than the original amount of the purchase order the principal will need to give additional approval.
 - b) The approval may be done by the principal at the time the check is signed.
 - c) Shipping and handling are included in computing the 5% or \$50.

II. Checks (disbursements)

A. Documentation for checks

1. All checks must have appropriate support documentation before being issued.
 - a) An invoice is the best support documentation.
 - b) Sales receipts may be used.
 - c) In unusual circumstances where no other documentation is available, a person wishing to be reimbursed may create an invoice with pertinent data. Must have principal's **prior** approval to pay.

B. Storage of unused checks

1. Unused checks should be kept secured in a locked enclosure.
2. Only financial secretary and principal should have access to unused checks.

Subject: CASH HANDLING – PURCHASING / ACCOUNTS PAYABLE

- C. Unusable checks - From time to time checks that are printed are not usable and need to be voided and replaced.
 - 1. Write the word VOID or SKIPPED on the check and file numerically.
 - 2. Unusable checks should never be torn apart or destroyed. E. Signatures on checks
 - 3. All school and district checks need to have two signatures.
 - 4. If the check is made out to one of the signatories, they should not be one of the signatures on the check.
 - 5. Signature stamps are not allowed.

III. Athletic Officials

- A. Paying for athletic officials:
 - 1. A standard claim form should be issued to each secondary school paying athletic officials.
 - 2. Shortly after the event the information should be entered in to the school's accounting program for payment.
 - 3. It is recommended that athletic officials be paid on the school's regular check run.
- B. Advantages of paying officials at a later time.
 - 1. Eliminate the need for manual checks.
 - 2. Provide a better audit trail.
 - 3. Provide computer generated information for the IRS 1099 report.

IV. Preparation of Bids

- A. Prepare items that need to go to the Board of Education for approval and out to bid far enough in advance to allow us to handle your project efficiently and provide our Board with thorough and complete information to assist them in their decisions.
- B. Make sure that all aspects of the project have been considered, i.e., have you taken into consideration what work will need to be done by our own district maintenance people. Have you contacted them to see if they can do the work and an estimate on the approximate cost? If you have to dig a ditch across a parking lot, have you considered how much it will cost to replace the asphalt? If you are going to buy computers, is the area you plan to place them in adequately wired - does it have enough outlets, etc.? THE OVERALL PICTURE OF A PROJECT AND ITS NEEDS IS CRITICAL.
- C. Feel free to discuss your requirements with sales representatives. Working with representatives is a good way to get any questions you might have answered
- D. Be very careful when writing specifications, make sure you have all the items you need and specifications for them. The quality of the product you get depends many times on the quality of the specifications you have provided. Be careful of

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specifications that vendors prepare for you. There are different kinds of specifications, and they can affect the procurement risk.

DISTRICT AUTHORIZATIONS / ACCOUNTS PAYABLE

THE ACCOUNTING DEPARTMENT WILL VERIFY BID INFORMATION AND THE INDEPENDENT AUDITORS MAY CHOOSE TO REVIEW ANY OR ALL BIDS. ANY PURCHASE OVER \$10,000 MUST BE SENT TO THE SCHOOL BOARD FOR APPROVAL BEFORE THE PURCHASE IS MADE. THIS MUST BE STRICTLY ADHERED TO.

1. All purchases above \$10,000 require board approval.
2. To request approval, send a requisition memo or school purchase order completed with information for item(s) desired, account number to charge and the maximum amount of budget that you will spend, signed with approved signature(s) to the District Office.
3. After approval is received the school/department may proceed with the order making sure to follow appropriate purchasing procedures.

Misuse of School/Department Purchase Orders

1. Buying items that TOTAL more than \$10,000.
2. Buying items that TOTAL more than \$5,000 without obtaining three telephone bids and properly completing a Purchase Order form.
3. Using more than one purchase order to buy the same item to stay under the \$5,000 or \$10,000 limit.
4. Using purchase order for purchases that are not for the school or school related programs.

MISUSE OF THE PURCHASE PROCESS WILL BE REFERRED TO THE APPROPRIATE ADMINISTRATOR AND MAY AFFECT YOUR EMPLOYMENT.

MISCELLANEOUS DISTRICT PAYMENTS

1. Checks are issued by the District twice a month to all vendors for whom we have received an invoice, and authorization to pay, and supporting documentation such as a purchase order or requisition.
2. Miscellaneous payment requests for items such as mileage, travel reimbursement, etc. should be submitted on claim forms completed in detail with an account number and the signature of a principal or program director.
3. Any school sending an employee to a convention or workshop where District funds are expected to cover the costs, must submit a travel authorization form to Keith Johansen in Business Administration at least 15 working days prior to departure. Failure to get District approval will result in the claim being denied and the school will have to cover the costs. Only travel, housing, and registration fees are prepaid.

Subject: CASH HANDLING – PURCHASING / ACCOUNTS PAYABLE

4. Any school wishing to have an employee mileage reimbursement paid by District funds must have the miles approved by Keith Johansen before the employee leaves. If prior approval is not received, the school will be responsible for covering the reimbursement costs.
5. Adjusting Journal Entries - When an adjustment needs to be made from a district account, support documentation needs to be sent with the request for the journal entry. A copy of a purchase order, requisition or a photo copy of the budget report would be considered adequate documentation. When sending a photo copy of the budget report, highlight the amount to be adjusted, noting the correct account number and amount that needs to be changed. Have the principal sign and send to Accounts Payable.
6. Volunteer Coaching or Service Agreement - A background check is to be used in conjunction with the Volunteer Coaches or Service Agreement, this is done through a fingerprint check. Once the person has been selected for the job and they sign the Volunteer Coaches Agreement, you should instruct them to make an appointment with the Business Administrator's secretary to get finger printed before they begin working for the District. There is a \$15 service charge for fingerprinting; this fee will be paid by the District. When the job is completed, the principal will sign the Volunteer Coaching Agreement and send it to the Accounts Payable Department for payment.

PROCEDURES FOR THE PURCHASING TEXTBOOKS.

Purchasing

Textbooks may be purchased using a school purchase order. Principals are responsible for not exceeding their District textbook budgets. When invoices are received, schools should compare the invoice, purchase order, and shipment to ensure that everything is billed correctly and that everything was received; any discrepancies should be investigated. After everything is verified, the invoice should be approved and taken to the District Office where the Accounts Payable Department will issue payment. ALL TEXTBOOK INVOICES SHOULD BE PAID THROUGH THE DISTRICT ACCOUNTS PAYABLE.

Schools are encouraged to maximize the value of their textbook funds by making use of preowned book dealers and Mountain State Schoolbook Depository. Pre-owned book dealers and Mountain State Schoolbook Depository are considered "sole sources" for purchasing authorizations, so additional quotes/bids are not required.

The following are textbook sources:

New textbooks.	Mountain State Schoolbook Depository	1-800-955-1444
Pre-owned textbooks	Rocky Mountain Textbook	1-800-829-8016

Surplus Property

No district employee shall transfer, sell, or trade-in any property owned by the District without written authorization of the Business Administrator.

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Trade-in of surplus property - District property may be traded-in when the procurement officer or Business Administrator determines the trade-in value is expected to exceed the estimated value to be obtained through the sale of the property.

Transfer of surplus property - The preferred disposition of surplus property is to transfer it to another District or State entity that has a use for it. The price must be based on fair market value, mutually agreed upon by the owning agency and the recipient, and approved by the procurement officer or Business Administrator.

Sale of surplus property - If surplus property cannot be transferred to another government entity, it may be sold with the written authorization of the Business Administrator.

Utah State Purchasing Guidelines

Employees who take any part in the purchasing process are considered to be purchasing agents. It is against state law for an employee to ask for a gratuity, or for a vendor to offer an employee a gratuity. Employees should report to their supervisor any vendor who makes any such offer. Previously, Utah State law had a provision that employees were not allowed to receive gifts greater than \$50. However, with new legislation, the Utah State Attorney General's Office has taken a position that any gift, no matter how insignificant, from a vendor would be considered a criminal offense. Utah Code 4-34-14 states the following:

"Any person who gives, pays, or offers, directly or indirectly, any money or other thing of value, to any officer or employee of this state who is authorized to perform any duties under this chapter, with the intent to influence the officer or employee in the discharge of his duty, is guilty of a felony of the third degree, and upon conviction, shall be punished by a fine of not more than \$5,000 or imprisonment of not more than five years, or both."

From a practical standpoint, the Utah Attorney General's Office has not prosecuted state employees for gifts of nominal items such as pens, pencils and lunch.

State law prohibits the practice of certain vendors, who in the course of their dealings with the District, to offer any type of gratuities. For example, sporting goods stores, and class ring companies may not offer free personal merchandise or offer services, such as free golfing fees, to administration in the hope of securing an opportunity to sell products to the student body.

It is unlawful for an employee to solicit or knowingly receive a personal discount because of their position in their employment.

It is common for a vendor to offer an education discount to all District employees. If a vendor offers an education discount to **all** employees, the purchase must **not** be in the name of Wasatch County School District. Invoices must be in the name of the individual, utilizing their home address. The employee must use a personal check or credit card in purchasing said item.

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If an outside entity reimburses employee expenses such as meals, travel or accommodations, those expenses should not also be submitted to the District for reimbursement. For example, a teacher who receives mileage reimbursement from a BYU partnership for instructional training should not also submit the mileage for District reimbursement.

Any District related compensation from an outside source must be approved in advance and paid through District payroll. For example, it is acceptable for those who rent District facilities to pay for custodial time through District payroll. A custodian may not receive a personal cash payment for opening the building, and bypass District building rental policies. Direct payment is against district policy and may be subject to disciplinary action. If funds are received directly by an employee from an outside party, the funds should be submitted to the District Foundation or receipted in District accounts and used for District purposes.

An employee may not be paid by an outside source during a time when they are also being paid by the District. Such payment of funds is considered to be double dipping, personally receiving pay in addition to receiving compensation from the District. Vacation time must be taken for personal employment that conflicts with the workday. Educators are discouraged from taking personal leave to work for any other organization.

1099 Vendors Who is a 1099 vendor?

It is important to distinguish between employees and outside contractors. When workers are employees, the school district is required to withhold and pay Federal income tax, social security and Medicare taxes. The school district is also required to withhold and pay Utah State income and unemployment taxes. For outside contractors, the school district is not required to withhold and pay federal taxes or Utah State income and employment taxes. This is the responsibility of the outside contractor.

Outside contractors are considered 1099 vendors. The District is required to report 1099 information for all outside contractors who receive payments of \$600 or more. Outside contractors may be individuals, partnerships, estates, trusts, legal and medical service providers. They are not corporations. If the school district has "the right to control both the means and the results of the work," the paid worker is considered an employee for Federal Tax purposes and not an outside contractor. Dance bands, sports officials, assembly presenters are examples of outside contractors or 1099 vendors. All disbursements to individuals and others for services rendered must be reviewed for 1099 information. If the vendor's status is in doubt, the school should contact the vendor and/or the district Accounting Department.

What is a 1099 payment?

All payments for any services rendered are considered 1099 payments. 1099 payments do not include payments for products or physical items but only for actual services rendered. Schools should obtain the 1099 vendor's name, address, and Federal tax identification number before payments are made. Failure to do so may subject the District to backup withholding requirements, which could require the District to withhold 30 percent from future payments.

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What are the Reporting requirements?

Payments to all outside contractors from all schools within the District must be combined to determine if the limit has been met. In order for the system to work, all 1099 vendor payments must be identified separately. A unique vendor number must be assigned to each vendor who has received a 1099 payment. Each vendor should be identified by name, address and Federal tax identification number. All 1099 payments must be flagged even if the vendor's Federal tax identification number is unknown. Every effort should be made to obtain this information. Legally we cannot require the Federal Identification Number unless total payments to a 1099 vendor is at least \$600.

At the end of each year, the District will require each school to forward 1099 vendor payments to the District so they can be combined with 1099 payments processed through the District's accounts payable system. The District will monitor all 1099 payment activity to help ensure that payments of at least \$600 have been properly identified and the necessary information is available. The Federal Tax Identification Number will be used to combine payments received from each school. The District will issue one 1099Misc. Statement to each 1099 vendor by the Federal deadline of January 31 following the year of payment.