How the Pieces Fit

★ Why do the details matter?

★ How accounting practices performed today affect end of year reporting.

★ This includes your annual audit, grant reporting and year-end closing.

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Introductions

Tera Wagner: Speaker
- Director of Finance, Consolidated High School District 230

Cynthia Hooten: Speaker
 - *Payroll Specialist, Franklin Park School District 84*

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Outline

- ISBE
  - Illinois State Board of Education – State & Federal Grant Administration Policy
  - Illinois School Code - 23 Illinois Administrative Code Part 100
- Accounts Payable Cycle
- Purchase Order Cycle
- Coding Expenditures
- Vendor Maintenance
- Common Mistakes
- Reimbursements
- Bidding
- Internal Controls
- Considerations
- Resources

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ISBE - 23 Admin Code 100

Illinois
State Board of
Education

- The Illinois School Code provides the basis and legal framework of school district accounting,

- **"the primary consideration to any public agency is demonstration of prudent stewardship of funds."**

- Further considerations and discretion should be maintained at all times when spending District funds.

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Overview of Accounts Payable

☐ In accounting, **"Accounts Payable"** are obligations resulting from purchasing resources or receiving services on credit or on an open account. You have accounts payable when you have not yet paid for the resources or services you have received.

☐ For the purpose of this presentation, Accounts Payable will refer to the best practices for the **documentation, maintaining receipts** and **procedures** of issuing payments for merchandise, services, reimbursements, etc.

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Overview of Accounts Payable
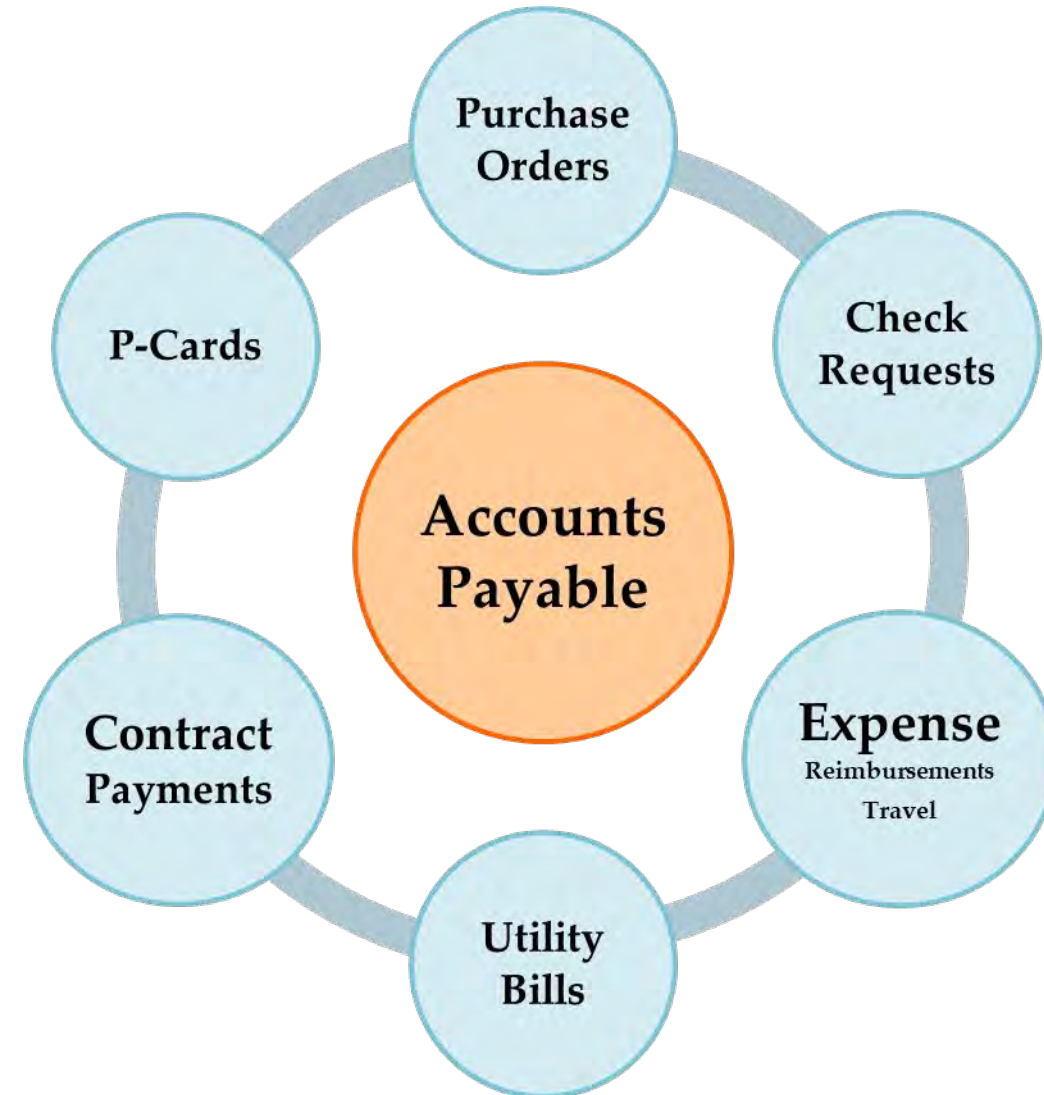
Overview of Accounts Payable

- Payments processed through Accounts Payable
  - Purchase Orders
  - E-Commerce
  - Utility Bills
  - Contractual Agreements
  - P-Cards
  - Check Requests/Travel
  - Expense Reimbursement
  - Petty Cash

- Additional Accounts Payable Tasks
  - Vendor Files / Stale Dated Checks
  - W-9's and 1099's
  - Record Retention
  - Bid Process
  - Internal Controls
  - Audit considerations

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❑ Purchase orders create the encumbrance to obligate funds for a purchase

❑ Provides necessary approvals as required at the Federal, State & Local levels regardless of revenue source

❑ Procedures require advance approval of purchases
  ◦ SHIP TO: Central receiving (if applicable)
  ◦ BILL TO: Accounts payable
  ◦ Backdating of PO is not permitted.

❑ Authorization to sign contract/enter into agreements

❑ ? Who has authority based on Board policy?

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Purchase Order Payment Cycle

Invoices

Best Practice: **valid invoice** (not a quote)

- All invoices go directly to Accounts Payable
- Purchase orders should specify remit address
- Statements go directly to Accounts Payable to verify no outstanding invoices

Duplicate Invoice Checking

- Establish procedures for recording invoice numbers
  - No invoice number? Establish standardized procedures
  - Identify a method that allows AP system to capture duplicate payments

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How Expenditures Are Coded

- 23 IL Administrative Code (IAC) for Local Education Agencies (LEAs)
  - Part 100 is Requirement for Accounting, Budgeting, Financial Reporting and Auditing
  - Replaces Part 110 Program Accounting Manual (IPAM)
  - Replaces Part 125 Student Activity Funds and Convenience Accounts

  ➢ www.isbe.net/23IAC Part 100

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How Expenditures Are Coded

Expenditures coded on ISBE AFR & budget by:

- Fund
- Function
- Object

■ Your acct. structure may also include location, program, source of funds

Example: 10E000 4814 0000 00 901000

Fund T Loc   Func   Obj   Source

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Where the data goes!

Description (Enter Whole Dollars)	Acct #	(10) Educational	(20) Operations & Maintenance	(30) Debt Services	(40) Transportation	(50) Municipal Retirement/ Social Security	(60) Capital Projects	(70) Working Cash	(80) Tort	(90) Fire Prevention & Safety
RECEIPTS/REVENUES										
LOCAL SOURCES	1000	0	0	0	0	0	0	0	0	0
FLOW-THROUGH RECEIPTS/REVENUES FROM ONE DISTRICT TO ANOTHER DISTRICT	2000	0	0			0	0			
STATE SOURCES	3000	0	0	0	0	0	0	0	0	0
FEDERAL SOURCES	4000	0	0	0	0	0	0	0	0	0
Total Direct Receipts/Revenues		0	0	0	0	0	0	0	0	0
Receipts/Revenues for "On Behalf" Payments [2]	3998									
Total Receipts/Revenues		0	0	0	0	0	0	0	0	0
DISBURSEMENTS/EXPENDITURES										
Instruction	1000	0					0		0	
Support Services	2000	0	0		0	0	0		0	0
Community Services	3000	0	0		0	0			0	
Payments to Other Districts & Governmental Units	4000	0	0	0	0	0	0		0	0
Debt Service	5000	0	0	0	0	0			0	0
Total Direct Disbursements/Expenditures		0	0	0	0	0	0		0	0
Disbursements/Expenditures for "On Behalf" Payments [2]	4180	0	0	0	0	0	0		0	0
Total Disbursements/Expenditures		0	0	0	0	0	0		0	0
Excess of Direct Receipts/Revenues Over (Under) Direct Disbursements/Expenditures [3]		0	0	0	0	0	0	0	0	0

WHY CODING IS SO IMPORTANT

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Purchase Orders & Accounts Payable

- Match Invoices to Packing Slip and Purchase Order
  - Date/Time Stamp Invoice Upon Receipt
  - Identify discrepancies and resolve
  - Mark Purchase Order as Partially or Fully Received
  - Do NOT pay without packing slip or confirmation items received
- Process Payments in Financial Database
  - Run Check Register and other reports
  - Post to General Ledger
- Receive Payment Approval and Release Payment
  - Vouchers
  - Check Summary Review and Approval
  - Print Checks and mail checks or EFT Payments

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Other Considerations

- Local Government Prompt Payment Act
  - 50 ILCS 505/1-9
  - Approved bills shall be paid within 30 days from approval; not 10 as some vendors require
- See if your financial system can lock out certain object codes from certain Business Office functions
  - Allows Payroll to input only salary codes
  - Allows Purchasing to input only non-salary codes
- Reviewing/changing account codes takes time due to the large volume of accounts utilized by districts

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Ready for Some More?

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Vendor Management

o Establish a procedure for adding and verifying new vendors (do they accept purchase orders?)

o Identify if remittance address is different than the order from address

o Do they need to complete a W-9?

o ACH Form - Getting the Bank Information from the Vendor

o Identify Sales contact, A/R contact, etc.

o Identify and record special payment terms and/or ordering instructions

o Work with Vendors to bill according to BOE approved check processing dates

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W-9's

Who Completes a W-9?

- Independent Service Contractors
- Non-employees
- Attorneys
- Medical & Health Care Professionals

- Individual = Social Security Number
- Business = FEIN Number

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1099's

Who Receives 1099-NEC?

- Independent <u>Service</u> Contractors
- Only those who received
  <u>**> $600.00**</u> in service
  payments during <u>TAX</u> year
- Expense reimbursements should **NOT** be included on the 1099

Who Receives 1099-MISC?

- Attorneys
- Medical & Health Care Professionals
- Only those who received
  <u>**> $600.00**</u> in service
  payments during <u>TAX</u> year
- Expense reimbursements should **NOT** be included on the 1099

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Record Retention

❖ **All must follow application for disposal process:**

➤ <u>Agreements, Contracts, and Leases</u> – 10 years after termination or completion of the terms of the agreement, contract, or lease

➤ <u>Bids</u> – 10 years after acceptance or *rejection*

➤ <u>Purchase Orders</u> – 2 years

➤ <u>Accounts Payable Invoices and Paid Bill Records</u> – 7 years

➤ <u>Accounts Payable Invoice Listings</u> – 2 years

➤ <u>Accounts Payable Check Registers</u> – 7 years

➤ <u>Accounts Payable Check Summaries</u> – 2 years

➤ <u>1099's</u> – 7 years

➤ <u>https://www.ilsos.gov/departments/archives/records_management/home.html</u>

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Bidding Process

Requirements

- Publish bid notice 10 days before opening
- Notify 3 days before opening
- Opening must be public
- Bids must be sealed
- Opened by BOE member or employee
- Contents announced

Parameters

- Formal Limit $35,000 - effective 1/1/24
- **check BOE policy - Do you need to update policy before January 1?**
- Applies to
  - Equipment
  - Supplies & Materials
  - Some Services
  - Contracts
  - Repairs
- Exceptions
  - Skilled Professional Services (RFP)
  - Duplicating Machines
  - Data Processing Equipment, Software or Services

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Internal Controls

o Adopted BOE Policies
  o How often A/P can be processed
  o Who has authority to process checks outside of BOE approved dates and for what purposes
o Written Business Office Procedures
  o Checks and balances - verification processes
  o Expense reimbursements (per diem vs. actual expenses)
  o Acceptable P-Card purchases, authorized purchase limit
  o Pay invoices <u>NOT</u> statements
o Distinct Lines of Authority (Approval Process)
  o Budget vs. Purchase order vs. Check Requests
  o One approver, two approvers, exceptions
o Segregation of Duties
  o Separate purchasing and receiving responsibilities
  o Separate invoice entry and posting to GL responsibilities
  o Separate check processing and check mailing responsibilities

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Other Resources

o http://www.iasbo.org

o http://www.isbe.net

o http://www.gfoa.org (Government Finance Officers Assoc.)

o http://www.gasb.org (Governmental Accounting Standards Board)

o IASBO, IASB, IASA publications

o Legislative updates

o Contact your colleagues!

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Questions and Answers

We thank you for your time!

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