

How the Pieces Fit

What you do today affects tomorrow



IASBO SupportCon 12/06/2024

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Outline



- ISBE – Administrative Code (formerly IPAM) Framework
 - Illinois School Code – Part 100 Requirements for Accounting, Budgeting, Financial Reporting and Auditing
 - Illinois State Board of Education – State & Federal Grant Administration Policy
- Accounts Payable Cycle
- Purchase Order Cycle
- Coding Expenditures
- Vendor Maintenance
- Common Mistakes
- Reimbursements
- Bidding
- Internal Controls
- Considerations
- Resources



ISBE – Administrative Code (formerly IPAM) Framework



Illinois State Board of Education

Gery J. Chico, Chairman

Dr. Christopher Koch, State Superintendent

- 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.

The Educational Purpose must be clearly
Identified on all purchases

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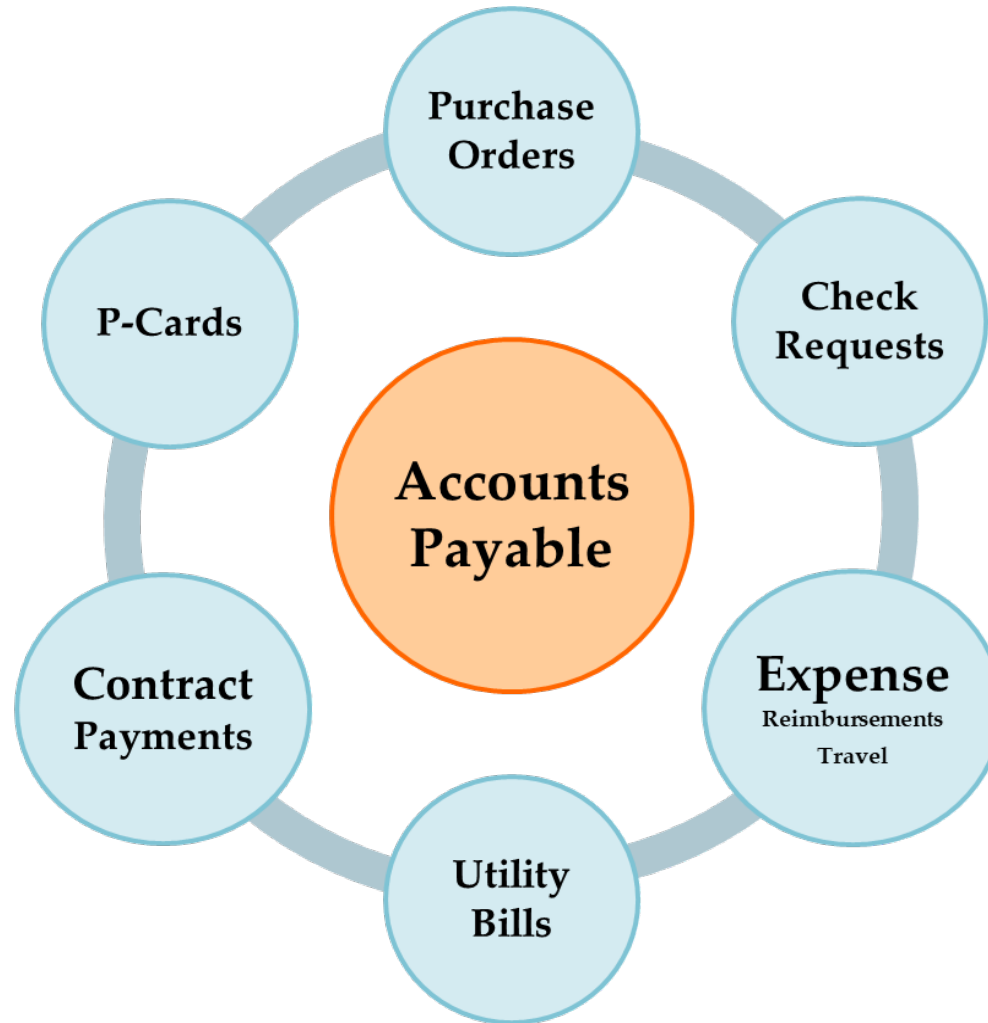
Overview of Accounts Payable



- 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.



Overview of Accounts Payable



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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
 - W-9's and 1099's
 - Record Retention
 - Bid Process
 - Internal Controls
 - Audit considerations



Purchase Orders



- 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
 - Back dating of PO is not permitted.
 - Authorization to sign contract/enter into agreements
 - Who has authority based on Board policy?



Purchase Order Payment Cycle



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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
 - Travel



How Expenditures Are Coded

- [Part 100 Requirements for Accounting, Budgeting, Financial Reporting and Auditing](#)
- Exp. coded on ISBE AFR & budget by:
 - Fund
 - Function
 - Object
- Your acct. structure may also include location, program, source of funds



Purchase Orders & Accounts Payable



Match Invoice
to Packing Slip
and Purchase
Order

- Date/Time Stamp Invoice when received
- Any discrepancies should be identified and justified
- Mark Purchase Order as partially or fully received

Process
Payment in
Financial
Database

- Run Check Register and other reports
- Post to General Ledger

Receive
Payment
Approval

- Vouchers
- Check Summary Review and Approval
- Print Checks

Release
Payment

- File/Distribute reports according to District procedure
- Mail



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Check Requests & Accounts Payable

Verify Invoice
and
Encumbrance

- Date/Time Stamp Check Request when received
- Verify approval(s)
- Any discrepancies should be identified and justified
- Validate items or service purchased and Vendor

Process
Payment in
Financial
Database

- Run Check Register and other reports
- Post to General Ledger

Receive
Payment
Approval

- Vouchers
- Check Summary Review and Approval
- Print Checks

Release
Payment

- File/Distribute reports according to District procedure
- Mail



Reimbursements & Accounts Payable



Verify Proof of
Payment and
Encumbrance

- Date/Time Stamp Request when received
- Verify **ITEMIZED** receipt – **NO TAX!**
- Verify approval(s)
- Validate items or service purchased

Process
Payment in
Financial
Database

- Run Check Register and other reports
- Post to General Ledger

Receive
Payment
Approval

- Vouchers
- Check Summary Review and Approval
- Print Checks

Release
Payment

- File/Distribute reports according to District procedure
- Mail



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Contracts & Accounts Payable



Identify
Payment
Terms

- Identify method of payment and due dates

Create Open
PO & Pmt
Reminder

- Not to exceed...
- Create post-dated A/P invoices to coincide with due dates

Encumber

- Encumber Bill ***Labels***

Process
Payment in
Financial
Database

- Run Check Register and other reports
- Post to General Ledger

Receive
Payment
Approval

- Vouchers
- Check Summary Review and Approval
- Print Checks

Release
Payment

- File/Distribute reports according to District procedure
- Mail



P-Cards & Accounts Payable



Verify
Receipts,
Statements, and
Encumbrance

- Date/Time Stamp Statement when received
- Verify **ITEMIZED** receipt – **NO TAX!**
- Validate items or service purchased
- Verify encumbrances

Process
Payment in
Financial
Database

- Run Check Register and other reports.
- Post to General Ledger
- If payment is made via ACH – process Journal Entry

Receive
Payment
Approval

- Vouchers
- Check Summary Review and Approval
- Print Checks

Release
Payment

- File/Distribute reports according to District procedure
- Mail



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Ready for Some More?



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Vendor Management



- Establish a procedure for adding and verifying new vendors (do they accept purchase orders?)
- Identify if remittance address is different than the order from address
- Do they need to complete a W-9?
- Identify Sales contact, A/R contact, etc.
- Identify and record special payment terms and/or ordering instructions
- Work with Vendors to bill according to BOE approved check processing dates
- Maintain a library of current catalogs



W-9's & 1099's



Who Completes a W-9?

- Independent Service Contractors
- Non-employees
- Attorneys
- Medical & Health Care Professionals
- Individual = Social Security Number
- Business = FEIN Number

Who Receives a 1099?

- Independent Service Contractors
- Attorneys
- Medical & Health Care Professionals
- Only those who received \geq **\$600** in service payments during TAX year
- Expense reimbursements should **NOT** be included on the 1099



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Common Mistakes: Part 1

- Charging an employee's pay to purchased service instead of salary
 - Total salary exp. won't agree with 941s & W-2s
- Coding capital outlay as supplies
 - The operating exp. per pupil will be overstated as capital is backed out of this calculation. This calculation appears in the AFR & school report card.



Common Mistakes (Part 2)

- Departments use account codes where they have money not where the item should be charged per ISBE
- Instructional & support service expenditures being misstated in financial system
- Carries errors forward to the annual financial report (AFR) & ISBE school report card



Record Retention



All must follow application for disposal process:

- Agreements, Contracts, and Leases – 10 years after termination or completion of the terms of the agreement, contract, or lease
- Bids – 10 years after acceptance or **rejection**
- Purchase Orders – 2 years
- Accounts Payable Invoices and Paid Bill Records – 7 years
- Accounts Payable Invoice Listings – 2 years
- Accounts Payable Check Registers – 7 years
- Accounts Payable Check Summaries – 2 years
- 1099's – 7 years



Bidding Process

Parameters

- Formal Limit \$35,000
 - **check BOE policy**
- Applies to
 - Equipment
 - Supplies & Materials
 - Some Services
 - Contracts
 - Repairs
- Exceptions
 - Skilled Professional Services (RFP)
 - Duplicating Machines
 - Data Processing Equipment, Software or Services

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



Internal Controls



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



Other Considerations



- House Cleaning
 - Invoice and Purchase Order tracking
 - Unpaid invoices
 - Outstanding checks
 - Outstanding Credit Memos
 - Open Purchase orders
 - Clear out encumbrance accounts
- Imprest Fund
 - School code requires BOE resolution
 - BOE established purposes and appropriate expenditures
 - Various uses
 - Meeting payment deadlines outside of BOE approved A/P dates
 - Last minute “emergency” requests
 - Parent Refunds
 - Employee reimbursements
 - Administration’s discretion



Other Comments

- Local Government Prompt Payment Act
 - 50 ILCS 505/1-9
 - Approved bills shall be paid within 30 days, 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



Other Resources

- <http://www.iasbo.org>
- <http://www.isbe.net>
- <http://www.gfoa.org> (Government Finance Officers Assoc.)
- <http://www.gasb.org> (Governmental Accounting Standards Board)
- IASBO, IASB, IASA publications
- Legislative updates
- Contact your colleagues!



Questions?



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