

EXPENDITURES

406.00. INTRODUCTION : EXPENDITURES

Obligations include all expenditures and all charges incurred, whether paid or unpaid. No obligation may be made which commits funds beyond the fiscal year or beyond available resources. This chapter focuses on accounts payable, separation of functions, fund separation and payment of invoices.

406.01. GENERAL GUIDELINES

It is the responsibility of those charged with the task of expending public funds to follow sound accounting procedures. Payment should be made to vendors promptly upon receipt of a legitimate invoice. The following practices are necessary for sound fiscal responsibility:

- Purchases can only be made that do not obligate funds for a subsequent school year.
- Purchases can only be made that are within funds available for a particular line item.
- Purchase orders should be issued only after the availability of funds is determined by an authorized person.
- Payment of invoices must be supported by proper documentation: (1) an authorized purchase order, (2) a report indicating goods are received and in good condition, (3) the invoice has been audited, (4) prices on purchase order agree with the price on invoice or exception notice is attached or exception is accepted by notation on purchase order by authorized employee and (5) any proper discount is taken.

A checklist of required forms, reports and payments should be reviewed periodically.

406.02. FUND ACCOUNTING

The following are the authorized funds that may be used by a county board of education: general current expense fund, permanent improvement fund, bond construction fund and debt service fund.

For additional information, refer to section B-70 of the treasurer's handbook.

406.03. SEPARATION OF FUNCTIONS

A system of internal control consists of a division and integration of procedures to such an extent that the activities of various members of the staff are so interrelated that accounting errors and omissions will be detected automatically and fraud will be deterred.

Refer to the treasurer's handbook, section E-10, for additional information.

406.04. PERSONNEL ACTIONS AND PAYROLL

A personnel action includes the initial hiring of an employee and any changes in employment status such as a promotion, medical leave of absence or resignation. The personnel action form should include the following information: name, address, social security number, birthdate, information needed for equal employment opportunity reports, account number, position number, effective date, term of employment, employment status, classification, rate of pay, certification, years of experience and work assignment. The form should have a space for an authorizing signature and date.

In addition to the personnel action form, which is an internal communication device, each professional and service employee should receive and sign a written contract in accordance with Code §§18A-2-2, 5 and 6, and §18A-4-15.

Personnel action information should be checked to ensure that professional and service personnel receive at least the state minimum salary and any county supplement for which they are eligible. Incremental salary steps should be based on verified years of service and education.

County boards of education may offer employees the option of receiving salary in ten or twelve monthly pays. The number of payments to all employees shall be determined by the county board of education but may not exceed the equivalent of an annual salary based upon twelve calendar months. This is accomplished by deferring a portion of the earned pay until July or August of the following fiscal year.

406.05. Benefits and withholdings

Payroll deductions are made only after employees sign appropriate forms to authorize the deductions. Signatures must be obtained in the following areas:

a. Income tax

Federal and state forms authorizing income tax withholdings must be filled out when the employment begins and upon any change in deductions. Nonresident employees who do not want West Virginia income taxes withheld from their wages must fill out the appropriate state form.

b. Retirement

New employees must complete the membership enrollment form (Form DA-Part I). The teachers retirement board must be notified if any of the following occurs: change of name, transfer from one employer to another, change of permanent address, termination of service, death of beneficiary, change of beneficiary, reemployment after withdrawal of contributions or return to active service after an absence.

c. Medical and life insurance

Permanent employees who work an average of twenty hours per week (1,040 hours per year) are eligible to participate in the state group medical insurance plan which includes a life insurance policy. Personnel with regular full-time employee status as defined by Code §18-1-1 also are covered. Additional optional group life insurance also is available.

d. Social security

Social security (Federal Insurance Contributions Act) is deducted from all paychecks and matched by the county board.

In addition to the above deductions, county boards may make proper periodical premium deductions from the regular salary of any employee for group insurance whenever a majority of employees indicate in writing that they have subscribed to such insurance. County boards may reduce the cash salary payable to employees for the purpose of purchasing a tax sheltered annuity, according to Code §§18-25-1 and 18A-4-12.

406.06. Processing the payroll

Payroll schedules and checks should be based upon approved time sheets or time cards. Each school or work area should maintain time sheets showing days or hours per day worked by each employee. Authorized paid days include legal school holidays, election days, any day specifically determined by the president or governor, jury service, national guard or military reserve unit service, approved attendance at educational or service meetings and personal leave days. The time sheet should be signed by the employee and approved by the principal or supervisor.

Each payroll check should include a detachable or separate earnings statement with detailed information as to amounts deducted or withheld, with appropriate calendar or fiscal year-to-date totals.

406.07. Deductions and withholdings

Payments for deductions and submission of reports must be made for the following:

a. Retirement

Six percent is deducted from the salary of each employee who is a member of the state teachers retirement system. Contributions are remitted at the end of each month.

b. Federal income tax

Federal income tax withholdings are made according to a schedule provided by the internal revenue service. At the end of each month, or more frequently as may be required, withheld federal income tax must be remitted to an authorized local bank depository. A quarterly report must be filed with the internal revenue service accompanied by payment or depository receipts.

c. Social security

Social security deductions are made according to a schedule provided by the social security administration. Monthly payments for employees' deductions and the employer's share are made to the state auditor by the tenth working day of the following month. An annual report is required by January 15.

d. State personal income tax

State income tax withholdings are made according to a schedule provided by the state tax commissioner. Withholdings are paid to that office.

e. Health insurance and life insurance

Monthly reports are submitted to the public employees

insurance board.

- f. Other deductions may be made by proper authorization.

406.08. Payroll contributions

- a. Workmen's compensation fund

County boards of education are required to subscribe to and pay premiums into the workmen's compensation fund. Quarterly reports and premiums must be submitted to the workmen's compensation commission.

- b. Unemployment compensation

County boards of education must make payments to the unemployment compensation fund by either of two methods. Contributions may be made for each covered employee according to the schedule provided by the department of employment security or benefits may be paid by the reimbursement financing method. County boards using the reimbursement financing method should make reasonable, consistent and proportionate charges to non-specifically funded projects in accordance with state board policy §8354.

406.09. Check preparation

Payroll checks and check registers should be based upon signed time sheets. The board president and secretary are responsible for review of the check register and the application of manual or facsimile signatures to the checks. Checks and check registers are received by the treasurer who accounts for the complete numerical sequence of the checks. The treasurer then compares the checks to the check register and manually signs or affixes a properly authorized stamp on the checks. Checks are distributed to employees on the designated payday.

406.10. Payroll records

There should be a record of earnings for each employee which will serve as the source document for most employee reports. At the end of each fiscal year the records are used as a source document to open records for the new year. The old records are held until they have been audited. After audit the earning records are filed in the permanent employee file. For information on disposition of checks and registers, see the treasurer's handbook, section 21-2.

406.11. REQUISITIONS AND PURCHASE ORDERS

Purchases should be planned to insure on-time delivery. County boards should have a purchase requisition system whereby the person requesting goods or services submits a written purchase requisition to the individual responsible for the chargeable budget accounts. Approved requisitions are forwarded to purchasing to continue the purchasing process. All purchases should be made pursuant to a numbered purchase order, issued prior to the purchase and signed by the purchasing agent or his delegate. The purchase order should contain statements as to the quantity, description and price of the goods or services ordered, as well as payment terms, discount, date of performance, mode of transportation and any other agreements pertinent to the purchase and its execution by the vendor.

Refer to the purchasing manual for West Virginia county school systems for more detailed requisition and purchasing procedures.

406.12. RECEIVING

Materials or services ordered or contracted for by a county school system must be received to complete the purchasing and invoice payment process. The person responsible for the receiving function must certify by a written receiving report that the purchased goods or services were received. The receiving report may be a copy of the purchase order.

The receiving function should include procedures whereby determinations are made as follows:

- a. A purchase order or contract has been issued for the goods or services being received.
- b. If freight charges are collect, they should be authorized. If not, goods should not be accepted until the shipper has agreed to prepay.
- c. Evidence of damage should be indicated on the freight bill prior to acceptance of the goods.
- d. The material should be inspected and checked against the receiving report as soon as possible. Concealed damage or shortages and any exceptions between the ordered material and that actually received should be noted.
- e. The quantities and the date received should be clearly indicated on the receiving report.
- f. Purchasing and accounts payable offices should be notified immediately after goods or services are received.
- g. Freight bills, packing lists, copies of exception notices and other related documents should be filed with the receiving report.
- h. The purchase order number and date received should be marked on all outside containers as soon after receipt as possible.
- i. All overages, damages and incorrect materials should be identified and held in a specified area while awaiting proper disposition.
- j. A specified space as a staging area for receipted materials should be designated. Materials in this area should be handled on a "first in, first out" basis.
- k. Outdated or canceled purchase orders should be purged from the receiving file.

406.13. CHECKS

a. Control of checks

Checks must be serially prenumbered and voided checks should be maintained and filed. Checks should be kept in a safe place to prevent access from unauthorized persons. Checks should be kept separate from facsimile signature plates and check signing equipment. All paid checks are to be retained by the board as a permanent record along with bank statements.

For additional information refer to the treasurer's handbook, sections E-20, E-30 and E-40.

b. Signature plates

The security of facsimile signature plates must be considered as one of the most important controls for protection against illegal or unauthorized disbursements of funds. A procedure that requires two different authorized employees to affix signatures on checks is required. Facsimile signature plates are not to be left in check signing equipment unless the equipment has other security features. Control and custody of the facsimile signature plates of the president and the secretary of the board of education should be maintained by the secretary of the board or another designated and approved board employee. Control and custody of the facsimile signature plate of the treasurer of the board of education should be maintained by the treasurer or another designated and authorized board employee.

c. Signatories

All orders drawn on accounts of the county board of education shall be signed by the president, countersigned by the secretary and by the treasurer of the county board. Such signatures may be made by hand or by means of such mechanical or electrical device as the county board may select.

406.14.ACCOUNTS PAYABLE

The procedure for expending and maintaining board funds should provide an accurate record of the significant details of the transaction. The action steps for accounts payable are:

- a. Check for authorized purchase order;
- b. Check receiving notice;
- c. Check price and verify mathematically - compare to purchase order;
- d. Check for discounts, if applicable;
- e. Check to see if payment already has been made;
- f. Be sure invoice is properly coded;
- g. Prepare and distribute check; and
- h. File transaction information.

The principal shall be directly responsible for financial management of his school and shall sign all checks issued for the school's financial program. The principal must designate a professional member of his staff to co-sign checks.

Food Service Accounts shall be maintained as provided by the county's agreement establishing such program, and as provided by Board Policy 530.00.

The accounting system established herein is a single entry system with simplified nomenclature. It represents the minimum requirements and does not preclude the installation of a double-entry system approved by the county board and the State Board of Education. The accrual requirement shall be met with monthly accruals of payables and annual accruals of receivables.

The basic forms and books required for the minimum system are:

- a. To be purchased in standard forms
 1. Receipts Books
 2. Journals: Joint Control (Receipts and Expenditures)
 3. Ledgers
 4. Pre-numbered individual school requisition/purchase orders
- b. Secured from bank in which account is kept
 1. Checkbook - preferably with school name imprinted
 2. Bank Book
 3. Deposit Slips
- c. Provided by State Board of Education
 1. Annual County Summary Financial Statement Form SBE 10.13
 2. School Financial Report - Form SBE 10.14

No school personnel shall be officially responsible for nor shall any school accounting system include any money not turned over directly to the school - as P.T.A. or Band Booster monies. The school accounting system shall cover all monies for which the school has responsibility and control.

The principal shall be responsible for the performance of the school treasurer functions. A member of the school staff responsible to the principal may be assigned these duties.

There should be established fixed times when monies are to be received, records maintained, expenditures made, and reports processed.

All records shall be available for audit at all times.

406.16. Receipt Books:

A duplicate receipt book shall be provided; the original receipts shall be issued to the teachers or other persons transmitting money and the duplicate shall remain in the receipt book as part of the school record. Receipts shall be numbered serially and shall show the amounts and the funds and/or accounts to which the money is allocated. The total of these receipts shall equal the total of the monies received and also the total deposited in the school bank account(s).

406.17. Journals:

The requirement for a separate Fund for the Lunch Program has been stated previously. A fund is here defined as grouping of receipts and expenditures to be accounted for as a unit. However, a Fund may have several Accounts maintained independently with it. e.g. A General Fund may be subdivided into a general account, a band account and a library account, etc. However, each of these accounts may be established absolutely separately as Funds. We shall distinguish a Fund as a separate grouping of receipts and expenditures for specific activities, separately accounted for and with a separate bank account. Where separateness and distinctness are necessary a Fund should be established; otherwise the necessary control can more easily be maintained by making the activity an account in the General Fund and this should be the general procedure.

A General Fund not sub-divided into accounts (activities) is acceptable only in the smallest schools or in one which has a minimum of financial operations.

Several journal and ledger arrangements are possible. In any arrangement (1) the date, (2) the person, item or explanation involved, (3) the receipt or check number, (4) the individual accounts, and (5) a control total shall be provided.

406.18. Checkbooks:

All monies shall be disbursed by check and no check shall be issued without supporting papers (Purchase orders, invoices, etc.)

All checks shall be signed or countersigned by the principal.

Preferably checks should be imprinted with the school name, fund name and pre-numbered.

Check stubs shall be completed in full including deposits as well as expenditures and the balance. The advantages of a duplicate type checkbook should be investigated.

No check shall be destroyed. Cancelled or voided checks shall be clearly marked such on their face, shall be arranged in the proper sequence with other checks and shall be entered as a disbursement with the amount listed as void.

406.19. Bankbook and Deposit Slips:

All income and monies shall be deposited in a commercial bank. Deposits shall be made as frequently as possible, preferably daily and not less often than once a week. Both a bank book and a deposit slip shall be secured and maintained with the bank book as part of the records.

Each duplicate deposit slip shall be marked to show the receipt numbers covered by the deposit.

406.20. Bank Reconciliation:

A monthly bank statement shall be secured and shall be reconciled.

- a. Arrange checks in numerical order.
- b. Check off each number in the journal and checkbook for which there is a cancelled check; also
- c. Verify the accuracy of the amount of the check in the statement and journal and checkbook.
- d. Prove the accuracy of the "deposits" in the bank statement comparison with the deposit slips and receipts shown in the journals.
- e. Fill in the Bank Reconciliation Form in full.

Outstanding checks must be listed by number and amount to bring bank statement into balance with journals and checkbook.

Checks not cleared in the current year shall be presented for audit in the following year.

406.21. Financial Report:

a. Monthly Financial Report

A monthly financial report for each fund covering the calendar month and a bank reconciliation statement shall be filed with the county superintendent as part of the official school record.

b. Annual Summary Financial Report

By no later than June 30 of each year the county superintendent shall, have from each school a financial statement for the entire school year.

- c. The accrual requirements shall be met by accruing payables monthly and receivables annually.

406.22. Purchases:

Purchases of goods and services shall be made on the basis of a duly executed individual schools requisition/purchase order.

No purchase may be made which obligates the monies of a subsequent school year, nor may any purchase be made which will encumber a fund or account beyond the available resources of that fund or account.

Requisition/purchase orders shall be issued and signed by the principal. Vendors should be notified that payment will not be made for invoices not supported by such requisition/purchase orders presented to the vendor.

Requisition/Purchase Orders should be prepared in quadruplicate and distributed as indicated thereon.

406.23. Auditing:

All school accounts shall be audited at least annually at the direction of the county board of education by persons employed by the board of education for such purposes. The audit may be performed by public accountants certified or licensed by the West Virginia Board of Accountancy, employees of the Chief Inspector and Supervisor of Public Offices, employees of the State Board of Education or county board of education personnel assigned to or employed on the central office staff in the capacity of auditor.

All audit findings resulting from individual school audits shall be reported to the Superintendent and Board of Education and copies forwarded to the responsible principal/supervisor and the Board's Financial Officer.

406.24 Bonding:

All county board of education personnel responsible for monies or property of an individual school or program shall be bonded. The type, coverage and amount of the bond shall be determined by the county board of education.

The cost of this type bonding may be borne by the affected individual schools or persons according to an equitable schedule established by the county board.

406.25. Petty Cash Account:

This account is not desirable. Where one exists it shall not exceed \$25.00 and the check to reimburse petty cash shall be supported by receipts and invoices. No single petty cash payment may exceed \$5.00. The cash and receipts in the petty cash drawer shall always equal the amount set up for petty cash.

406.26. Invoices, Etc.:

All papers supporting payments shall be filed as a requirement record to support the journals and checkbooks. Requisitions, purchase orders, invoices, correspondence, duplicate checks, etc. are examples of such supporting papers.

In no instance shall a payment be made except on an invoice approved by the designated paying personnel after receipt, inspection and acceptance of the items invoiced or completion of the services for which payment is sought.

If only an original invoice is issued by the vendor, it shall be retained as part of the school record. A copy may be made and attached to the payment check and/or the invoice number entered on the check.

Where duplicate checks are not used the date of payment and check number should be shown on the invoice.

Supporting papers should be filed by check number.

406.27. Inventories:

e Principals are responsible for an end of school term inventory of equipment and supplies at each school location as per instructions and forms provided by the Board of Education.

The County Board of Education herein authorizes the Superintendent to withhold the pay of any teacher or employee until he/she has made the reports required by the Mingo County Board of Education or the State Superintendent.