



LOCAL SCHOOL FINANCIAL MANAGEMENT

September 2021



PURCHASES



Requisitions & Purchase Orders

Requisition

- Serves as a written request or order for something
- Includes
 - Vendor Name¹
 - Vendor Address
 - Quantity
 - Item Description²
 - Item Cost/Extended Amount³
 - GL Account Number⁴
 - Individual Requesting Purchase
- Must be signed by the Principal BEFORE a purchase of goods or services is made or a contract is signed⁵

Purchase Order

- Approval of expenditure prior to purchase
 - Verify approved vendor
 - Verify funds available
 - Verify allowable use of funds
 - Compliance with Alabama Bid Law
 - Compliance with Alabama Ethics Law
 - Monitoring tool for where and how funds are being used¹
- Encumbers funds²
- Provides vendor protection for not charging Alabama sales tax³

Purchase Order

- Recurring Payments¹
- Multiple Purchases with Single Vendor²
- Not to Exceed³
- Vendor is PTO Committee Chair⁴
- Vendor is Parent⁵
- Open PO's⁶
- Non-Compliance⁷



Purchase Order

■ Scholarships for Higher Education

- Selection based on criteria set by membership¹
- Check must be made payable to the student's school of choice²

Purchase Order

■ Scholarships for Care and Needs

- Selection based on criteria set by membership¹
- Maintain adequate records to substantiate distribution under an Internal Revenue Service inquiry²
- Recommend check be made payable to creditor³
- Alabama Ethics Law does not allow for the financial support of any public employee (i.e. district-paid employee)



Purchase Order

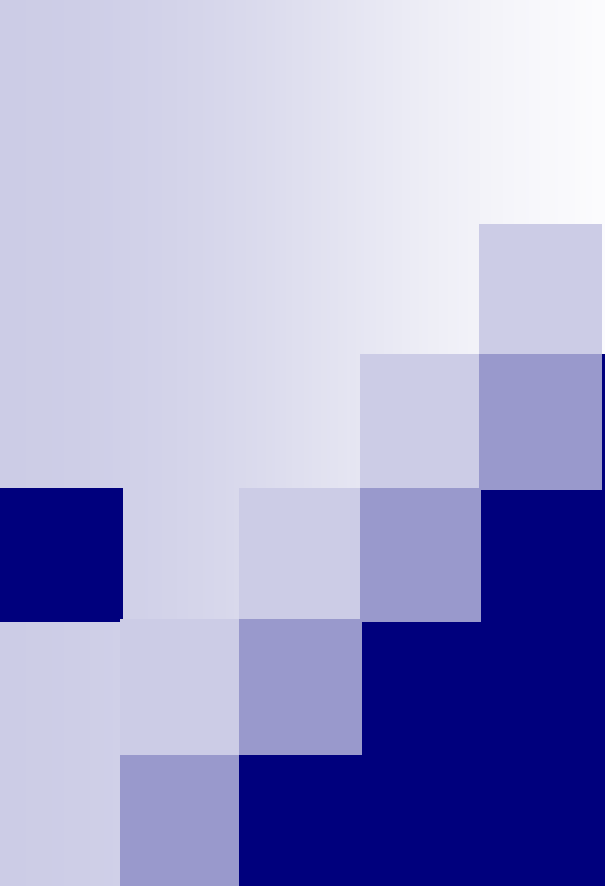
Land Improvements

- Organizations do not have the authority to enter into any type of contract related to use of Board property and/or equipment
- Plans must be submitted to the Superintendent **BEFORE** a purchase of goods or services is made or a contract is signed, regardless of the financing¹

Purchase Order

Contracts

- Contracts, including service contracts for landscaping, maintenance, travel/charter buses, and copier leases must have, in writing, the approval of the Superintendent, or his/her designee, BEFORE services begin



Bid Law



Bid Law

The Alabama Competitive Bid Law requires all contractual services for labor and the purchase or lease of materials, equipment, and supplies \$15,000 or more shall, except as otherwise provided in the law, be subject to free and open competitive bidding, or sealed bids, to the lowest responsible bidder.

Bid Law

- Maximum contract length is five years*
- Like-Items¹ purchased with public funds² in excess of \$15,000 in a fiscal year³ must be bid or purchased from an approved bid list
- BOE authorized to use all State of Alabama contracts when they are advantageous to the Board⁴
- Competitive, sealed bids shall be requested by the Finance/Purchasing Department⁵
- Items less than \$15,000⁶

Bid Law

Exempt from Competitive Bid Law:

- Purchase of classroom materials, supplies and equipment with CIS funds IF the item cost is less than \$7,500¹
- Purchase of Insurance
- Professional Service Contracts (lawyers, CPA's, architects)
- Purchases made with funds other than those raised by taxation or received through local or state government sources²



Bid Law

Exempt from Competitive Bid Law (continued):

- Contractual services or purchased commodities for which there is only one vendor or supplier¹
- Contractual services and purchases related to security



Bid Law

Adherence to the Alabama Bid Law is mandated in the Code of Alabama and failure to comply can result in a negative outcome for the individual, group and/or Board. Violations of this law can be considered a felony offense.



Steps to Compliance

Alabama Competitive Bid Law



Need to Know Before Commit Funds

- Will we spend more than \$15,000?
 - Materials/Equipment (includes like-kind)
 - Labor/Service
- If no, district-wide could we spend more than \$15,000?
- If no, you may proceed with your purchase of goods/services

Need to Know Before Commit Funds

- Will we spend more than \$15,000?
 - Materials/Equipment (includes like-kind)
 - Labor/Service
- If yes, what funds will be used?
 - Discretionary Allocation from Board
 - Taxes (ad valorem and sales)
 - Government Appropriation (state, county or city)
 - Other (rental income, commissions, unrestricted donations, support organization funds)
- If any portion of the discretionary allocation or government appropriations to be used, must comply with Alabama Competitive Bid Law



Exception to the Alabama Competitive Bid Law

Purchases made with monies other than those raised by taxation or received from state or county appropriations

- If 100% of funds to be used include rental income, commissions, unrestricted donations, or support organization funds, you do not have to bid the goods/services



Need to Know Before Commit Funds

- Will we spend more than \$15,000?
 - Materials/Equipment (includes like-kind)
 - Labor/Service
- If no, district-wide could we spend more than \$15,000?
- If yes, must comply with Alabama Competitive Bid Law



Alabama Competitive Bid Law

“labor, services, work, or for the purchase of materials, equipment, supplies, or other personal property involving \$15,000 or more, and the lease of materials, equipment, supplies, or other personal property where the lessee is, or becomes legally and contractually bound under the terms of the lease, to pay a total amount of \$15,000 or more”

Code of Alabama

In Compliance with Bid Law

- Ask vendor, “on list of Active Statewide Contracts?”
 - If yes, ask vendor to provide contract number (begins with a “T”)
 - Must confirm the contract is with the vendor, confirm the materials/labor are included, and dates effective
 - Forward information to CSFO or designee for dual verification
 - If no, ask vendor if “part of a purchasing cooperative?”
 - If yes, must confirm vendor is with the purchasing cooperative, confirm the materials/labor are included, and dates effective
 - Forward information to CSFO or designee for dual verification
 - If no, must bid. Contact CSFO or designee.

Confirm State Bid

- Go to purchasing.alabama.gov
- Select contract number from List of Active Statewide Contracts
 - Verify Begin Date and Expiration Date
 - Review Contract Description
 - Review Commodity/Service Information interested product/service
 - Verify pricing
 - Write down Contract Number and/or print Master Agreement for your documentation
 - Attach to check, PO, PCard receipt

Confirm Purchasing Cooperative

- Go to examiners.alabama.gov
- Hover over Other Services
- Select Purchasing Cooperatives
- Is the purchasing cooperative listed
 - If yes, approved by our State Examiners
 - Click on cooperative
 - Check expiration date for use of cooperative (typically stated in second paragraph)
 - Print letter for your documentation



Confirm Purchasing Cooperative

- Now go to website of approved purchasing cooperative
 - Find Vendor
 - View Contract Information
 - Write down Contract Number and/or print agreement for your documentation
 - Attach to check, PO, Pcard receipt



PAYROLL



Payroll Procedures

Payroll Procedures

- Payroll is processed monthly using an exception-based method¹
- Payroll checks are issued the last working day of the month unless otherwise notified by the Payroll Department²
- Direct Deposit³
- Printed Payroll Checks⁴

Payroll Procedures

- Contact the Payroll Department immediately following the notification that an employee will not be returning¹
- Responsibility of the employee to sign in/out daily*
- An employee must take some form of leave when not performing his/her normal job function²
- Extra Pay³
- Dual Employment⁴



MISCELLANEOUS ITEMS



Field Trips

Field Trips

- Field trip fees are voluntary¹
- Field trips cannot generate a profit²
- Refund policy³
- Overnight field trips⁴
- Other Considerations
 - Chaperones⁵
 - Air Travel
 - Charter Buses⁶
 - Water and Recreational Activities⁷



Academic Incentives

Academic Incentives for Students

- Promote educational excellence¹
- Items may include food², apparel, plaques and trophies, and banquet
- Significant monetary value³
- Student's receipt of incentive⁴



Loans



Loans

- Only the School Board can approve and borrow money for a school¹
- The School Board is not liable for unauthorized loans negotiated by an employee of the district or officers of a school related organization²
- An organization cannot borrow money in the school or Board's name



End of Month Procedures



Month-End Close Documents

- Bank Statement
- Bank Reconciliation Summary
- End of Month Checklist
- Balance Sheet Principal Activity Report
- Receipt Register
- Check Register
- General Journal Register



Disposition of Records



Disposition of Records

- Records destruction and disposition is the process by which public records are retained (stored) and destroyed (various methods)
- Retention periods are based on a record's legal, administrative, fiscal, historical, and aesthetic value

Disposition of Records

- Records should be retained beyond their RDA retention periods if
 - The records are needed for pending audit or litigation purposes,
 - The agency has a continuing administrative need for them, or
 - The records are essential to reestablish agency operations after a disaster.



Disposition of Records

- Retained

- Paper

- Electronic (e-mail, text messaging, voicemail, word processing documents, spreadsheets, web content, databases, scanned images)¹



Disposition of Records

- Destroyed¹
 - Shredding
 - Landfilling²
 - Burning
 - Recycling
 - Deletion of Electronic Records

Disposition of Records

■ Steps

- Consult the Boards of Education retention schedule
 - Go to archives.alabama.gov
 - Select Records Management
 - Select Local Agencies
 - Select Retention Schedules
 - Select Boards of Education
 - Finance begins on page 41



Disposition of Records

- Ascertain whether litigation or other hold prevents the legal destruction of records
- Complete “Local Government Records Destruction Notice”
- Ensure the appropriate supervisor or records liaison signs off on the destruction notice

Disposition of Records

■ Steps continued

- Submit the “Local Government Records Destruction Notice” to ADAH¹
- Receive a “Letter of Eligibility”²
- Securely destroy records through shredding or some other secure means



Disposition of Records

- Records Retention Label
 - RDA Record Number
 - Records Title
 - Date Span
 - Date of Last Audit
 - Contents may be destroyed after...



Fixed Assets

Fixed Assets

■ Ownership

- All property belongs to the State of Alabama and is under the control of the BOE and the Superintendent
- An item purchased with funds raised by school-related organizations becomes the property of the State of Alabama and is under the control of the BOE and the Superintendent (these items shall remain at the school of origin)

Fixed Assets

■ Ownership continued

- An item purchased with funds from the ETF becomes the property of the State of Alabama and is under the control of the BOE and the Superintendent (these items shall remain at the school of origin)
- An item gifted to the school or a member of the faculty becomes the property of the State of Alabama and is under the control of the BOE and the Superintendent (these items shall remain at the school of origin)

Fixed Assets

■ Ownership continued

- An item purchased with funds from donations becomes the property of the State of Alabama and is under the control of the BOE and the Superintendent (these items shall remain at the school of origin)
- An item purchased with funds from a grant becomes the property of the State of Alabama and is under the control of the BOE and the Superintendent (these items shall remain at the school of origin)
- An item purchased with personal funds may follow the teacher in or out of the school district



Fixed Assets

- Capitalized and non-capitalized fixed assets are to be recorded at cost¹
- Donated fixed assets are to be recorded at estimated fair market value

Fixed Assets

- Capitalized Equipment
 - Costs \$5,000 or more per unit,
 - Retains its original shape and appearance with use,
 - Under normal conditions is expected to serve its intended purpose for longer than one year, and;
 - Is non-expendable (more feasible to replace than to repair)

Fixed Assets

- Examples of Capitalized Equipment
 - Buses, Service Vehicles, Drivers Ed Cars
 - Furniture and Fixtures
 - Lab equipment
 - Computer Hardware and Software
 - Athletic Equipment
 - Tractors and Mowers

Fixed Assets

- Real Property

- Land

- Land Improvement

- Exhaustible (deteriorate over time) greater than \$50,000 (excavation, grading, site work)

- Inexhaustible (does not deteriorate with use or passage of time) regardless of price (parking lot, fencing, sidewalk)

- Building greater than \$50,000²

- Building Improvement greater than \$50,000²

Fixed Assets

- Non-Capitalized Equipment
 - Costs less than \$5,000 per unit,
 - Retains its original shape and appearance with use,
 - Under normal conditions is expected to serve its intended purpose for longer than one year, and;
 - Is non-expendable (more feasible to replace than to repair)

Fixed Assets

- Examples of Non-Capitalized Equipment
 - Sewing Machine
 - Office Printer
 - Chromebook
 - Microscope
 - Pitching Machine



Fixed Assets

- Monthly Procedures
 - Identify items to be tagged
 - Tag placement
 - Occasional spot checks
 - Record inter-campus transfers
 - Record additions and disposals
 - Produce reports
 - Reconciliation

Fixed Assets

- Physical Inventory¹
- All acts of vandalism against school property should be reported to the Superintendent, or his/her designee, immediately
- Misuse of school property should be reported to the Superintendent, or his/her designee, immediately²

Fixed Assets

- Third Party Request for Use of Equipment¹
- Theft of school property should be reported to the Superintendent, or his/her designee, immediately²
- Change in Location³



Disposition of Fixed Assets

Disposition of Fixed Assets

■ Obsolete Designation

- The definition of obsolete inventory is an item which is no longer usable in the service for which it was purchased and cannot be utilized safely or economically in any other matter

Disposition of Fixed Assets

■ Surplus Designation

- The definition of surplus inventory is an item in good repair that is no longer needed or used.

Disposition of Fixed Assets

■ Methods of Disposal

- Sealed Bids¹
- Public Auction
- Recycle
- Sale to another local unit of government at fair market value
- Donation to another local unit of government



Investments

Investments

- Support Organizations may not maintain investment accounts separate from the school's funds¹
- Support Organizations are not to accumulate large balances from one fiscal year to another
 - Money is raised by a particular group for a particular group²
 - Large balance is to be determined on a case by case basis³



Live Works



Live Work Projects

- Live work projects for students¹
- Liability waivers²
- Charges for live work projects³
- Work orders⁴
- Proceeds from live work projects⁵



Audits



Audits

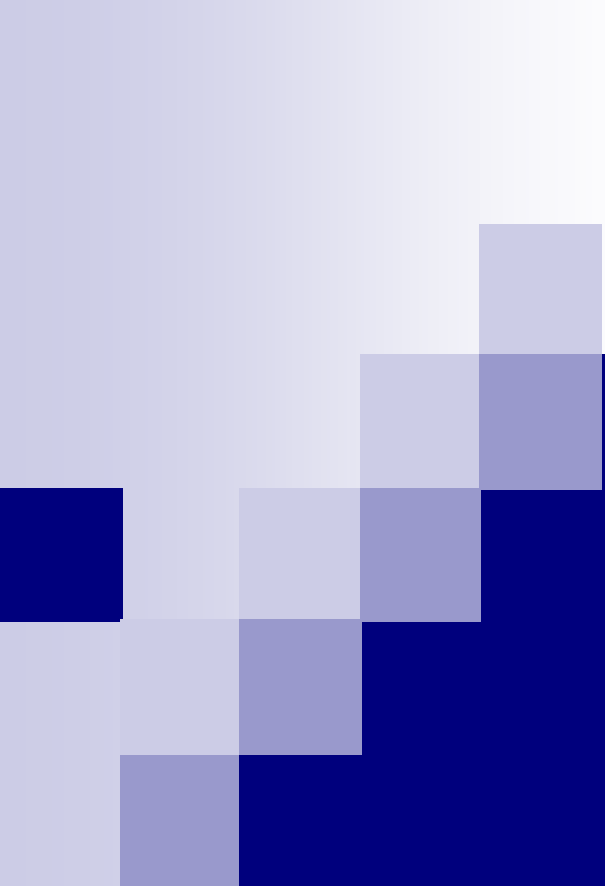
Audit reports are records created and maintained to document the findings of the independent auditor on the financial activities and operations of a local school. Information available in these records includes school name, audit period, findings, comments, recommendations, schedules, and exhibits.



Ethics

Ethics

- The Alabama Ethics Law applies to individuals
- It is not the board's or the superintendent's responsibility to monitor, interpret, or enforce the law¹
- Violations can result in fines, loss of position and/or incarceration²



Ways to Avoid Violating the Alabama Ethics Law



Ethics – Personal Gain

Do not use your position for your personal gain or to benefit a member of your family¹ or a business with which you are associated²



Ethics – Personal Gain

“School” Trips – Employees may accept an expense-paid trip while serving as chaperones for students on a Board-sanctioned event provided the School System determines which employees will attend the event as chaperones, and that the School Board employees did not solicit students to participate in the event, as the number of students participating dictates the number of free trips offered to chaperones.

Ethics – Personal Gain

Tutoring – Employees may accept part-time compensated employment to aid students and their families by providing educational assistance, including tutoring and educational workshops; provided, that all activities are done on their own time, whether after-hours, weekends, etc.; and, that there is no use of any public equipment, facilities, time, materials, human labor or other public property under his/her discretion or control.

Ethics – Personal Gain

Lesson Plan – A school administrator can develop educational materials on his/her own time to sell to school boards as long as there is no use of public time, equipment, labor or materials; the administrator does not use his/her position to obtain the opportunity and the development of the lessons did not interfere with his/her public employment¹

Ethics – Personal Gain

“Sales” – If an employee serves as supervisor in their official capacity, may not use their position to solicit business from subordinates. While there is nothing in the law that prohibits a person from having outside employment, that outside employment must in no way be related to the person’s public employment, nor may that public employee be used to increase the economic benefits of the outside employment. **DO NOT USE SCHOOL EMAIL**

Ethics – Personal Gain

Frequent Flyer – Frequent flier points, which are obtained by a public employee while traveling on public business, are the property of the public employer. A public employee may receive, obtain, or otherwise convert to personal use a bonus that is incidental to travel in the performance of official duties of the public employee IF the bonus is individual in nature and not able to be transferred to the public employer.



Ethics – Supplemental Payments

Do not accept supplemental payments for services rendered.



Ethics – Public Resources

Do not use public equipment, facilities, time, materials, human labor, or other public property for your personal gain or to benefit a member of your family or business¹



Ethics – Conflict of Interest

Prohibits a conflict on the part of a public employee between his or her private interests and the official responsibilities inherent in an office of public trust; involves any action, inaction, or decision by a public employee in the discharge of his or her official duties which would materially affect his or her financial interest or those of his or her family members or any business with which the person is associated...



Ethics – Official Action

Do not take anything from anyone in exchange for official action.¹



Ethics – Confidential Information

Do not use confidential information for personal gain¹



Ethics - Solicitation

Do not solicit a thing of value from a subordinate or person or business with whom you directly inspect, regulate, or supervise in your official capacity



Ethics - Entertainment

Understand what can be provided for you and your family in terms of hospitality, transportation, lodging, food and beverages, tickets to sporting and entertainment events as part of a social occasion, educational or informational program, etc.



Ethics - Entertainment

Public officials/public employees may not participate in strictly social events (unless they pay for their participation just as the general public would) such as golf tournaments, unless the event is part of an educational function, widely attended event or economic development function, etc., and is not, and cannot reasonably be perceived as a subterfuge for a purely social, recreational or entertainment function.



Ethics - Entertainment

An “Educational Function” is a meeting, event, or activity which is organized around a formal program or agenda of educational or informational speeches, debates, panel discussions, or other presentations concerning matters within the scope of the participants’ official duties or other matters of public policy, and which, taking into account the totality of the program or agenda, could not reasonably be perceived as a subterfuge for a purely social, recreational, or entertainment function.



Ethics - Entertainment

A “Widely Attended Event” is a gathering, dinner, reception, or other event of mutual interest to a number of parties at which it is reasonably expected that more than 12 individuals will attend and that individuals with a diversity of views or interest will be present.



Ethics – Thing of Value

The definition of a thing of value is any gift, benefit, favor, service, gratuity, tickets or passes to an entertainment, social or sporting event, unsecured loan (other than those loans and forbearances made in the ordinary course of business), reward, promise of future employment, honoraria or other item of monetary value.



Ethics – Thing of Value

The new Ethics Law defines tickets to sporting events as things of value. Therefore, free tickets to sporting events can no longer be accepted by public employees... The only time public employees may receive free tickets to sporting events is if they are attending in their official capacity....



Ethics – Thing of Value

- Tickets to athletic events may only be given to faculty, staff and administration of a particular school. Under this new section, the Board of Education, therefore, may not provide City employees, the Mayor or the City Council members with passes to school
- The school board may approve the issuance of free tickets for employees who work at a different school in the system.

Ethics – Thing of Value Exceptions

The term “thing of value” does not include¹:

- Anything given by a family member of the recipient under circumstances which make it clear that it is motivated by a family relationship²
- Anything that is paid for by a governmental entity ...except for tickets to a sporting event offered by an educational institution to anyone other than faculty, staff, or administration of the institution³
- Anything for which the recipient pays full value⁴

Ethics – Thing of Value Exceptions

- Greeting cards, and other items, services with little intrinsic value which are intended solely for presentation, such as plaques, certificates, and trophies, promotional items¹ commonly distributed to the general public, and items or services of de minimus value
- Loans from banks and other financial institutions on terms generally available to the public

Ethics – Thing of Value Exceptions

- Hospitality, meals, and other food and beverages provided to a public employee (plus spouse) as an integral part of an educational function, economic development function, work session, or widely attended event, such as a luncheon, banquet, or reception hosted by a civic club, chamber of commerce, charitable or educational organization, or trade or professional association



Ethics – Thing of Value Exceptions

- Rewards and prizes given to competitors in contests or events, including random drawings¹, which are open to the public²

Door Prizes

No violation of Alabama Ethics Law, IF:

- Donated by individual or business¹
- Random Drawing²
- Widely attended event (example, teacher appreciation luncheon)
- All participants/attendees have same opportunity to win
- Door prize is incidental to participation/attendance
- No affirmative action required or expected of recipient
- There are different rules governing the **awarding** of door prizes and the **selling** of raffle tickets (fundraiser)³



Ethics - Gifts

- Be sure you know what is an allowable gift under the law¹

Gifts

- Gifts of instructional items to be used in the classroom are not restricted by the Alabama Ethics Law and are always appreciated¹
- Gift cards are allowable²
- Plaques, certificates and trophies for recognition of achievement are allowable³



Ethics – Statement of Economic Interests

A statement of economic interests shall be completed by a public employee who occupies a position whose base pay is \$75,000 or more annually and filed with the commission no later than April 30 of the preceding calendar year.



Ethics – Reporting Violations

“Every governmental agency head shall within 10 days file reports with the commission on any matters that come to his or her attention in his or her official capacity which constitute a violation of this chapter.”



Ethics - Penalties

“(a)(1) Any person subject to this chapter who intentionally violates any provision of this chapter shall, upon conviction, be guilty of a Class B felony

(2) Any person subject to this chapter who violates any provision of this chapter shall, upon conviction, be guilty of a Class A misdemeanor.”



STATE INSTRUCTIONAL SUPPORT FUNDS



Purchasing Card Program



Purchasing Card Program

The purchasing card (PCard) is a privilege and a convenience in order to streamline the acquisition of materials, supplies, and equipment.

Purchasing Card Program

- Those boards electing to participate will sign an agreement with a financial institution to administer the purchasing card
- It is important that the cards are used as intended and that the procedures regarding use of these cards are adhered to

General Guidelines

- Cardholder is prohibited from using the card for personal use¹
- Cardholder must notify merchants purchases with card are exempt from Alabama sales tax²
- Cardholder must submit a legible receipt with an itemized listing or supporting documentation³

General Guidelines

- A board may use the PCard for selected departments¹
- A board may issue bid specifications that require the successful bidder to accept the PCard as payment for bid items
- The board should set limits for each PCard²
- Each cardholder must sign an agreement
- The board can set merchant code restrictions to the extent feasible



General Guidelines

Restrict these categories where possible:

- International Purchases¹
- Cash Advances
- Convenience Stores
- Gas Stations²
- Beverage & Tobacco Stores
- Apparel Stores³
- Automatic Billing



General Guidelines

A BOE cannot withhold payroll amounts from cardholders for unallowable charges, sales taxes, exceeding the card limit, or failure to turn in card receipts

Issuing the Purchasing Card

Agreements should include the following provisions:

- Cardholder agrees to use card exclusively for purchases specified in agreement
- Cardholder agrees to reimburse board for unallowable purchases¹
- Cardholder agrees to obtain legible receipt with itemized listing²

Issuing the Purchasing Card

Provisions continued:

- Cardholder agrees to reimburse board for purchases not supported by itemized receipt¹
- Cardholder agrees to inform merchants that purchases are exempt from sales tax
- Cardholder agrees to reimburse board for sales tax charged²

Issuing the Purchasing Card

Provisions continued:

- Cardholder agrees to reimburse board for purchases made in excess of card limit¹
- Cards must be kept with same security protection as cash
- Cardholder agrees to comply with guidelines for purchasing card
- Cardholder understands privilege may be suspended for failure to comply



Issuing the Purchasing Card

Provisions continued:

- Cardholder understands use of card for personal use is subject to criminal prosecution

Issuing the Purchasing Card

Additional Provisions:

- Expenditures made by cardholder must comply with the approved budget
- Cardholder must submit receipt next business day¹
- Cardholder must notify the bookkeeper immediately, if suspect card is lost/stolen²
- Prohibited from purchasing items that must be competitively bid

Operating the Purchasing Card

- Determine the individual(s) designated to receive a purchasing card¹
- Determine the budgetary expenditure account limitations for purchases by the cardholder
- Determine the specific limitations on the purchasing card for each cardholder²

Operating the Purchasing Card

- Obtain a signed agreement from the cardholder
- Issue a purchase order for the total of the purchasing card limits of the cardholders at the beginning of the purchasing period
- Create a Receipt Log¹
- Reconcile statement using reference number from Receipt Log



Operating the Purchasing Card

PCards cannot be used to circumvent the advance travel expense provisions or the applicable provisions of the Alabama Competitive Bid Law



Additional Resources

- Generally Accepted Accounting Principles
- Governmental Accounting Standards
- Code of Alabama
- Alabama Building Code
- Public Works Law
- Alabama Bid Law
- Alabama Ethics Law
- Alabama Immigration Law
- Child Nutrition Law
- Internal Revenue Service (IRS)



Contact Information

If at any time you have questions, please contact me:

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