

## **APPENDIX I: GENERAL FINANCIAL POLICIES**

Per State of Utah guidelines found at

<http://www.schools.utah.gov/main/search.aspx?q=all%20checks%20or%20check%20stock,%20credit/purchase%20cards,%20access%20to%20bank%20accounts>

### **A. General Policies**

1. All checks or check stock, credit/purchase cards, access to bank accounts and statements, etc. shall be secured and controlled by the accounting/front office with limited access.
2. All disbursing of funds at the school or LEA should be done through the accounting/front office.
3. Expenditure transactions must be approved by an individual having sufficient knowledge and authority to evaluate the transaction for reasonableness and appropriateness. The school or LEA shall designate employees by title or job descriptions who are authorized to approve various dollar amount levels of disbursements and instructed never to sign blank checks (see the Decision Chart for Purchasing Thresholds).
4. All expenditures made using cash, checks, credit/purchase cards, electronic fund transfers, etc. shall be recorded in the school or LEA's accounting records.
5. Passwords should be established on user access to the accounting system and changed periodically.
6. Checks should be made payable to specified payees and never to "cash" or "bearer."
7. All disbursement activity should be substantiated by supporting documents. Documents should be available, and should demonstrate that proper disbursement controls are in place (signatures for approval, purchase orders, receipts, invoices, bids or quotes, reimbursement forms, travel forms, journal entries, reconciliations, etc.).
  - a. Quotes shall contain the following information:
    - (1) Date received or dates that the quoted price is valid and delivery date
    - (2) Company name and address
    - (3) Each item, description or specifications, unit, total price, and quantity listed
    - (4) Shipping and freight charges
    - (5) Salesperson and contact information
    - (6) Vendor, LEA employee name and position
  - b. Quotes may be obtained and documented by printing pages from a website; however, all of the quote elements must be documented. Better prices are usually obtained by contacting vendors directly. Telephone quotes must be documented and include all quote elements. Written quotes should be requested on vendor's letterhead.
8. Bank and credit card statements should be reviewed and accounts reconciled in a timely manner. Activity accounts should be reviewed quarterly by the custodian of the activity.
9. The school or LEA must comply with applicable LEA and state purchasing laws.
10. Expenditures will follow the guidelines outlined in the State Procurement Code (Utah Code 63G-6a) and federal purchasing laws, or the school or LEA will adopt stricter policies (see Decision Chart for Purchasing Thresholds).
11. Contracts must follow guidelines outlined in the State Procurement Code, specifically regarding the length of multi-year contracts [Utah Code 63G-6a-1204(7)].
12. Construction and improvements must comply with the provisions of the State Procurement Code (Utah Code 63G-6a), Utah Code concerning school construction (Utah Code 53A-20), the Utah State School Board Administrative Rules, and Title IX.
13. Exclusive contracts must comply with the guidelines outlined in the State Procurement Code (Utah Code 63G-6a), the LEA's procurement policy, and the Utah Public Officers' and Employees' Ethics Act (Utah Code 67-16).
14. Purchases of goods or services with LEA funds for personal use or personal gain are strictly prohibited; see the Utah Public Officers' and Employees' Ethics Act (Utah Code 67-16).
15. Multi-year contracts must comply with Utah Code 63G-6a-1204.

### **B. LEA Procurement Thresholds**

The LEA's procurement policy shall be followed for all qualifying purchases of goods or services. The procurement policy should include the basic items:

#### **1. Small Purchases**

a. The “individual procurement threshold” for the LEA is \$1,000. This is the maximum amount that the LEA can expend to obtain a single item/service from one vendor at one time without requiring competitive purchasing (Utah Code 63G-6a-408, Administrative Code R33-4).

b. The “single procurement aggregate threshold” for the LEA is \$5,000. This is the maximum amount that the LEA can expend to obtain any combination of individual procurement items/services costing less than \$1,001 from one vendor at one time up to \$5,000. (Utah Code 63G-6a-408, Administrative Code R33-4).

c. The “annual cumulative threshold” for the LEA is \$50,000. This is the maximum total annual amount that the LEA can expend to obtain individual procurement item(s) costing less than \$1,001 purchased from the same vendor during the fiscal year (July 1 – June 30) not to exceed \$50,000. If a purchase exceeds \$50,000, it is not considered a small purchase and shall be processed through a bidding process or a request for proposal (RFP) process (Utah Code 63G-6a-408 and Administrative Code R33-4).

d. Professional services, such as architectural, engineering, accounting, legal, or consulting services costing less than \$50,001 may be awarded by direct negotiation after the LEA has reviewed the qualifications of at least two professional service providers. Services costing \$50,001 -\$100,000 shall be acquired by obtaining a minimum of two quotes. Services costing greater than \$100,000 shall be obtained using a competitive bidding or RFP process. The threshold for utilizing an approved vendor list for professional services is \$100,000. A vendor is selected from a prequalification of potential bidders and approved potential vendor list created using an invitation for bids or an RFP under provisions in Utah Code 63G-6a-403 and 404 (Administrative Code R33-4).

e. Small construction projects:

(1) Costing less than \$25,001 may be procured by direct award without seeking competitive bids or quotes after documenting that all applicable building code approvals, licensing requirements, permitting and other construction related requirements are met.

(2) Costing between \$25,001 and \$80,000 may be procured by obtaining a minimum of two (2) competitive bids or quotes that include minimum specifications and be awarded to the contractor with the lowest bid or quote that meets the specification after documenting that the requirements are met from (1).

(3) Costing more than \$80,000 are not considered small construction projects and must follow the requirements outlined in Utah Code 53A-20.

## **2. Reoccurring Purchase Over Annual Cumulative Threshold**

a. If purchases from the same vendor are ongoing, continuous, and regularly scheduled, and exceed the annual cumulative threshold of \$50,000 during the fiscal year, a contract shall be utilized if feasible [Utah Code 63G-6a-408(6)].

## **3. Artificially dividing a purchase:**

a. Utah Code 63G-6a-408 makes it unlawful to intentionally divide a procurement purchase into one or more smaller purchases to divide an invoice or purchase order into two or more invoices or purchase orders, or to make smaller purchases over a period of time.

(1) This means that intentionally splitting a purchase of similar items that would typically be purchased at the same time from the same vendor to avoid requiring competitive quotes is unlawful (.e.g., uniforms, club or athletic equipment, textbook orders, etc.). This includes dividing the purchases or invoices over a short period of time, or making separate purchases over a period of time. Purchase splitting often occurs when making purchases on a purchase card. Employees should not split invoices to stay under daily purchase limits on purchase cards or the established purchasing thresholds.

(2) It may be determined after an order is placed or received that a large enough quantity was not ordered or the correct sizes were not obtained, and that additional items must be ordered. If this occurs, the employee initiating the purchase must include a written explanation of the purpose of the purchase and justification as to why it is not considered splitting a purchase. This should be retained with the vendor invoice.

(3) Penalties for violating this statute are outlined in Utah Code 63G-6a-408. Penalties range from a class B misdemeanor to a second degree felony, depending on the total value of the divided procurements.

## **4. Hospitality Gifts, Gratuities, Kickbacks, or Position and Influence:**

a. **“Contract administration professional”** means an individual who is directly under contract with a LEA or employed by a person under contract with a LEA and has responsibility in developing a solicitation or grant, or conducting the procurement process; or supervising or overseeing the administration or management of a contract or grant. This does not include an employee of the LEA. (Utah Code 63G-6a-2402).

b. **“Procurement professional”** means an individual who is an employee, and not an independent contractor, of a LEA, and who, by title or primary responsibility has procurement decision making authority and is assigned to be engaged in or is

engaged in the procurement process or the process of administering a contract or grant, including enforcing contract or grant compliance, approving contract or grant payments, or approving contract or grant change orders or amendments.

Procurement professional excludes:

- (1) Any individual who, by title or primary responsibility, does not have procurement decision making authority;
- (2) The superintendent, business administrator, principal, or vice principal of the LEA, or the chief assistant or deputy of the superintendent, business administrator, principal, or vice principal (Utah Code 63G-6a-2402).

c. ***Hospitality Gift***

**"Hospitality gift"** means a token gift of minimal value, including, a pen, pencil, stationery, toy, pin, trinket, snack, beverage, or appetizer, given for promotional or hospitality purposes. This does not include money, a meal, admission to an event for which a charge is normally made, entertainment for which a charge is normally made, travel, or lodging (Utah Code 63G-6a-2402).

(a) Utah Code 63G-6a-2404 states that it is unlawful for a person to give or receive, offer to give or receive, or promise or pledge to give or ask for a promise or pledge of, a hospitality gift if:

- 1) the total value of the hospitality gift is less than \$10; and
- 2) the aggregate value of all hospitality gifts from the person to the recipient in a calendar year is less than \$50.

(b) Any hospitality gift exceeding the \$10 and \$50 threshold is considered a gratuity, and the provisions below apply.

d. ***Gratuities***

**"Gratuity"** means anything of value given without anything provided in exchange or in excess of the market value of that which is provided in exchange, including a gift or favor, money, a loan at an interest rate below the market value or with terms that are more advantageous to the borrower than terms offered generally on the market, anything of value provided with an award (other than a certificate, plaque, or trophy), employment, admission to an event, a meal, lodging, travel, entertainment for which a charge is normally made, and a raffle, drawing for a prize, or lottery.

**(1) Gratuity does not include:**

(a) An item, including a meal in association with a training seminar, that is:

- 1) Included in a contract or grant; or
- 2) Provided in the proper performance of a requirement of a contract or grant;

(b) An item requested to evaluate properly the award of a contract or grant;

(c) A rebate, coupon, discount, airline travel award, dividend, or other offering included in the price of a procurement item;

(d) A meal provided by an organization or association, including a professional or educational association, an association of vendors, or an association composed of public agencies or public entities, that does not, as an organization or association, respond to solicitations;

(e) A product sample submitted to a public entity to assist the public entity to evaluate a solicitation;

(f) A political campaign contribution;

(g) An item generally available to the public; or

(h) Anything of value that one public agency provides to another public agency (Utah Code 63G-6a-2402).

**(2) Utah Code 63G-6a-2404 makes it unlawful:**

(a) For a person who has or is seeking a contract with or a grant from a public entity knowingly to give, or offer, promise, or pledge to give, a gratuity to the LEA, a procurement professional or contract administration professional, or an individual who the person knows is a family member of an individual. (b) For a "procurement professional" or "contract administration professional," or a family member of either, knowingly to receive or accept, offer or agree to receive or accept, or ask for a promise or pledge of, a gratuity from a person who has or is seeking a contract with or a grant from a public entity.

(c) Penalties for violating this statute are established in *Utah Code 63G-6a-2404* 2407. Individuals will adhere to these penalties and report violations to the attorney general's office, as required by statute.

1) Penalties range from a class B misdemeanor to a second degree felony and individuals are subject to disciplinary action up to and including dismissal from public employment or return the value of the unlawful gratuity.

e. ***Kickback***

**"Kickback"** means a negotiated bribe in connection with a procurement or the administration of a contract or grant; and does not include items in subsection 4.e.(1) (Utah Code 63G-6a-2402).

(a) Utah Code 63G-6a-2404 makes it unlawful:

1) For a person who has or is seeking a contract with or a grant from a public entity knowingly to give, or offer, promise, or pledge to give, a kickback to the LEA, a procurement professional or contract administration professional, or an individual who the person knows is a family member of an individual.

2) For a "procurement professional" or "contract administration professional," or a family member of either, knowingly to receive or accept, offer or agree to receive or accept, or ask for a promise or pledge of, a kickback from a person who has or is seeking a contract with or a grant from a public entity.

(b) Penalties for violating this statute are established in *Utah Code 63G-6a-2404* and *2407*. Individuals will adhere to these penalties and report violations to the attorney general's office, as required by statute.

- 1) Penalties range from a class B misdemeanor to a second degree felony and individuals are subject to disciplinary action up to and including dismissal from public employment or return the value of the unlawful kickback.

### **Cash Disbursements Model Procedures**

#### **C. General Model Procedures**

1. The LEA's tax exempt status number should only be used in conformity with the Utah State Tax Commission's guidelines.
2. The LEA has designated State Procurement Code as its purchasing policy.
3. If an outside entity reimburses employee expenses (meals, travel, etc.), these expenses should not be submitted to the LEA for reimbursement.
4. No disbursing of funds is to be done in other offices or at unapproved off-site activities or functions.
5. Purchases of goods or services for personal use or personal benefit of any amount are strictly prohibited.
6. Any purchases should be equitable for both male and female students and comply with Title IX.

#### **D. Procurement Decision Tree**

##### **How does an employee initiate a purchase?**

1. Is the purchase available from a state agency or a state cooperative contract? If so, you are encouraged to purchase the item from the agency or state contract. If not, follow the decision chart below.

2. *If the total purchase is between:*

a. **\$0-\$1,000**

The purchaser may select the best source without seeking competitive quotes. The signature of the requestor and immediate supervisor (or authorized business officer for department or administration) are required on the purchase order or check request form. If the purchase is made using an LEA credit/purchase card, the employee should follow the credit/purchase card policy below.

b. **\$1,001-\$5,000**

The purchaser shall obtain at least two (2) competitive quotes and purchase item/service from supplier offering the lowest quote meeting specifications. Quotes must be attached to the purchase documentation and maintained as part of the LEA's records. The signature of requestor, immediate supervisor (or authorized business officer for the department), and business administrator are required on the purchase order or check request form.

c. **\$5,001-\$10,000**

The purchaser shall obtain at least two (2) competitive quotes and purchase item/service from supplier offering the lowest quote meeting specifications. Quotes must be attached to the purchase documentation and maintained as part of the LEA's records. The signature of requestor, immediate supervisor (or authorized business officer for the department), and business administrator are required on the purchase order or check request form.

d. **\$10,001-\$50,000**

The purchaser shall obtain at least two (2) competitive quotes and purchase item/service from supplier offering the lowest quote meeting specifications. Quotes must be attached to the purchase documentation and maintained as part of the LEA's records. Completed bids and an approved purchase order shall be sent to LEA purchasing for initiation and purchase. The signature of requestor, immediate supervisor (or authorized business officer for the department), and business administrator for the LEA are required on the purchase order or check request form.

e. **Greater than \$50,001**

The LEA shall enter into a competitive bid process or RFP in compliance with Utah Code 63G-6a sections 601-612 and 701-711 and Administrative Code R33-6 and R33-7, or use a prequalification of potential vendors and an approved vendor list with an invitation for bids or an RFP in compliance with Utah Code 63G-6a-403 and 404. The bid or RFP process shall be managed by LEA purchasing. If a bid process is utilized, select the lowest responsive and responsible bidder that meets the objective criteria described in the invitation to bid. If an RFP process is utilized, select the responsive and responsible offeror with the highest total score. Supporting documents must be retained and maintained as part of the LEA's records. The signature of requestor, immediate supervisor (or authorized business officer for the department), business administrator, and superintendent of the LEA are required for final approval. If the purchase is greater than \$99,999, the signature of the LEA's board is also required for final approval.

f. **Less than \$100,001 for professional services**

When acquiring professional services such as accounting, legal, consulting, architectural, or engineering goods or services valued less than \$100,001; the LEA shall follow the associated small purchasing thresholds as outlined in R33-4. LEAs must review the qualifications of a minimum of two professional service providers or consultants and direct negotiate for up to \$50,000. A minimum of two quotes must be obtained for services \$50,001 - \$100,000. Contracts or purchases from an approved vendor list may not exceed \$100,000.

**g. Small construction projects**

- (1) Costing less than \$25,001 may be procured by direct award without seeking competitive bids or quotes after documenting that all applicable building code approvals, licensing requirements, permitting and other construction related requirements are met. The signature of the requestor, immediate supervisor (or authorized business officer for the department), business administrator, and superintendent of the LEA are required for final approval.
- (2) Costing between \$25,001 and \$80,000 may be procured by obtaining a minimum of two (2) competitive bids or quotes that include minimum specifications and be awarded to the contractor with the lowest bid or quote that meets the specification after documenting that the requirements are met from (1). The signature of the business administrator and superintendent of the LEA are required for final approval.
- (3) Costing more than \$80,000 are not considered small construction projects and must follow the requirements outlined in Utah Code 53A-20, and the board shall advertise for bids at least 10 days before the bid due date. The signature of the business administrator, superintendent of the LEA, and the LEA's board are required for final approval.

**h. Greater than \$100,000 for professional services**

The LEA shall enter into a competitive bid process or RFP in compliance with Utah Code 63G-6a sections 601-612 and 701-711. The bid or RFP process shall be managed by LEA purchasing. If a bid process is utilized, select the lowest responsive and responsible bidder that meets the objective criteria described in the invitation to bid. If an RFP process is utilized, select the responsive and responsible offer or with the highest total score. Supporting documents must be retained and maintained as part of the LEA's records. The signature of the business administrator, superintendent, and LEA's board are required for the invitation to bid or RFP.

(Please see the Decision Chart for Purchasing Thresholds)

**E. Sole Source**

1. Sole source procurement shall only be used if a product or service is unique and can be easily proven as one of a kind, offered by only one vendor. If there is more than one potential bidder or offer or for a particular item, sole source does not apply. All sole source determinations must be completed through the LEA purchasing department.
2. All sole source requests estimated to be \$50,000 and above must be posted for public comment, in accordance with Utah Code 63G-6a-802 and 406.
3. Sole source justification should be documented according to Utah Code 63G-6a-802 and be approved by administration.

**F. Credit/Purchase Cards**

1. All credit/purchase cards shall be kept secured and controlled by the accounting/front office with limited access. PIN numbers should be kept secured.
2. Card users shall follow LEA and state purchasing policies and comply with the Utah State Tax Commission's guidelines regarding the LEA's tax exempt status number.
3. Purchases exceeding \$1,000 made using the credit or purchase card should be pre-approved, using an expenditure authorization form, prior to making the purchase.
4. If a card is issued to the LEA as a whole, a log should be kept documenting which employee checked out the card and the period of time the card was checked out. Receipts shall be retained for all purchases and turned into the accounting/front office. Card reconciliations should be performed monthly to ensure all receipts are present and all purchases have been made in accordance with LEA and state policy.
5. If cards are assigned to specific employees, the card user shall retain all receipts for purchases made with public funds. The card user shall review and reconcile the card statement activity each month and attach all receipts to the card statement. The card user should sign their card statement certifying that all purchases have been made in accordance with LEA and state policy.
6. Administration (or designee) must review each card holder's statement, along with all receipts, for approval. Approval should be documented.
7. An employee with oversight over the card user(s) should be responsible for providing authorization.

8. Individual expenditures made on purchase or credit cards shall be recorded in the school or LEA's accounting records according to approved NCES chart of accounts. The issuance of a check or an electronic funds transfer to pay the monthly card statement balance shall be documented and approved by administration prior to issuance.
9. ATM transactions, cash advances, or personal use are strictly prohibited.
10. Violation of purchase card policy, including not retaining documentation of purchases or making personal purchases, may result in card cancellation, disciplinary action, or criminal prosecution.
11. Transaction, daily, or monthly limits will be established based on purchasing authority.
12. Administration or employees designated by the LEA will develop an internal review plan to periodically select credit/purchase card statements to verify that LEA policies and procedures are being followed, and that purchases are appropriate, documented, and coded to the proper funding sources.
13. If the card is lost or stolen, immediately contact the appropriate authority.
14. **Teacher Purchase card responsibility.**  
Teachers are issued a school credit card to purchase supplies for the school year. Teachers have to sign the following when issued their school credit card:

"I am signing this form stating that I have received my Teacher Purchase Card. By signing this form I am agreeing that I have accepted this card under the following conditions: This card is to be used for SCHOOL use only. I will manage receipts and statements per school policy and under the direction of Administration. I also agree that if I choose to purchase non-school related items with this card I will also be responsible for the balance, which will be taken from my paycheck. Multiple fraudulent purchases will result in suspension of card and loss of privileges. I understand that I could also face disciplinary actions and possible criminal charges."

#### **G. Travel**

##### **1. Mileage**

- a. Mileage reimbursement forms must be completed by employees within 45 days of return from travel. The form must include the dates and purpose of travel, destination(s), time of departure and return, and mileage.
- b. A travel authorization form must be completed prior to registration for conferences and events, and approved by the employee's immediate supervisor. The form must include the dates and purpose of travel, destination, estimate of travel cost, lodging and per diem costs. Supporting documentation is required for each traveler. Each traveler must complete an authorization form. Authorizations must be approved prior to purchase or booking of any travel arrangements. In-state travel must be approved by the employee's immediate supervisor. An administrator or board employee's immediate supervisor may be the superintendent or board chair.
- c. Out-of-state travel must be approved by immediate supervisor and applicable administrator. An administrator or board employee's immediate supervisor may be the superintendent or board chair.

##### **2. Travel Reimbursement**

- a. A travel reimbursement form must be completed within 30 days of return from travel. Lodging, airfare, taxi, parking, or other transportation and baggage fees paid by the employee require receipts to be reimbursed. Expenditures not supported by receipts will not be reimbursed, unless expressly approved by the supervisor in extraordinary circumstances. Per diem reimbursement requests must be included on the travel reimbursement form or on a completed mileage log. Conference agendas, completed mileage logs, or other documentation supporting times of departure and return are required for per diem meal reimbursements (see state travel per diem schedule). It is the policy of the LEA to reimburse food on a per diem rate rather than by actual costs.

#### **H. Reimbursement Requests**

1. Employees seeking reimbursement for LEA expenditures made with employee funds must complete a reimbursement request form, which is signed by the requestor and approved by the employee's immediate supervisor. An administrator's or board employee's immediate supervisor may be the superintendent or board chair.
2. Supporting documentation, including detailed receipts and justification for departure from the standard purchase order process, is required. Authorization must be documented by the immediate supervisor.

#### **I. Purchase Orders**

1. An expenditure authorization form (purchase order or requisition) is required for all purchases. Employees initiating an expenditure shall complete the authorization form, including documentation of any required quotes, **before** a purchase is

initiated. The completed form and documentation shall be submitted to the immediate supervisor or designated business officer for the department.

2. The designated business officer for the department will review completed expenditure authorization forms and any supporting quotes and approve the purchase. This approval signature is required prior to the initiation of a purchase.

3. Shipment of goods should be addressed and delivered to the LEA.

4. Invoices and complete packing slips should be initiated by the receiver of the goods, indicating that all goods were received and that payment should be processed.

5. The accounting/front office shall compare invoices and packing slips to the expenditure authorization form prior to processing payment (see LEA Issuance of checks).

**J. LEA Issuance of Checks**

1. All checks, check stock, access to bank accounts, and bank statements shall be kept secured and controlled by the accounting/front office with limited access. Password should be kept secured and changed periodically.

2. An employee who does not have the ability to issue checks shall review the issued check and accompanying supporting documentation to ensure all policies and procedures are followed prior to signing the check

3. Each disbursement shall be substantiated with supporting documentation, such as a purchase order, invoice, receipts, quotes (according to the procurement policy above), reimbursement forms, shipping documents, contracts, travel forms, etc. All expenditures shall be recorded in the LEA's accounting records using the NCES chart of accounts, or under the LEAs roll-up process to convert to the NCES chart of accounts.

4. Signature stamps should not be utilized, and blank checks or checks made payable to "cash" or "bearer" should never be signed.

5. Endorsed checks should be mailed by an employee outside of the cash disbursement process, if possible.

6. It may be necessary to void a check. If this occurs, the word "VOID" should be written on the check, and the actual check shall be retained.

**K. Journal Entries/Electronic Fund Transfers**

1. All electronic fund transfers and journal entries shall be kept secured and controlled by the accounting/front office with limited access. Password should be kept secured and changed periodically.

2. Each journal entry or electronic fund transfer should be substantiated by supporting documentation.

3. Each journal entry or electronic fund transfer should be recorded in LEA's accounting records.

4. Administration or an individual without cash disbursement duties shall document approval of journal entries or electronic fund transfers.

5. Monthly, the LEA's audit committee or designee should review and approve the journal entries and electronic fund transfers.

**L. Review process**

1. Monthly, bank reconciliation(s) should be performed on all LEA-approved accounts, including credit card transactions. If the bank reconciliation is completed by someone who has access to the accounting system and the bank accounts, it should be reviewed and approved by another person, such as the principal or director, business administrator, or a member of the audit committee or board.

2. Monthly, administration should review bank statements and bank reconciliations, as well as credit card statements, and document the review and approval. The LEA's audit committee or LEA management should ensure that monthly bank reconciliations and credit/purchase card statement reconciliations are occurring.

3. A check register should be reviewed when signing checks to ensure all disbursements are reviewed and approved.

4. Periodically, administration or designated members of management shall review cash disbursements to verify that all LEA and State policies and procedures are being followed.

**M. Title 1 Purchases**

1. Any items purchases with Title 1 funding must have a certificate of affixation crediting Title 1.