

Lackland ISD Accounts Payable Procedures

Accounts payable checks should be processed on a weekly basis for release by Friday morning, or earlier dependent upon work schedules or holidays.

General Instructions:

- ❑ All invoices shall be entered separately into the finance system by invoice number, amount, and date. Note: The invoice number is a “key” record. If entered correctly, the system will not allow a duplicate payment to a vendor.
- ❑ Payments shall not be made from statements.
- ❑ Upon receipt of an invoice from a vendor, it should be matched with a pending purchase order [accounts payable copy], and receiving copy [signed by the Data Processing Specialist and/or campus/department]. **Note: This constitutes a 3-way match.**
- ❑ If no discrepancies exist, the check payment should be entered into the finance system.
- ❑ If a discount is offered by the vendor for early payment, the payment should be processed within the allotted time if the goods have been received and their receipt has been verified by the originating campus or department. **NOTE: All payments must be paid within 30 days of the invoice (Govt. Code 2251).**
- ❑ All invoices should be checked to ensure that appropriate discounts, bid/quote pricing, terms of shipment, tax exemption, and extensions are correct.
- ❑ All invoices for an extended period of time (such as a year or multi-years) for services or subscriptions should be reviewed for the term on the invoice. If the invoice is for multiple months, such as a year, all months that fall in the current fiscal year shall be coded to the appropriate expense account. Months that fall in the next or future fiscal year shall be coded and paid from a prepaid account (object 1410).
- ❑ All invoices that do not exceed the purchase order amount by more than \$100 [excluding freight charges] may be entered into the finance system for payment without authorization from the Accounting Manager and/or Chief Financial Officer. If funds do not exist in the encumbered account(s), the campus or department shall initiate an Authorization to Exceed PO Amount form with the appropriate account number(s) for the excess payment.
- ❑ All invoices that exceed the purchase order amount by more than \$100 [excluding freight charges] should be forwarded to the Chief Financial Officer for approval. If funds do not exist in the encumbered account(s), the campus or department shall initiate an Authorization to Exceed PO Amount form with the appropriate account number(s) for the excess payment.
- ❑ All non-purchase order payments [except for travel documents] should be paid via a payment authorization.
- ❑ The Accounting Manager and/or Chief Financial Officer should approve all payment authorizations.
- ❑ Recurring invoices such as utilities, monthly rentals, payroll deductions, etc. should be entered into the finance system for payment as noted below:
 - ❑ Utilities: A copy of all utility invoices shall be forwarded to the Director of Operations for approval. After approval, the invoice(s) shall be entered into the finance system.
 - ❑ Cell phones: All charges shall be reconciled and posted on the spreadsheet to include the payment for each phone by account number and amount.
 - ❑ Copiers: All charges shall be reconciled with meter readings and posted on the spreadsheet.

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- ❑ All petty cash reimbursements should be entered into the finance system for payment. Extenuating circumstances or items of non-compliance, if any, should be forwarded to the Accounting Manager and/or Chief Financial Officer for review and approval.
- ❑ All invoices or supporting documentation for payments should be stamped “paid” to ensure that duplicate payments do not occur.
- ❑ All payments should be made from original documents to ensure that duplicate payments do not occur. If payment is made from a copy, the copy shall be stamped “original”.
- ❑ All check payments should be posted to the general ledger at the time that the checks are printed.
- ❑ All purchase order encumbrances should be reduced and/or liquidated when check payments are made for the purchase order.
- ❑ Checks shall not be issued to “Cash” or “Bearer”.
- ❑ At fiscal year-end, the Finance/Payroll Coordinator shall prepare a report of all Accounts Payables as of August 31st and submit the report to the Chief Financial Officer by September 15th for audit purposes.
- ❑ All “paid” check copies should be filed in alpha order by vendor last name or company name.
- ❑ The Accounting Manager and/or Chief Financial Officer shall pre-approve all “emergency” checks.
- ❑ Statements from vendors should be reconciled with check payments on file, discrepancies should be researched and resolved, and reconciled statements should be filed for a period of 60 days, and then discarded after the administrative value (AV) period.
- ❑ All returned purchases should be coordinated by the Finance/Payroll Coordinator and the Data Processing Specialist:
 - ❑ The Data Processing Specialist shall notify the vendor for authorization to return goods.
 - ❑ Payment to the vendor for returned purchases should be withheld from the vendor until replacement items are received that are acceptable to the district
 - ❑ All check copies for items returned to the vendor should be kept in a pending file until receipt of the replacement items.
 - ❑ If replacement items are not received within a 60 day period, a demand for a refund should be forwarded to the vendor. The Chief Financial Officer shall be notified if the vendor has not complied with the 60 day timeline.
- ❑ Partial shipments should be monitored to ensure that the full shipment is received within a reasonable time period. Partial payments should not be made unless prior arrangements have been made with the vendor.
- ❑ Disputed invoices shall be

Compliance with State Law:

- ❑ All payments shall be made in accordance with state law [Govt Code 2251] within 30 days of the later of the following:
 - ❑ The date the District received the goods,
 - ❑ The date the vendor performed the service or the contract was completed, or
 - ❑ The date the District receives the invoice for the goods or services.
- ❑ Interest shall not be paid on any invoices unless the payment is “overdue” as defined by state law. The interest paid shall not exceed the sum of 1% and the Wall Street Prime Rate (currently 3.25%)

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- ❑ The interest due, if any, shall be paid from local (non-state or non-federal) funds when the invoice is paid. The District shall not request that the vendor waive the interest if the interest is in compliance with state law.
- ❑ If an invoice is disputed, it must be disputed in writing no later than 15 day after the receipt of the invoice (state law maximum is 21 days).

Verification of Check Transactions:

- ❑ The Finance/Payroll Coordinator shall verify that all check transactions meet the following guidelines:
 - All required approvals are noted on the PO
 - A 3-way match exists (PO, invoice & receiving)
 - Proof of receiving - signature on receiving report or electronic signature through receiving system
 - All items have been received and/or cancelled
 - Partial payment , if allowed, is recorded or tracked
 - The “reason” or “description on the payment is appropriate for the expense
 - Liquidated amount matches the amount paid
 - The remaining liquidation is reversed during the final payment (if partial payments are allowed)
 - Invoices # entered correctly
 - Invoice Date is after the PO approval date
 - Vendor remittance address is correct
 - Account code(s) matches the purchase
 - Sales tax is not included on invoice
 - Due date has not passed
 - Discounts, if any, have been taken
 - Credits, if any, have been taken
 - Freight charges are allowable (refer to Bid or Co-Op purchase terms) on PO
 - Bid or Co-Op prices have not been exceeded on the invoice
 - Invoices are originals (if a copy is used, it should be stamped “original” once it has been verified that the invoice has not been paid)
 - Late fees, interest charges, etc. have not been charged, unless they have been researched and are valid
 - Invoices for all contracted services include details regarding the service provided and the date(s) of service

Travel Payments:

- ❑ All travel authorizations and settlements should be forwarded to the Accounting Manager and/or Chief Financial Officer for approval.
- ❑ Meal advances are issued to the traveler no more than 30 days prior to the travel event (IRS Regulations)

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- ❑ Lodging advances/payments do not include non-allowable charges such as taxes, entertainment, room service, etc.
- ❑ Travel reimbursements must be supported by original receipts and/or settlement form
- ❑ Mileage advances/payments do not exceed the federal, state, or local maximum rates, whichever is less
- ❑ Travel advances, if any, are held for travel settlement and/or certification (IRS Regulations)

Construction Payments:

- ❑ All construction payments to general contractors shall be approved by the Director of Operations, the Chief Financial Officer and the Superintendent.
- ❑ All construction payment (for projects funded with federal funds) must have a Davis Bacon Certification.

Credit Card Payments:

- ❑ All detailed credit card transactions shall be posted to the general ledger (required for state and federal grant fund expenditures)
- ❑ All credit card charges must be supported with original, detailed receipts
- ❑ All credit card transactions shall be net of all credits and discounts

Administrative Approval of Disbursements:

- ❑ All invoices that exceed the purchase order amount by more than \$200 [excluding freight charges] should be forwarded to the Chief Financial Officer for approval. If funds do not exist in the encumbered account(s), the campus or department shall initiate an Authorization to Exceed PO Amount form with the appropriate account number(s) for the excess payment.
- ❑ The Chief Financial Officer [or designees: Superintendent or Accounting Manager] should approve all payment authorizations.
- ❑ The Chief Financial Officer [or designees: Superintendent or Accounting Manager] shall pre-approve all “emergency” checks.
- ❑ A check payments report should be forwarded to the Accounting Manager and/or Chief Financial Officer for review and approval. The check payment report shall be accompanied by all payment documentation in alpha order.
- ❑ After receiving the approved check payment list, the Finance/Payroll Coordinator may proceed with generating the check payments in collaboration with the Finance/Payroll Specialist.
- ❑ The Finance/Payroll Specialist shall run the check payments process as noted below:
 - ❑ **Before generating checks, the Finance/Payroll Specialist shall backup the Finance files – Utilities: Export Finance Tables.**
 - ❑ Generate checks by bank account group: General Fund, Capital Projects and Student Activity Fund
 - ❑ Enter the beginning check number and check date
 - ❑ Add the two (2) check endorsements (enter the password) – verify that both signatures appear on the checks before printing the checks. Record and initial the endorsement on the log.

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- ❑ Print the accounts payable checks
- ❑ Save a PDF of the checks to the Shared Folder: Accounts Payable by processing date and bank account group
- ❑ Update the general ledger – verify that the checks have posted to the general ledger by accessing the expense account (General Ledger Inquiry) for at least one (1) accounts payable check.
- ❑ Print the Funds Summary Report and hand to the Finance/Payroll Coordinator for verification of available bank account funds
- ❑ The Finance/Payroll Coordinator shall verify that sufficient funds are available in each of the bank account groups. If funds are needed, the Chief Financial Officer shall be notified to transfer funds to the appropriate bank account BEFORE releasing the check(s).
- ❑ The Chief Financial Officer [or designees: Superintendent or Accounting Manager] shall approve all check payments in excess of \$25,000 by initialing the physical check prior to release of the check.

Positive Pay Anti-Fraud Process:

- ❑ After final approval of the check payments, **and prior to release of the checks**, the Finance/Payroll Coordinator shall generate a Positive Pay Export (under Bank Reconciliation). Options shall include: all bank account groups and include Vendor Name.
- ❑ The export file shall be saved to the network drive for archival purposes.
- ❑ The Finance/Payroll Coordinator shall log on to the Cash Manager System (Frost Bank) and upload the Positive Pay Export file.
- ❑ Exceptions, if any, will be sent by the bank via email.
- ❑ The Finance/Payroll Coordinator shall log on to Cash Manager to resolve any discrepancies. A decision of “pay” or “return” shall be selected in Cash Manager.
- ❑ Note. The Positive Pay decision cutoff is 12 noon. **The default decision if no action is taken is to “reject” the payment(s).**
- ❑ The Chief Financial Officer [or designees: Superintendent or Accounting Manager] shall be notified if potential fraud is detected, such as a check being presented with a different check number, payee name and/or check amount.

Segregation of Duties:

- ❑ The Administrative Assistant shall receive a copy of all purchase orders for the purpose of receiving all goods received in the Receiving Area (Administration Building). Note: The District uses a centralized receiving system, i.e. all goods must be received in the Receiving Area and not directly at a campus or department without prior authorization.
 - ❑ All items should be “checked-off” on the receiving report. The vendor shall be promptly notified of any discrepancies.
 - ❑ The quantity of items received shall be entered on the TXEIS receiving system.
- ❑ All checks should be endorsed by the data processing specialist or other staff member. The signature plates shall be maintained by the Chief Financial Officer. A jump drive (containing encrypted signatures of the Board President and Secretary) shall be maintained by the data processing specialist and the Chief Financial Officer. **Note: At no time shall the Finance/Payroll Coordinator have access to the endorsement signatures.**
 - ❑ The Finance/Payroll Specialist and Finance/Payroll Coordinator shall verify that all checks have two (2) board signatures prior to releasing the checks to vendors.

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- ❑ The Administrative Assistant shall verify that all checks are placement in the mail.
- ❑ The Finance/Payroll Coordinator shall reconcile all bank accounts with the general ledger using the on-line banking system. The “sealed” bank statements shall be delivered to and opened by the Chief Financial Officer. The Chief Financial Officer shall review and approve all bank reconciliations.
 - ❑ Endorsements on cleared checks should be checked on a periodic basis or at least for those items that appear suspect.

Control Environment:

- ❑ The Finance/Payroll Coordinator shall ensure that all check stock shall be maintained in a locked cabinet or room and shall be inventoried for the purpose of restocking when less than a two (2) month supply of checks is on hand.
- ❑ The Chief Financial Officer shall notify the depository bank when new signature cards are necessary due to a change in authorized signers.
- ❑ The Finance/Payroll Specialist shall maintain a log of all checks endorsed.
- ❑ The Finance/Payroll Coordinator shall ensure that all vendor statements are compared to historical vendor payments using a vendor check inquiry. Verified statements shall be filed throughout the fiscal year and filed at year end according to the Records Retention Schedule.
- ❑ All vendor files shall be filed by vendor name in alpha order (Individual names shall be filed by surname). “File Out” cards shall be used when check copies are removed from the files.
NOTE: Alternate colored copies of checks shall be filed to ensure that checks are maintained in the appropriate fiscal year files.
- ❑ All “stop payments” shall be authorized by the Chief Financial Officer.
- ❑ All “void” checks shall be approved by the Chief Financial Officer and filed in a separate file in check number order.
- ❑ All vendor refunds shall be deposited to the original expense account via a journal form. The Chief Financial Officer shall approve all journal forms.
- ❑ The Finance/Payroll Coordinator shall generate an Aged Purchase Order report by the 5th day of the following month. All aged POs should be researched to determine if the goods have not been received, not paid for, or the expense has not been liquidated.
- ❑ The Chief Financial Officer shall monitor the pending invoices and purchase orders work files to ensure that unmatched document are resolved on a timely basis.