

**(SCHOOL DISTRICT)
BUSINESS OFFICE
PROCEDURES MANUAL**

(Date)

TABLE OF CONTENTS

Section 1	Cash Management
Section 2	Expenditures – Purchasing
Section 3	Expenditures – Accounts Payable
Section 4	Payroll
Section 5	Revenue and Receivables
Section 6	Investments
Section 7	Fixed/Capital Assets
Section 8	Grant Programs
Section 9	Job Descriptions
	<ul style="list-style-type: none">• Accounts Payable Bookkeeper• Accounting Assistant• Payroll/Benefits Accountant

SECTION 1 CASH MANAGEMENT

A. POLICIES

1. At its annual (Month) organizational meeting, the (School District's) Board of Education authorizes all bank accounts and persons permitted to be designated as check signers.
2. On (Date), the Board of Education formally adopted a deposit policy that limits the school district's allowable deposits and addresses the specific types of risks to which the school district's cash assets are exposed.
3. Policies and procedures have been updated to reflect changes made necessary for the Check 21 Act as the Act pertains to returning substitute checks or check images rather than original cancelled checks.

B. CASH RECEIPTS

1. Incoming mail is opened by the Central Office Receptionist and checks are logged into a register by date received, issuer, check number, check amount and date given to the Accounting Department.
2. Check stubs are retained with back-up materials; if no stub is present, a copy of each check is retained. Proper account number is written on the stub or copy.
3. Receipts are logged into the accounting software by the Accounts Payable Bookkeeper. They are filed by computer-generated receipt number and by month. Deposits are made by individual departments (Food Service, Athletics, etc.) or by the Accounts Payable Bookkeeper. Amounts of cash receipts are verified when entered into the accounting software.
4. Deposit clips include three NCR copies; one copy is retained in the Business Office with explanation and account number written on it. The other two copies go to the bank with the check(s) and the bank returns one copy when the deposit is made. That copy is attached to the retained copy and other back-up materials.
5. Receipts are added to the cash sheet and compared to bank deposits and postings to cash receipts journals as entered and also during the monthly account reconciliation process.
6. Receipts of currency are deposited by individual departments after verification by two members of that department and receipts are sent to the Business Office. Cash register receipts are reconciled daily by each department. Cashing of checks out of cash register receipts is prohibited. Receipts are pre-numbered and issued in numerical sequence.

C. CASH DISBURSEMENTS

1. All disbursements, including payroll, are made by check except for small petty cash purchases.
2. Checks are numbered sequentially by the financial software package; check numbers are verified during check runs. Blank check stock is only available to Business Office employees and not to unauthorized users.
3. Checks are prepared by specified employees in the Business Office independent of those giving voucher and invoice approval. Employees preparing checks verify data to vouchers for accuracy.

4. Check requests are approved for payment by an appropriate official before checks are written in the Accounts Payable area. Checks are only made payable to a specific payee and are not written to “Cash” or “Bearer.”
5. A record of checks written is retained in a Disbursements Journal. Supporting documentation is marked as “Paid” to avoid duplicate payments.
6. Checks written in an amount of \$60,000 or more require a second signature from the Assistant Superintendent or Chief Financial Officer. The first signature, that of the school district’s Superintendent, is MICR-printed on the check during the printing procedure. Check signers are authorized by the Board of Education each (Month) at its organizational meeting. No authorized check signers have responsibility for voucher preparation, approval for payment, check preparation, cash receiving, petty cash, purchasing and receiving, or timekeeping for payroll records. Signing of blank checks is prohibited.
7. Voided checks are stamped with a “Void” stamp and retained.
8. All non-check disbursements, such as wire transfers, are approved by the Chief Financial Officer before they are made. If the amount is more than a pre-determined amount, the financial institution will call the school district to verify the amount with a designated party.

D. RECONCILIATIONS

1. Bank accounts are reconciled at the end of each month by the Accounting Assistant, who is independent of the Accounts Payable and Payroll functions. Bank statements are received unopened from banks for all accounts.
2. The Accounting Assistant compares dates and amounts of daily deposits on bank statements to the cash receipts journal as well as bank transfers and any items rejected by the bank due to non-sufficient funds, etc.
3. Reconciliation procedures include the following:
 - a. Comparison of bank statements with the disbursement journal for number, date, payee, and amount.
 - b. Review of sequence of check numbers
4. Checks outstanding for six months are investigated by the Accounting Assistant.
5. Upon completion of the reconciliation process, the Chief Financial Officer reviews the statements and approves adjustments to cash accounts.

SECTION 2 EXPENDITURES – PURCHASING

A. PURCHASING POLICIES

1. Purchases are made in accordance with applicable legal requirements. Except for small purchases made from petty cash, purchase orders are required for all purchases not made by a purchase card.
2. Competitive bids are required for all purchases costing over the current State of Michigan mandated amount.
3. Purchase orders are prepared by the Accounting Assistant upon receipt of a purchase requisition. In some instances, a purchase order may be prepared by the individual department and then forwarded to the Business Office for approval.

4. All purchase requisitions must be approved by an appropriate Building Administrator or Director. Purchase requisitions for items costing more than the current State of Michigan mandated amount must be approved by the Board of Education or its designee.
5. All purchase orders are reviewed and approved by the Chief Financial Officer. The Chief Financial Officer determines if an appropriation exists for the purchase contemplated and if a sufficient amount is available in the appropriation account.
6. Copies of purchase orders are distributed to the vendor, acquiring department and Receiving. A copy is retained in the Business Office.
7. The Accounting software package assigns purchase order numbers sequentially.

B. PURCHASE CARD POLICIES

1. The Purchase Card Policy applies to all faculty and staff members to ensure appropriate purchase card use in the event a purchase is made on a purchase card rather than through a purchase order.
2. Faculty and staff members are required to obtain their supervisor's approval prior to purchasing merchandise with a purchase card.
3. At the end of the normal monthly billing cycle, the cardholder is required to complete an online Expense Report reconciling all items purchased and attaches all receipts to the report.
4. The Expense Report is submitted to the cardholder's supervisor for approval and then forwarded to the Business Office.
5. All Expense Reports are downloaded by the Accounts Payable Department and imported into the financial software.

C. APPROVAL PROCESS FOR NEW VENDORS

1. All new vendors must be approved by the Chief Financial Officer prior to a requisition being approved or a purchase order issued.
2. After a vendor is approved, the Accounts Payable Department will assign a code to the vendor and the purchase order will be issued.

D. ENCUMBRANCES

1. All purchases for the current fiscal year are cut off on April 15th so that encumbrances can be properly recorded at year-end with the exception of necessary expenditures (i.e., graduation) made after that date.
2. Data is checked when processing encumbrances to assure that the amount on the approved purchase order matches the amount on the invoice.
3. Open purchase orders are closed at the end of the fiscal year to avoid carryover amounts.

E. RECEIVING

1. A copy of all purchase orders is forwarded to the recipient's building to be received by the designated staff member.
2. The designated person in the school building uses the purchase order and shipping documents to inspect items for condition and proper quantity.

3. The designated person in the school building sends paperwork back to the Purchasing and Accounts Payable Departments indicating shipments received and noting any errors in quantity received, damage, etc.
4. The Accounts Payable Bookkeeper matches receiving paperwork against invoices for payment.

SECTION 3 EXPENDITURES – ACCOUNTS PAYABLE

A. ACCOUNTS PAYABLE POLICIES

1. All vendor invoices are routed directly from incoming mail to the Accounts Payable Department where they are date-stamped.
2. Invoices are matched against receiving paperwork to determine that they are not duplicate invoices (duplicates are destroyed) and against approved copies of purchase orders.
3. All Payables are approved by the Chief Financial Officer either during the purchase order process or before a non-purchase order invoice is paid. The Chief Financial Officer also reviews and approves the invoice account distribution.
4. Original invoices are maintained in the Accounts Payable Department and copies are only distributed when requested.
5. Payments are generated from invoices only; payments are not made based on statements. Vendors' month-end statements are reconciled to record liabilities based on invoices accrued and reviewed for non-current invoice dates.

B. ACCOUNTS PAYABLE PROCEDURES

1. Invoices are separated into those that reference a purchase order and those that need approval from the Chief Financial Officer.
2. Upon proper approval, all Payables are entered into the business office software and checks are printed once a week.
3. Discounts, freight terms, etc., are checked for accuracy when Payables are entered into computer.
4. Checks are numbered consecutively by the software package.
5. Invoices are marked as "Paid" to prevent reuse.
6. Employees processing Payables are independent of those performing purchasing, receiving, inventory and general ledger functions.
7. Access to Accounts Payable functions is limited to those employees who have a logical need for access.

C. OTHER ACCRUED LIABILITIES

1. Detailed subsidiary ledgers for accruals and other liabilities are maintained and reconciled to the general ledger control accounts and are reviewed by the Chief Financial Officer.
2. Accruals and other liabilities are periodically reviewed for reasonableness.

SECTION 4 PAYROLL

A. PERSONNEL, EMPLOYMENT AND RATE AUTHORIZATIONS

1. Requests for new personnel are initiated only by department or building heads.
2. The Personnel Department requires an employment application to be completed by all applicants and conducts an investigation of prospective new hires that includes background and reference checks, fingerprinting and contact with former employers.
3. Classes of positions and corresponding pay rates are periodically reviewed by the Personnel Department, the Chief Financial Officer and union and association officials.
4. Personnel files are maintained for each employee. Files in the Personnel Department contain applications and reference investigations, information on hire date, original and updated pay rates and positions, earnings records and termination data where appropriate. A separate file of I-9 forms for all employees is maintained under separate cover. Files in the Payroll Department contain W-4 forms, authorizations for payroll deductions, information on pay rates and positions and benefit applications.
5. Written termination forms are required and exit interview forms are completed by the employee and supervisor.
6. Files in the Personnel and Payroll Departments are only accessible to employees working in that department.

B. PAYROLL PREPARATION AND TIMEKEEPING

1. Employees are responsible for maintaining their own time cards or time sheets and this is separated from payroll preparation.
2. Supervisors or building principals approve time cards before the cards are forwarded to the Payroll Department.
3. The Payroll Accountant uses attendance data on time cards as well as that entered into the computer system by the Attendance Secretary to determine paid or unpaid absences. He/She double-checks computation of hours on time cards and time sheets, reviews cards for approval by a supervisor or principal (including overtime hours,), notes any alterations on time cards and verifies pay rates.
4. Paychecks are numbered sequentially by the business office software package. The starting check number is verified before checks are printed. Check numbers are verified during the reconciliation process by the Accounting Assistant. Checks are MICR-signed by the printer with the Superintendent's signature.
5. Detail reports on white paper, rather than check stock, are printed for employees utilizing direct deposit of their net check.
6. Blank check stock is only accessible to employees in the Business Office.
7. Checks are drawn on an account separate from the general checking account.
8. Check stubs and direct deposit reports contain detailed information on gross pay, withholdings, and deductions.
9. All pay rates are entered into an appropriate distribution account and these are monitored bi-weekly by the Chief Financial Officer immediately after payroll is processed.

10. Voided or spoiled checks are marked "Void" and maintained in a file.
11. The Payroll Accountant reconciles gross and net pay amounts on tax returns to payroll registers monthly, quarterly, and annually.
12. After payroll is processed, the entire check run is given to the Accounting Assistant who places them in envelopes along with any documentation going to the employees. He/She then places checks in a locked file and they are distributed on payday by the Attendance Secretary/Receptionist.
13. Access to payroll records and materials is limited to those with a need for such access.

C. YEAR-END PREPARATION OF W-2s

1. W-2s are prepared by the Payroll Accountant.
2. The total of W-2 wages, including taxable fringe benefits, is reconciled to the general ledger and payroll register before W-2 information is printed or transmitted.

D. PAYROLL BANK ACCOUNT

1. A separate bank account is used for Payroll.
2. Deposits to the payroll bank account are compared to the payroll register during each pay period and during the reconciliation process.
3. Payment of wages in cash is prohibited.

E. PAYROLL WITHHOLDINGS

1. Procedures are in place to ensure that payroll taxes are paid when due (bi-weekly) and that payroll returns are filed as required.
2. Procedures are in place to ensure that other withholdings, such as 403(b) payments, direct deposits, cafeteria plan deductions, etc., are remitted in a timely manner, mostly on a bi-weekly basis.
3. Monthly payroll-related accruals are reviewed by the Chief Financial Officer for reasonableness and completeness.

SECTION 5 REVENUE AND RECEIVABLES

A. PROPERTY TAX AND INTERGOVERNMENTAL RECEIVABLES

1. Tax levies are established by the Board of Education in accordance with applicable legal requirements.
2. Receivables ledgers are balanced monthly to general ledger accounts.
3. Intergovernmental revenues are accrued each fiscal year in accordance with GAAP requirements.

B. INTERFUND RECEIVABLES AND PAYABLES

1. Interfund receivables and payables are properly authorized and are balanced on a monthly basis.
2. Interfund receivables and payables are classified as current and long-term as appropriate.

C. RECEIVABLES POLICIES

1. Reimbursement claims are filed and invoices prepared on a timely basis by the Accounts Payable Bookkeeper.
2. Claims and invoices are reviewed for accuracy by the Chief Financial Officer.
3. Receivables are recorded in the records at the time a claim is filed or an invoice is billed.
4. The receivables ledger is reconciled to the general ledger on a monthly basis by the Accounts Payable Bookkeeper and reviewed by the Chief Financial Officer.
5. Uncollected items are reviewed on a periodic basis by the Chief Financial Officer and written off upon his/her approval. A report of this action is sent to the Board of Education.
6. Credit balances in receivables are reviewed by the Chief Financial Officer with follow-up action taken by the Accounts Payable Bookkeeper.

SECTION 6 INVESTMENTS

A. INVESTMENT POLICIES

1. Authorization for acquisition and disposition of investments is vested with the (School District) Board of Education.
2. The Board of Education has formally adopted an investment policy that limits the school district's allowable investments and addresses the specific types of risk to which the school district may be exposed.
3. The Chief Financial Officer is charged with the responsibility of determining that investments are of the character and type permitted by legal requirements and that the income earned is dispersed for authorized purposes.

B. SAFEKEEPING

1. Securities are adequately protected in a safe deposit box. All persons having access to securities are authorized by the Board of Education.
2. All securities are held in the name of (School District).

C. RECORDKEEPING

1. Detailed records are maintained including the following information:
 - a. Date of acquisition, identification, purchase amount or cost
 - b. Physical location of item
 - c. Interest/dividend/income rates and accrual/receipt dates
 - d. Ownership by fund
2. Detail records are periodically reconciled to the general ledger control accounts and to broker/safekeeping statements by the Accounts Payable Bookkeeper. Reconciliations are reviewed by the Chief Financial Officer.
3. Investment income is recorded on a timely basis. Investment earnings are credited to the fund "owning" the investment. Any adjustments of investment accounts are approved by the Chief Financial Officer.
4. Calculations of fair value and investment income are periodically reviewed for accuracy by the Chief Financial Officer.

5. Recordkeeping functions for securities and income are performed by employees without access to physical securities, who can not authorize security transactions and do not have duties in the cash area. Access to computerized investment records is limited to those with a logical need for access.

D. OTHER RECONCILIATIONS

Periodic statements from outsiders or data resulting from independent requests by the State of Michigan or (School District's County) County are reconciled upon receipt to detail records.

SECTION 7 FIXED/CAPITAL ASSETS

A. PURCHASED ASSET POLICIES

1. Detail records or subsidiary ledgers are maintained for all assets and are integrated into the accounting system.
2. Custodians of assets are required to report any changes in their status such as transfers, sales, scrapping, obsolescence or excess.
3. Sales of assets are formally approved by appropriate officials.
4. Subsidiary ledgers are periodically balanced to control ledgers.
5. Written policies exist for differentiating between capitalizable additions, freight, installation costs, replacements and maintenance expenditures.
6. Whenever practical, assets are tagged or labeled with identification and are inventoried on a systematic basis with detail records adjusted as appropriate.

B. DEPRECIABLE ASSET POLICIES

1. Estimated life and method of depreciation is initially reviewed and authorized by a responsible official.
2. The computation of depreciation is reviewed by the Chief Financial Officer.
3. Estimated life is periodically reviewed for adequacy based on actual experience.

C. FIXED/CAPITAL ASSET POLICIES

1. Titles of sites, buildings, vehicles, etc., are held in the name of (School District).
2. Items are adequately safeguarded from loss due to fire, theft or misplacement.
3. Duties of initiating asset transactions, asset custody and recordkeeping are adequately separated.
4. Detailed fixed asset records are periodically reviewed by the Accounting Assistant, the Chief Financial Officer and the department acting as custodian of the asset.
5. Disposition or transfer of assets requires appropriate supporting documentation.
6. Periodic review and appraisal is completed to meet insurance considerations.
7. Access to computerized asset records is limited to those employees with a logical need for access.

SECTION 8 GRANT PROGRAMS

A. GENERAL POLICIES

1. Accounting procedures, chart of accounts and other records are structured to provide for identifying receipts and expenditures of program funds separately for each grant.
2. The accounting system used provides for accumulating and recording expenditures by grant and by cost category as shown in the approved budget.
3. A documented time schedule is in place for filing financial reports with grantors. Grant financial reports are prepared for required accounting periods and filed within the time period required by agencies. Reconciliations of grant financial reports are prepared, reviewed and approved before filing.
4. A determination is made that grant financial reports and claims for advances and reimbursement agree with supporting financial records and the general ledger.
5. When grant provisions or regulations impose requirements that differ from the school district's normal policies and procedures, employees utilizing the grant are given written notification.

B. PROGRAM RECEIPTS

1. The school district holds grant agreements that provide for funding under requests for advance payment or letter of credit.
2. The school district has procedures in place, including cash requirement projections, which minimize the time between the transfer of funds from the Federal government and disbursement of those funds. The Chief Financial Officer approves requests for advances or reimbursements from grant funds.
3. Federal funds are accounted for through grant-loan fund control accounts.
4. The school district's calculation of Federal funds required considers updated estimates of allowable program costs.

C. PURCHASING

1. The Chief Financial Officer reviews costs charged to direct and indirect cost centers in accordance with applicable grant requirements and applicable Federal management circulars pertaining to cost principles.
2. In the event that grant-loan agreements or regulations impose requirements that differ from the school district's normal policies, such as competitive bid requirements, these differences are communicated to appropriate employees.

D. DIRECT PROGRAM EXPENSES

1. The school district has established policies and procedures that preclude charging Federal award programs with unallowable costs and expenditures in compliance with the terms of OMB Circular A-87.
2. For awards or programs with matching requirements, levels-of-effort or earmarking limitations, the Chief Financial Officer monitors activities to ensure that requirements and limitations are met, and that amounts claimed or used for matching are determined in accordance with applicable laws and regulations in OMB Circular A-87 and the Common Rule.

E. PAYROLL

1. To meet grant requirements, the school district has in place written personnel policies covering job descriptions, hiring procedures, promotions and dismissals.
2. All wages paid for grant activities are paid at or above the Federal minimum wage.
3. The school district has a written non-discrimination policy in place prohibiting discrimination based on race, sex, age or marital status in its employment practices.

F. PROPERTY AND EQUIPMENT

The school district's depreciation policies or methods of computing use allowances are in accordance with the standards outlined in Federal circulars or agency regulations.

G. INDIRECT COSTS

1. The school district has an indirect cost allocation plan or negotiated indirect cost rate prepared in accordance with the provisions of OMB Circular A-87.
2. Audit cognizance of the plan has been established and the rates are acceptable to all participating Federal and State agencies.
3. The school district has procedures in place that provide reasonable assurance that consistent treatment is applied in the distribution of direct and indirect charges to all grants.