

Policy

PAYMENT FOR GOODS AND SERVICES

Before warrants signed by the president, board secretary and treasurer of school moneys may be issued in payment of bills or claims, the bill or claim must be properly audited and approved according to law.

In general, bills or claims shall be audited by the board secretary and approved by resolution of the board. However, in order to provide for the prompt payment to which vendors are entitled, and which leads to more effective competitive bidding and provision of services to the district, claims duly audited by the board secretary for items previously approved by the board or provided for in the budget may be approved by the Superintendent or the Board President. Such payments shall be reported to the board at the next regular meeting.

Items not previously approved by the board or provided for in the budget must be audited by the board secretary and presented for board approval.

Purchase Orders

The district will carefully monitor payments for invoice amounts that are greater than the approved purchase order, in order to avoid over-payments. A new purchase order will be issued (and the original purchase order voided) when the adjusted amount unreasonably exceeds the original purchase order amount. In no instance shall an adjustment be made to a purchase order that changes the purpose or vendor of the original purchase order or the bid award price. Any adjustments in excess of 10% of the original purchase order amount require a written explanation and approval by the Superintendent and Business Administrator.

Financial Systems to Avoid Over-Payments

Pursuant to N.J.A.C. 6A:23A-6.10, the district will program its financial systems to avoid over-payments by:

- A. Limiting system access so that only appropriate staff may make purchase order adjustments;
- B. Rejecting adjustments in excess of any established approved thresholds;
- C. Preventing unauthorized changes to be processed;
- D. Rejecting payments where the sum of the invoice amount plus any previous invoices charged to the purchase order exceeds the sum of the original purchase order;
- E. Rejecting duplicate purchase order numbers;
- F. Rejecting duplicate invoice numbers; and
- G. Preparing an edit/change report listing all payments made in excess of the approved purchase order amount.

The business administrator shall review on a monthly basis edit/change reports listing all payments made in excess of the originally approved purchase order amount to ensure that all payments are properly authorized.

PAYMENT FOR GOODS AND SERVICES (continued)

Date: **Reviewed: September 17, 2008; February 17, 2010; January 19, 2011**
Readopted: October 22, 2008; April 14, 2010; March 23, 2011

Legal References: Use legal reference sheet.

Cross References: List your appropriate policies. See legal reference sheet for possibilities.

Key Words

Payment for Goods and Services, Bills

X Monitored

 X Mandated

 X Other Reasons

Legal References

PAYMENT FOR GOODS AND SERVICES

QSAC Monitored:

Section 4: Fiscal Management

Mandated:

N.J.A.C. 6A:23A-6.10 ("accountability regulations") requires that school districts adopt policy to (a) have a financial system programmed to prevent excess payments and (b) establish an approval process to avoid remittance of payments for invoice amounts that are greater than the approved purchase order. These are mechanisms to ensure the efficient expenditure of budgeted funds.

Other Reasons:

N.J.S.A. 18A:19-1, -2, -4 and -4.1 permit boards to choose among several methods of approving bills for payment. The intention is to speed the process so districts can take advantage of discounts, and to encourage more vendors to bid.

Recommendation:

A policy stating procedures to be followed in approval of bills for payment.

<u>Legal References:</u>	<u>N.J.S.A. 18A:19-1</u>	Expenditure of funds on warrant only; requisites
	<u>N.J.S.A. 18A:19-2</u>	Requirements for payment of claims; audit of claims in general
	<u>N.J.S.A. 18A:19-3</u>	Verification of claims
	<u>N.J.S.A. 18A:19-4</u>	Audit of claims, etc., by secretary; warrants for payment
	<u>N.J.S.A. 18A:19-4.1</u>	Account or demand; audit; approval
	<u>N.J.S.A. 18A:19-9</u>	Compensation of teachers, etc., payrolls
	<u>N.J.S.A. 18A:22-8.1</u>	Transfer of amounts among line items and program categories
	<u>N.J.A.C. 6A:23A-6.10</u>	Financial system and payment approval process
	<u>N.J.A.C. 6A:23A-16.8</u>	Petty cash funds

Possible

<u>Cross References:</u>	*3320	Purchasing procedures
	*3451	Petty cash funds
	*3453	School activity funds
	4142	Salary checks and deductions
	4242	Salary checks and deductions

*Indicates policy is included in the Critical Policy Reference Manual.