

COMMERCIAL WARRANTS CLAIM MANUAL

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OVERVIEW

County Superintendents of schools are charged with the responsibility to determine the legality of expenditures for school districts within their counties.

EC 42636

Examination and Approval of District Orders

The county superintendent of schools may examine each order on school district funds transmitted to him or her, in the order in which it is received in his or her office. If it appears that the order is properly drawn for the payment of legally authorized expenses against the proper funds of the district, and that there are sufficient moneys in the fund or funds against which the order is drawn to pay it, the county superintendent shall endorse upon it "examined and approved," and shall, in attestation thereof, affix his or her signature and number and date the requisition and transmit it directly to the county auditor, in the order in which the order is received in his or her office. The county superintendent may prescribe alternative methods for districts determined to be fiscally accountable pursuant to Section 42650.

EC 42635

Submission of District Orders to Pay

Each order drawn against the funds of a school district shall be transmitted to the county superintendent of schools, and, if approved and signed by him shall become a requisition on the county auditor. The county superintendent may prescribe alternative procedures for districts determined to be fiscally accountable pursuant to Section 42650.

EC 42636

Sufficient Cash Balances

Only orders to pay drawn upon proper funds with sufficient cash balances will be approved for payment.

EC 42634

Required Contents of District Orders to Pay

Each order drawn against the funds of a school district shall be numbered and shall state: (a) the particular fund or funds of the district against which it is drawn, (b) the amount of the payment to be made from each fund, and (c) the rate of salary and the period of service of any employee of the district for whom an order is issued for payment of salary or wages. If drawn for any purpose other than the payment of salaries or wages of school district employees, the order shall be accompanied by an itemized bill showing the separate items and the price of each. Notwithstanding that requirement, if the county superintendent of schools determines that including an itemized bill with the order is impractical under the system of payment utilized, the itemized bill showing the separate items and the price of each shall instead be retained by the school district and shall be available for audit as directed by the county auditor.

EC 42632

Authorized Signatures on District Orders to Pay

Each order drawn on the funds of a school district shall be signed by at least a majority of the members of the governing board of the district, or by a person or persons authorized by the governing board to sign orders in its name. No person other than an officer or employee of the district shall be authorized to sign orders.

Reference

EC 42638

Disapproval of District Orders to Pay

(a) If the order is disapproved by the county superintendent of schools, it shall be returned to the governing board of the school district, except as otherwise provided in this code for the registration of warrants, with a statement of his or her reasons for disapproving the order.

(b) If the county superintendent determines that there is evidence that fraud or misappropriation of funds has occurred, the county superintendent shall notify the governing board of the school district, the State Controller, the Superintendent of Public Instruction, and the local district attorney.

EC 42647

Fiscal Independence

With the approval of the Superintendent of Public Instruction, the governing board of a unified school district, or district with over 10,000 average daily attendance, may cause to be drawn all warrants on the county treasury against all the funds, except debt service, of the district in the county treasury in the payment of the expenses of the district.

This status is applied for with and approved by the state Superintendent of Public Instruction, which when approved transfers the legal responsibility of processing expenditures from the county office of education to the district.

EC 42650

Fiscal Accountability

With the approval of the county superintendent of schools, the governing board of a school district may cause warrants to be drawn on the county treasury against designated funds, except debt service, of the district in the county treasury in the payment of expenses of the district.

This status is applied for with and approved by the County Superintendent of Schools and the County Auditor. It operates similarly to the Fiscal Independence status but can be revoked by either the County Superintendent of Schools or the County Auditor at any time without prior approval of the state Superintendent of Public Schools.

California
Constitution
Article 16,
Section 6

Gift of Public Funds

The use of public funds is strictly defined in the California State Constitution. The gift of public funds, such as any expenditure which benefits an individual or small class of individuals only, with no benefit to all of the residents of the political entity is prohibited. The purpose of the expenditure, not the recipient, is the most important factor to be considered. An expenditure which does not have an obvious benefit or connection to education of the district's pupils should be carefully reviewed. For purposes of approval of district orders for payment, a governing board's expenditure of funds will not be considered a gift of public funds if one of the following is true:

- The Legislature has provided that a school board must or may make such an expenditure;
- The expenditure falls under a specified exemption (e.g., joint powers agreement);
- The district's governing board has determined that the expenditure serves a public education purpose.

Reference

Districts should consult legal Counsel if they believe an expenditure could be construed as a gift of public funds. Before making an expenditure that could be construed as a gift of Public funds, the governing board should adopt a resolution stating that it has determined that such an expenditure benefits the public. The resolution should also state the general reasons that the board has determined that the expenditure serves a public purpose.

Even if an expenditure incidentally benefits an individual, it is not a gift if it serves a public purpose of the district. The public purpose must be something more tangible than abstract “goodwill” or “public relations”. It is up to the school district governing board to determine that it has a legitimate public purpose other than mere goodwill to justify a public expenditure. The giving of flowers or items to convey sympathy or meet a perceived moral obligation will not justify a school district expenditure.

Reference

PUBLIC BIDDING

PCC 20111

Basic Rules for Public Bidding

Public Contract Code Section 20111 specifies the threshold at which school districts and community colleges must competitively bid certain types of contracts and purchases.

The State Superintendent of Public Instruction (SSPI) is required to annually adjust the bid limit amount specified in Section 20111(a). The current limit can be found at the following web site:

<http://www.cde.ca.gov/fg/ac/co/bidthreshold122007.asp>

This limit applies to all contracts if they involve any of the following:

- Equipment, materials, or supplies
- Services (except construction services)
- Repairs, including routine maintenance, landscaping, and minor repainting

Contracts for public construction projects for \$15,000 or more must be bid if they involve the construction, reconstruction, repair, or painting of facilities (“public projects”) as defined by PC Section 22002(c).

All bid contracts must be awarded to the lowest responsible and responsive bidder who provides the required security, or all bids must be rejected.

Payments for materials and supplies cannot be processed if the district has not complied with applicable competitive bidding requirements. Consult legal counsel for information concerning bidding requirements. Schools Legal Service has detailed information available concerning competitive bidding requirements.

PCC 20112
EC 81641

Notice to Bidders

The notice requirements for public works bids are different for districts which have adopted alternative bidding procedures under the Uniform Public Construction Cost Accounting Act. Those districts can take advantage of certain informal procedures for public works projects of up to \$125,000. Note that for projects which exceed that threshold, a longer time frame is required than for non-UPCCAP districts (publication is required only once, but 14 calendar days prior to bid opening, and notice must be mailed to the specific trade journals at least 30 calendar days prior to bid opening.)

For the purpose of securing bids the governing board of a school district shall publish at least once a week for two weeks in some newspaper of general circulation published in the district, or if there is no such paper, then in some newspaper of general circulation, circulated in the county, and may post on the district's Web site or through an electronic portal, a notice calling for bids, stating the work to be done or materials or supplies to be furnished and the time when and the place and the Web site where bids will be opened. Whether or not bids are opened exactly at the time fixed in the public notice for opening bids, a bid shall not be received after that time. The governing board of the district may accept a bid that was submitted either electronically or on paper.

Reference

PCC 20116
PCC 20657

Splitting Bids

It shall be unlawful to split or separate into smaller work orders or projects any work, project, service, or purchase for the purpose of evading the provisions of this article requiring contracting after competitive bidding.

It is not the cost or size of a contract that must be analyzed to determine when competitive bidding is required, but rather the extent of a project, work, service, or general scheme, taken as a whole. There are recognized legitimate purposes for separately bidding elements of certain projects where the purpose is not to avoid competitive bidding requirements. In particular, if we receive documentation which indicates a purchase or project was initially considered a single transaction exceeding the competitive bidding threshold, and payment is then requesting for separate elements of the initial single project, without competitive bidding, we may require evidence demonstrating why this should not be considered an improperly split bid. Consult legal counsel to advise you on this subject.

A warrant request may be rejected without submission of documentation demonstrating an appropriate purpose for separately bidding or splitting what could be considered a single project. A legal opinion may be required in certain cases.

Exceptions to Bidding Requirements

There are some specific statutory exceptions to the competitive bidding requirements. The following are discussed further in the Audit Requirements section of this Manual.

Emergency Repairs - PCC 1102 & 20113/20654
Piggyback Purchases (Purchase through other Public Agencies) - PCC 20118 & 20652
Educational Materials - PCC 20118.3 & EC 81651
Energy Service/Conservation* - GC 4217/15814/EC 81660
Perishable Foodstuffs - EC 38083 & PCC 20660
Electronic Data Processing Systems – One of three lowest bidders, or in the case of community colleges, one of three lowest responsible competitive proposals - PCC 20118.1; Sole Source - where bidding is unavailing
Specialized Services – GC 53060

* Competitive process recommended and failure to do so may jeopardize School Facilities Program funding

Alternatives to Bid Requirements

Following are some alternative procurement processes available to school districts that provide limited authority to contract for goods or services without bidding or with a higher bidding threshold:

California Uniform Public Construction Cost Accounting Act – PCC 22030
California Multiple Awards Scheduled (CMAS) - PCC 10290
State Computer Store - PCC 12109
Sale and Lease-Back - EC 17597
Western States Contracting Alliance (WSCA) - PCC 10299(b)

Reference

PROCEDURES
 EC 42636

Audit Procedures – General

School districts are ultimately responsible for ensuring the propriety of expenditure of district funds. The audit function at the Kern County Superintendent level should not be considered a substitute for the district’s own system of internal controls. The Kern County Superintendent of schools has established a pre-release audit review process designed to assist school districts in processing commercial expenditure claims that are in conformance with legal requirements and sound business practices.

District expenditures must not violate any local, state or federal laws. District expenditures must also comply with the district’s established board policies. As a general rule KCSOS will not verify compliance with governing board policies unless a policy has been determined to be a pre-requisite for a legal expenditure. For instance, legal counsel has opined that the payment of tips is not proper in the absence of authorizing board policy.

The normal practice is to audit approximately five percent (5%) of EACH district’s commercial warrants on a sampling basis. This percentage is increased up to one hundred percent (100%) when a significant numbers of coding errors, improper payments, or documentation problems are encountered. The sampling percentage is reduced after the district demonstrates the problems have, as a matter of routine, been corrected.

Below is a table that reflects the emphasis of the KCSOS sampling plan:

Code	Component	Begin Range	End Range	Amount	Description
A	Any	0000	9999	25,000	Any warrant over \$25,000
B	Object	5200	5299	2,500	Any warrant charging more than \$2,500 to objects 5200 thru 5299
C	Object	5600	5699	2,500	Any warrant charging more than \$2,500 to objects 5600 thru 5699
D	Object	6100	6299	0	Any warrant charging objects 6100 thru 6299
E	Object	6000	6999	5,000	Any warrant charging more than \$5,000 to any other 6000 object
F	Object	7000	9999	0	Any warrant charging objects 7000 thru 9999
G	Object	5200 5600 5800	9999	0	Random warrants based on percentage set for district
H	ANY	0000	9999	0	Any warrant to a district selected for 100% sampling
I	Any	0000	9999	500	Warrant over \$500 to a vendor whose ID matches that of a district employee (do not change code)
J	Object	5800	5899	2,500	Any warrant charging more that \$2,500 to objects 5800 thru 5899
K	Any	0000	9999	0	Any warrant paid to a specified vendor
L	Any	0000	9999	0	Piggyback Contracts
M	Any	1000	2999	0	Any warrant charging objects 1000 thru 2999

Reference

Once the Accounts Payable batch is ready for submission, the district will place batch in "Held for Audit" status and then run the **Accounts Payable Sampling** report. This report generates a list of warrants that require back-up documentation to be submitted to KCSOS for audit. Districts must submit supporting documentation for ALL sampled warrants listed on this report. Documents will not be returned to district and are responsible for keeping supporting documentation on file for all warrants processed.

KCSOS will re-evaluate the auditing process on an on-going basis and will make changes in the audit procedures where and when needed.

Districts are required to submit the following to KCSOS:

- B-Warrant Authorization for Payment form with Authorized signature
- Accounts Payable Batch Prelist in "Held for Audit" status
- Accounts Payable Sampling Report
- Back-up Documentation for all items listed on Sampling Report
- Back-up documentation for all Pay Applications (Construction)

Audit Procedures – KCSOS Staff

The following audit functions must be performed by KCSOS staff on sampled commercial warrants. Warrants will be rejected due to errors identified through the following tests.

- Verify authorized signature on 'B' Warrant Authorization for Payment
- Verify sufficient cash balances to cover warrants
- Itemized listing or invoice of purchase included. (Must include descriptions, not just stock numbers)
- Invoices/Itemized listings must be readable
- Invoices/Itemized listings are mathematically accurate
- Nature of expenditure must be legal and not a gift of public funds
- Expenditure charged in accordance with the California School Accounting Manual
- Previous balances can not be paid.
- Warrant payee agrees with supporting documents and Warrant Register
- Consultant payments are valid independent contractor payments and not required through payroll
- Purchases of land & buildings has been approved
- Progress and payment history of construction projects have been documented.
- Bid requirements have been met
- Emergency repairs exceeding bid limits have been approved by the district governing board and County Superintendent of Schools
- Verify Travel Expenses based on the District's own Board Policy and IRS regulations

Problem Resolution – Education Code 42638 requires the county superintendent of schools to include with any disapproved warrants, a statement to the governing board of the reason for disapproval. This written statement should be signed by the Kern County Assistant Superintendent of Business or the Director of District Financial Services. Prior to disapproval of warrants staff should request additional information/supporting documents that will allow release of the warrant. The district may choose to cancel the warrant and re-submit at a later date.

Any warrant errors not exceeding \$25 shall be approved for payment. The district shall be notified of the error upon release of the warrant.

Reference

EC 42600

District Budget Restriction on Expenditure

The total amount budgeted as the proposed expenditure of the school district for each major classification of school district expenditures listed in the school district budget forms prescribed by the Superintendent of Public Instruction shall be the maximum amount which may be expended for that classification of expenditures for the school year.

District orders to pay will be processed if they exceed board approved appropriations by major object code within a particular fund. However, both the superintendent and the governing board president will be notified in writing of the need to increase approved appropriations to cover the expenditures.

Fund Establishment

Districts may establish and maintain only those funds authorized by statute and listed in the California School Accounting Manual. Certain fund types are required to be used when specific activities are conducted by a district. Districts should refer to the California School Accounting Manual for a current and complete listing of the fund types available for use.

To set up a new fund, the district's governing board must approve a resolution specifying the purpose(s) of the fund. The resolution, along with a letter addressed to the Auditor-Controller, must be filed with KCSOS prior to the date the fund will be needed by the district. KCSOS will notify the County Auditor-Controller and Treasurer. Blank copies of resolutions are posted on the KCSOS web page.

Submission/Release Timelines

KCSOS processes regular Commercial Warrant runs each business day on a "first come, first serve" basis. However, there is no "run" on the last day of the month so all districts must submit batches 5 business days prior to the end of the month for warrants to be printed and released that month. KCSOS will make every effort to process, print, and release all warrants within 5 business days. In the event that KCSOS will not be able to meet the scheduled release on a batch that as submitted on a timely basis, the districts will be notified prior to the scheduled release date. Districts should notify KCSOS at that time if there are any urgent payments needing special handling.

Supporting Documentation

Districts are technically not required to provide invoices or receipts as support for authorized expenditures. Districts are required, however, to provide an itemized listing of what is being paid for. In most cases an invoice, purchase order or vendor receipt is the most efficient way to provide such an itemized listing. We recommend you provide these documents rather than try to create a satisfactory itemized listing.

In general, documentation for commercial warrants must establish the **specific nature** of what is being paid for, the **amount** required to be paid, the **business purpose**, the **account** to be charged, the **proper payee** (including reporting requirements) and the proper **authorization** for the expenditure.

The documentation requirements will vary somewhat depending on the nature of the expenditure. Payments for construction will require different documentation than travel and conference. In the "Audit Requirements" section of this manual the specific documentation

Reference

requirements are listed on the topics covered.

Obviously, itemized billings (recommend vendor invoices) must be readable in order to properly support payments of public funds. Completed itemized supporting documents (referred to as invoice) should include the following details when applicable:

- Name of firm/person and address submitting the invoice.
- Name of School district
- Date of invoice
- Number of school district purchase order if applicable
- Special terms and discounts
- Description of each item, not just stock numbers.
- Quantity
- Unit Quantity (dozen, gross, pound, etc.)
- Unit price
- Extended price
- Hours and rates for labor charges
- Subtotal of amounts subject to tax
- Amount of sales tax
- Account lines charged

Reference

WARRANTS

EC42649.5

Warrants – General Procedures

Kern County Superintendent of schools operates fiscally independent from the County of Kern in that warrants are issued and signed by the County Superintendent of Schools rather than by the County Auditor.

As school district Orders to Pay are processed, the County Superintendent issues warrants against a bank account maintained by the County Treasury. As warrants are processed funds are transferred to a clearing fund to cover bank redemptions. As warrants are redeemed by the bank the County Treasurer transfers funds from the clearing fund to the bank.

Commercial warrants are printed as processed for input by school districts with the funds being transferred upon the printing of warrants. Schools submit Accounts Payable Pre-lists (including a signed Order to Pay) along with audit sample supporting documentation. KCSOS performs pre-release audit procedures on the warrants and funds are transferred out of the clearing fund back to the district for any warrants cancelled as part of the pre-release audit procedures.

Offline Districts

Districts not on the KCSOS Financial System are required to submit their electronic files each Accounts Payable run through the FTP (File Transfer Protocol) process. The required files the districts must submit are the Check, Detail, and Bank files. In addition to these FTP files, the districts are also required to submit the following items:

- An approved copy of the Register with an Authorized signature
- Two copies of the Control report
- Bank report which reflects the FTP Bank file
- All required back-up documentation

Warrants are processed using a “Positive Pay” system where KCSOS sends a data file of all warrants issued to the bank. The bank uses this file to identify any warrants presented for payment that are not in agreement with the KCSOS issue files.

Each offline district will have their warrant numbers confined to a specific range as assigned by KCSOS. This insures that the same warrant number will not be issued but multiple districts.

Reference

Canceling a Warrant

The need to cancel a warrant may be necessary for a multitude of reasons and originated by either the district or the County Office of Education. Canceling a warrant involves the posting of a transaction on the financial system to void an outstanding warrant. It should not be confused with the process of placing a stop payment with the bank to keep a check from being redeemed by the bank.

District Canceling with return of Warrant

If the district needs to cancel a warrant as a result of an error in processing and has possession of the check, they will need to return it to the KCSOS District Financial Services Unit with the "Cancellation of Warrants" form filled out. KCSOS will do a transfer to return the money to the district using object code 9510.02. The district will use this acct code to reissue if needed. KCSOS will cancel the warrant at the bank.

KCSOS Canceling of Warrant

If the KCSOS is canceling a warrant for disapproval or any other reason, a notice will be sent to the district upon processing the cancellation.

Reference

Lost/Destroyed Commercial Warrants

If a warrant is lost either by a vendor or the district, a request for a Stop Payment should be sent to KCSOS immediately. The warrant will be canceled and replaced only **after** the following events occur: (1) KCSOS receives an “Affidavit to Secure County Warrant Declaration of loss or Destruction of Original County Warrant” from the payee/vendor, and (2) KCSOS verifies the warrant has not been cashed.

If a warrant is lost in the U.S. mail, an Affidavit may not be processed until (10) calendar days have elapsed.

Reference

Stolen/Forged Commercial Warrant

If a payee/vendor reports to the district that a warrant belonging to them has been stolen/forged, the district should immediately contact KCSOS District Financial Services with the following information:

- Payee/Vendor Name, Phone number and Address
- Warrant Number
- Warrant Payment Date
- Amount of Warrant

Payee will request a Forged Check Affidavit from the Kern County Treasures Office. After the bank's affidavit is signed and notarized, the Treasures Office will work with the District Attorney's Office to retrieve the funds from the bank.

When the bank has returned the retrieved funds to Kern County Treasures Office, KCSOS will distribute the funds back to the district and the replacement warrant will be reissued to the payee/vendor by the district.

Reference

Copy of Warrants

Districts will, on occasion, need copies of warrants to provide proof of payments under court orders or from vendors. To request copies of redeemed warrants please contact KCSOS District Financial Services at 661-636-4693 with the following information:

- Warrant Number
- Warrant Payment Date
- Amount
- Payee

KCSOS receives images of warrants redeemed during the previous month from which copies can be printed. Images are also available of warrants redeemed during the current month online if needed. The charge for this service is \$7.00 per copy. This charge is billed semi-annually in January and July.

Reference

Stale Dated Warrants

KCSOS Stale dates warrants that have been outstanding more than six months. As these warrants Stale date the funds are taken out of the warrant clearing fund and given back to the district. KCSOS will send an email to the districts to let them know that the stale dated warrants have been posted to the financial system (QSS). The money will be given back to the districts in their general fund, object code 8699

Districts will use commercial warrants to re-issue payments for previously stale dated warrants even if the original warrant was a payroll warrant. This is because no payroll adjustments are made when “stale dating” payroll warrants. Only the net check amount is given back to the district as current year “Income”.

Reference

Stop Payments

A Stop Payment is a process to notify the bank that a particular warrant should not be paid. It does not Cancel the warrant in the KCSOS Financial System. The bank has asked that whenever a warrant is lost or believed to be stolen a Stop Payment be processed immediately with the bank to keep the warrant from being improperly redeemed. To initiate a Stop Payment the district must submit (FAX acceptable) an "Affidavit to Obtain Duplicate of Lost or Destroyed Warrant". Blank Affidavit forms can be obtained from KCSOS District Financial Services or from the KCSOS web page.

If a lost or stolen warrant has already been cashed the KCSOS District Financial Services Unit will notify the district. The district will then have to follow the procedure for a lost or stolen warrant

When the bank has successfully retrieved the funds they will be credited to the KCSOS bank account, at which time KCSOS will distribute the funds to the district and the district will issue a new check to the payee.

The bank charges a fee for Stop Payments so requests for Stop Payments should not be made when warrants are known to have been destroyed. The charge for this service is \$5:00 for payroll warrants and \$2:00 for commercial B warrants.

Reference

AUDIT REQUIREMENTS

GC 53060

Attorneys/Legal Services

Contracts for this type of service are not subject to competitive bidding requirements as a professional service.

Documentation of services provided for legal services may be absent of details explaining the nature of the services performed. This can be the case when the attorney and district have determined the district could be adversely impacted should the nature of the work be disclosed.

Minimum Documentation

- Order to Pay with Authorized Signature
- Invoice or Itemized Billing

Reference

GC 53060

Auditors / Accountants / Other Special Services

Contracts for auditing and accounting services, and other special services and advice in financial, economic, accounting, engineering or administrative matters are not subject to competitive bidding where the consultant is specially trained and experienced and competent to perform the special service required, and the service cannot be performed by existing classified employees. Districts should be careful to observe any 'contracting out' requirements, if applicable, under education code section 45103.1."

EC 41020

If the governing board of a local educational agency has not provided for an audit of the books and accounts of the local educational agency by April 1, the county superintendent of schools having jurisdiction over the local educational agency shall provide for the audit of each local educational agency.

A copy of the contract must be filed with KCSOS upon entering into each new agreement.

The agreement must include a provision to hold back the final ten percent (10%) of fees until after certification by the State Controller that the report conforms to the reporting provisions of the Audit Guide.

Minimum Documentation

- Order to Pay with Authorized Signature
- Invoice or Itemized Billing
- State Controller certification for final payment

Reference

EC 35160	<p><u>Awards</u></p> <p><u>Community Member Recognition (Non-Employees)</u></p> <p>School districts may purchase commemorative awards and gifts in recognition of service to the district by non-employees, organizations, and firms when the purpose of such award is to promote services to the district and the cost is reasonable. The awards must be of negligible intrinsic value; i.e., their value to the recipient must be limited to their token value as an expression of district appreciation for significant contributions or assistance to the district.</p> <p>See also the section on Gifts of Public Funds (goodwill alone is insufficient to justify an expenditure of public funds).</p>
EC 44015	<p><u>Employees/Pupils</u></p> <p>The governing board of a school district may make awards to pupils for excellence. The governing board may make awards to employees who do any of the following:</p> <ul style="list-style-type: none">• Propose procedures or ideas which thereafter are adopted and effectuated, and that result in eliminating or reducing district expenditures or improving operations.• Perform special acts or special services in the public interest.• By their superior accomplishments, make exceptional contributions to the efficiency, economy or other improvement in operations of the school district. <p>Before any such awards are made pursuant to this section, the governing board shall adopt rules and regulations. The board may appoint one or more merit award committees made up of district officers, district employees or private citizens to consider employee proposals, special acts, special services or superior accomplishments and to act affirmatively or negatively thereon or to provide appropriate recommendations thereon to the board.</p> <p>Any award granted to an employee that may be made by an awards committee under adopted district rules shall not exceed two hundred dollars (\$200), unless a larger award is expressly approved by the governing board.</p>
	<hr/> <p><u>Minimum Documentation</u></p> <ul style="list-style-type: none">• Copy of approved board policy• Order to Pay with Authorized Signature• Minutes of specific board approval for employee awards exceeding \$200• Invoice or Itemized Billing

Reference

EC 35160

Credit Cards and Procurement Cards

School districts may obtain credit cards in the name of the district for use by authorized employees and officers under the permissive authority of the Education Code. Governing board approval is required before opening a credit account and charges should only be made for legal expenditures of the district.

Governing board policy and administrative regulations should be established on the opening and use of such cards.

It is recommended that school districts contract for a review of their intended credit card program by their independent auditor prior to implementation.

Only charges that can be reimbursed from district funds should be made on a charge account. (must be legal, serve a valid public purpose, no personal items)

Documentation requirements are the same for credit cards as other expenditures of the district. A credit card statement or even credit card slips will likely not provide a sufficient itemization of expenditures.

Minimum Documentation

- Order to Pay with Authorized Signature
- Itemized credit/card invoice or billing that contains an adequate description of the purchase and business purpose. The individual identified as being responsible for the account must review the invoice and supporting documentation and verify the propriety of all expenditures.

Reference

EC 35213

Damaged, Lost or Stolen Personal Property Reimbursements

Governing board authority for reimbursements of lost, damaged or stolen property may be provided by policy, resolution, or specific board action.

The governing body of a school district may provide by rule or regulation for the reimbursement of any person or persons for the loss, destruction, or damage by arson, burglary or vandalism of personal property used in the schools of the district. Reimbursement shall be made only when approval for the use of the personal property in the schools was given before the property was brought to school and when the value of the property was agreed upon by the person or persons bringing the property and the school administrator or person appointed by him for this purpose at the time the approval for its use was given. The governing body may establish a maximum value of reimbursement which will be paid.

Reimbursements may be made to employees or to non-employees of the district.

Minimum Documentation

- Order to Pay with Authorized Signature
- Invoice/Itemized billing for cost of repair, replacement
- Copy of board policy or specific board action authorizing reimbursement.

Reference

GC 53245
PC 13600

Deceased Employee Wage Payments

There are special approval, processing, and reporting requirements for final wage payments of a deceased school district employee. Wages due for services performed but unpaid at the time the employee died are taxable income to the estate or beneficiary of the employee.

The deceased employee's wages are NOT subject to Federal or State Tax. They are subject to Social Security, Medicare, and or STRS/PERS if they are paid in the year the employee dies. If they are paid in the year after the employee's death the wages are not subject to SS or Medicare.

The payment (B-warrant) will be made to the beneficiary or the estate in the amount of gross pay earned less the Social Security, Medicare, and or STRS/PERS deductions. Separate Warrants are also issued for the Social Security, Medicare and or PERS/STRS for both employee and employer sides. A 1099 will be issued to the beneficiary or estate for the amount of the net wages.

The district payroll department needs to make a pay history adjustment to reflect the Social Security, Medicare, STRS, or PERS contributions to the deceased employee's pay history to make the W-2 accurate.

Minimum Documentation

- Order to Pay with Authorized Signature
- An immediate payroll check request that calculates the final pay of the employee
- A completed designation of declaration form that indicates the beneficiary
- A completed Form W-9 for the beneficiary

Reference

EC 35330

Field Trips

The governing board of any school district or the county superintendent of schools of any county may:

- Conduct field trips or excursions in connection with courses of instruction or school-related social, educational, cultural, athletic, or school band activities to and from places in the state, any other state, the District of Columbia, or a foreign country for pupils enrolled in elementary or secondary schools.
- Engage such instructors or supervisors and provide equipment and supplies for such field trip or excursion.
- Transport by use of district equipment, contract to provide transportation, or arrange transportation by the use of other equipment, of pupils, instructors, supervisors or other personnel to and from places in the state, any other state, the District of Columbia, or a foreign country where such excursions and field trips are being conducted; provided that, when district equipment is used, the governing board shall secure liability insurance, and if travel is to and from a foreign country, such liability insurance shall be secured from a carrier licensed to transact insurance business in such foreign country.
- Provide supervision of pupils involved in field trips or excursions by certificated employees of the district.

In conducting field trips or other special activities the following **prohibitions** apply:

- No pupil shall be prevented from making the field trip or excursion because of lack of sufficient funds. To this end, the governing board shall coordinate efforts of community service groups to supply funds for pupils in need of them.
- No group shall be authorized to take a field trip or excursion authorized by this section if any pupil who is a member of such an identifiable group will be excluded from participation in the field trip or excursion because of lack of sufficient funds.
- No expenses of pupils participating in a field trip or excursion to any other state, the District of Columbia, or a foreign country authorized by this section shall be paid with school district funds.

Expenses of instructors, chaperones, and other personnel participating in a field trip or excursion authorized by this section may be paid from school district funds, and the school district may pay from school district funds all incidental expenses for the use of school district equipment during a field trip or excursion authorized by this section including out of state field trips.

EC 39860

The governing board of any school district may contract for the transportation of pupils attending schools within the district to and from any exposition or fair, school activities, or other activities which the governing board determines to be for the benefit of the pupils, in this state, and may pay for the transportation out of any funds of the district available for the purpose.

Reference

Minimum Documentation

- Order to Pay with Authorized Signature
- Invoice or Itemized Billing

Reference

EC 35160

Flowers – Purchased for Individuals/Public Events

Occasionally a district will purchase flowers for an event or an individual. Flowers by their nature raise the question of whether their purchase constitutes a gift of public funds. In most instances, flowers purchased as decorations for public events (i.e. graduation ceremonies, dances, etc) are allowable expenses since the primary beneficiaries are students, parents, or community members; a public purpose is served. By contrast, flowers purchased for individuals are primarily for individual benefit and requires specific board approval with articulation of public purpose served.

Minimum Documentation

Flowers for Public Event

- Order to Pay with Authorized Signature
- Invoice or Itemized Billing

Flowers for Individuals

- Order to Pay with Authorized Signature
- Invoice or Itemized Billing
- **Board minutes which indicate specific board approval and public purpose as determined by the governing board**
- **Flowers purchased with Student Body Funds have the additional requirement that the specific approval and public purpose will be established by the Three Person Student Body oversight committee.**

Reference

EC 35160

Food and Entertainment Costs at District Functions

School districts and community college districts may expend reasonable sums of money to purchase food and beverages as refreshments for attendees at district-sponsored events which further the legitimate purposes of the district, according to County Counsel.

A district could provide meals and refreshments at district-sponsored events for the purpose of encouraging attendance at those events and creating an overall favorable impression of the district and public schools.

No school district, county board of education, or county superintendent of schools shall expend any public funds on the purchase of alcoholic beverages.

Examples of appropriate expenditures for these events are: room rentals, food, beverages, speaker's fees and decorations. The purchase of certificates, plaques, and trophies should comply with the governing board's policy and district regulations regarding awards.

It is recommended that school districts adopt regulations which ensure that the expenditures for refreshments are made primarily for a public purpose and are reasonable in amount.

Minimum Documentation

- Order to Pay with Authorized Signature
- Invoice or Itemized Billing
- Stated public purpose being served by the event

Reference

EC 35161

Honorariums, Lecturers

The governing board may employ special lecturers to speak before classes and assemblies of students of the school without the lecturer being required to hold a teacher's credential or certificate.

The power to employ such individuals can be delegated to the principal of the school district by the governing board.

Honorariums are governed by the Political Reform Act. Public officials if considered a designated employee under Government Code 82019 may be ineligible to receive honorarium payments that are not actually payment for services.

Minimum Documentation

- Order to Pay with Authorized Signature
- Invoice or Itemized Billing
- Statement that the recipient is eligible for payment under the Political Reform Act

Reference

	<u>Memberships/Dues</u>
EC 35172	<p>The Education Code provides for school districts to use funds to pay for memberships/dues held in the name of the school district. There is no provision for payment for memberships or dues of individuals.</p> <p>Generally to pay for memberships/dues in the names of individuals, the governing board must include the items as part of the individual's contract or as part of fringe benefit program for an entire group of employees.</p>
EC 44032	<p>County Counsel, in an opinion letter dated March 7, 1984, has indicated that reimbursements can be made to employees for memberships that are required for attendance in events or organizations which are necessary for any employee to perform services for the district.</p> <p>The governing board should determine whether a clear nexus exists between the attendance/membership and the performance of the service for which the employee is regularly employed.</p>

Minimum Documentation

- Order to Pay with Authorized Signature
- Invoice or Itemized Billing
- Excerpt of employee contract or board policy if dues paid in the name of an individual under the terms of the contract
- Excerpt of board action approving membership/dues for attendance at the direction of the board.

Reference

Mileage Reimbursements

EC 35160

Board Members

A mileage payment to a board member must be supported by a statement or claim containing the following:

- Board member name
- Miles traveled
- Dates of travel
- Business purpose/direction of governing board
- Rate of reimbursement

EC 44033

Employees

The governing board of any school district may provide for the reimbursement of employees of the district for the use of automobiles owned by the employees and used in the performance of regularly assigned duties, by establishing an allowance for such use on a mileage or monthly basis. The same supporting information should be provided for employee mileage reimbursements as listed for board members.

EC 39806

Parents/Guardians

In lieu of providing in whole or in part for the transportation of a pupil attending the schools of a district, the governing board may pay to the parents or guardian of the pupil a sum not to exceed the cost of actual and necessary travel incurred in transporting the pupil to and from the regular day schools of the district. A payment may not be made pursuant to this section unless it will be more economical to make the payments than to provide for said transportation.

Districts should enter into a signed contract with the parent/guardian which specifies the rate and total amount of reimbursement, including the total number of miles per day. The district should also require proof of car insurance in the agreement.

IRS RR 60-280

The IRS has ruled that reimbursements by school districts to parents/guardians for expenses incurred in transporting children to and from school where bus service was not made available is not taxable income.

Flat Mileage Allowance

Governing boards may establish monthly mileage allowances paid to district employees rather than the payment of per mile reimbursements. A monthly mileage allowance is considered reportable income to STRS.

Any payments to employees for travel that do not meet the requirements of an "Accountable Reimbursement Plan" must be reported as taxable income to the employee. Districts can obtain more information concerning these requirements by obtaining IRS Publication 463 "Travel, Entertainment, Gifts and Car Expenses"

Minimum Documentation

- Order to Pay with Authorized Signature
- Mileage claim

Reference

	<u>Moving Expenses</u>
EC 35160	District governing boards may approve reimbursement of Job-related moving expenses for employees. Allowable moving expenses included reasonable amounts paid for costs of moving household goods, personal effects and for travel and lodging expenses (including mileage) during the period of travel to the new location. Such payments can be made directly to contracted third parties or as reimbursements to the employee. The costs of meals can not be paid.
IRC 132	<p>Job related moving expenses are considered nontaxable fringe benefits if the expenses are allowable as a deduction on the employee’s personal tax return. Additional information concerning qualifying expenses can be found in IRS Publication 521 “Moving Expenses”.</p> <p>Any portion of payments determined to be non-excludable under an Accountable Reimbursement Plan should be added to an employee’s taxable income via the “Additional Compensation” feature of the payroll system. Use category “OTHR” (Other Taxable Compensation) to make the adjustment.</p>
	<hr/> <u>Minimum Documentation</u> <ul style="list-style-type: none">• Order to Pay with Authorized Signature• Board approval of moving expense payments• Invoice or Itemized Billing

Reference

Payroll Advances

The constitutional prohibition against the gift of public funds also applies against the loan of public funds. The term ‘gift’ in the constitutional provision ‘includes all appropriations of public money for which there is no authority or enforceable claim,’ even if there is a moral or equitable obligation. [Citation.]” (Jordan v. Department of Motor Vehicles (2002) 100 Cal.App.4th 431, 450.).

EC 45022

There must be a lawful public purpose for a loan to an employee. An advance of unearned compensation would appear to benefit only the employee, and does not normally serve a public purpose. Nor is there any statutory authority for making a salary advance.

On the other hand, an unusual situation requiring a one-time commercial check payroll advance in order to satisfy a retirement program reporting requirement could be justified as serving a lawful public purpose.

Partial payments of salary earned to date would not create a gift or loan of public funds problem, because the payment would be "as earned. It would therefore be lawful, but not recommended, to process immediate payroll checks during the course of the month up to the amount earned by the employee in an emergency situation. These should be paid by payroll check, however, and not paid by commercial check.

Districts should never process payroll advances by revolving fund check and should contact our office in advance of attempting to process a payroll advance by commercial check to verify proper handling.

Our office will verify whether the stated public purpose supporting a payroll advance is deemed appropriate by County Counsel prior to processing payment.

Minimum Documentation

- Order to Pay with Authorized Signature
- Documented public purpose served by the payroll advance
- Employee signed agreement for repayment
- County Counsel approval

Reference

EC 35160

Reimbursement for TIPS

The governing board of a school district may adopt policy and guideline statements authorizing reimbursement of TIPS. District policy should clearly establish the authorized rate and applicability of the payment of TIPS.

TIPS may also be paid if they are in fact a mandatory service charge.

The Kern County Superintendent of schools will not audit for the absence of payment of TIPS even if district policy establishes mandatory payment by district employees.

Minimum Documentation

- Order to Pay with Authorized Signature
- Board approved policy and guideline statements should be sent to KCSOS
- Invoice or Itemized Billing
- If a payment for TIPS is for a mandatory service charge, the supporting claim should clearly identify it as such.

Reference

EC 42800
EC 42810
EC 42820
EC 38091

Revolving Cash Funds

School districts may establish and operate a revolving cash fund to relieve the commercial warrant process from writing numerous small warrants. The revolving fund is used when there is a need to issue a payment for services or supplies that has an urgent deadline which cannot be met through use of the regular accounts payable warrant issuance process.

The establishment and maintenance of an RCF should be in accordance with the Education Code and the California School Accounting Manual. Districts may use one or more of several types of revolving cash funds. Most districts utilize RCF funds established under EC 42800.

General consideration for all types of Revolving Cash Funds:

- Disbursements should be for clearly legal expenditures. If in doubt, contact KCSOS District Financial Services before making the expenditure.
- Wage payments should not be made out of this account. As an alternative, please request an Immediate Payroll warrant from KCSOS.
- Each disbursement should be a full payment—not a progress payment.
- A signed receipt should be prepared and signed by the payee for each RCF disbursement.
- Keep records and receipts for the established retention period.
- Voided checks should be kept on file.
- Unused checks should be kept in a safe place and accessible only to authorized personnel.
- RCF checks should be press-numbered (numbered by printer); identify the fund and the district.
- An individual should be named as the custodian “payee” whenever possible.
- Dual signatures are advisable but are not legally required.

Standard RCF (EC §42800 - 42805)

Establishment: The governing board may, with the consent of the county superintendent of schools, adopt a resolution establishing an RCF for use by the Chief Accounting Officer of the district. The resolution should set forth the necessity for the revolving cash fund, the officer for whom and the purposes for which the revolving cash fund shall be available, and the amount of the fund. The governing board may establish an account for the RCF in one or more banks, subject to such regulations for use as the governing board prescribes. The RCF shall be established by submitting to the county superintendent of schools a commercial warrant payable to the officer for whose use the RCF is created, accompanied by two certified copies of the board resolution. Upon approval, the county superintendent shall endorse his consent on the resolution and return one copy to the district.

The custodian of the RCF must be covered either by an individual bond not less than double the amount of the RCF or pursuant to Education Code §41021 by a name schedule bond, schedule position bond, or blanket bond.

The original warrant issued to establish the RCF should be charged to an Object 5800 expenditure account line. Immediately after processing of the payment the district should

Reference

process a Journal Entry crediting that same account line and debiting Object 9130 in the General Fund of the district in Resource 0000. Districts should never code expenditures for reimbursement to Object code 9130.

Fund Limit: The lesser of 2% of the district's estimated expenditures for the current fiscal year; or \$75,000 for any elementary or high school district, or \$150,000 for any unified school district. These dollar amounts may be increased annually thereafter for each individual district by the percentage increase in the district's revenue limit as established by Education Code §42238. The RCF may be increased, decreased, or discontinued by governing board resolution.

Purchase Limit: None, unless prescribed by the governing board.

Uses: Payments from the RCF shall only be for services or material which are a legal charge against the district, and for which a receipt is obtained setting forth the date, payee, purpose of the expenditure, and amount expended.

Reimbursement: At least monthly, the fund should be reimbursed by drawing a warrant on the General Fund payable to the Custodian (by name) of the Revolving Cash Fund. The RCF custodian should sign the reimbursement register.

Minimum Documentation

- Order to Pay with Authorized Signature
- Board approved resolution as support for original warrant process to establish the RCF.
- List of RCF Payments being requested for reimbursement. (Register in check number order including, date of disbursement, payee, amount, description/purpose of expenditure.)
- Invoices or Itemized Billings supporting all expenditures

Reference

Site Purchases

EC 17212

The governing board of a school district, prior to acquiring any site on which it proposes to construct any school building as defined in Section 17283 shall have the site, or sites, under consideration investigated by competent personnel to ensure that the final site selection is determined by an evaluation of all factors affecting the public interest and is not limited to selection on the basis of raw land cost only.

PRC 21151.2

To promote the safety of pupils and comprehensive community planning the governing board of each school district before acquiring title to property for a new school site or for an addition to a present school site, shall give the planning commission having jurisdiction notice in writing of the proposed acquisition. The planning commission shall investigate the proposed site and within 30 days after receipt of the notice shall submit to the governing board a written report of the investigation and its recommendations concerning acquisition of the site.

The governing board shall not acquire title to the property until the report of the planning commission has been received. If the report does not favor the acquisition of the property for a school site, or for an addition to a present school site, the governing board of the school district shall not acquire title to the property until 30 days after the commission's report is received.

Minimum Documentation

- Order to Pay with Authorized Signature
- Copy of escrow instructions

Reference

CCR Title 5
Section 350

Student Admission Fees

A pupil enrolled in a school shall not be required to pay any fee, deposit, or other charge not specifically authorized by law.

EC 35330

The Education Code specifically authorizes certain fees. The authority to charge a fee for field trips or excursions is not directly stated in the Education Code. Rather, it provides that “No pupil shall be prevented from making the field trip or excursion because of lack of sufficient funds.” Accordingly, school districts may pay admission fees for their students.

It should be noted that “Credited attendance shall not exceed 10 school days except in the case of pupils participating in a field trip or excursion in connection with courses of instruction, or school-related educational activities, and which are not social, cultural, athletic, or school band activities”.

Minimum Documentation

- Order to Pay with Authorized Signature
- Invoices or Itemized Billings supporting all expenditures

Reference

Travel Advances

EC 44032

The governing board of any school district shall provide for the payment of the actual and necessary expenses, including traveling expenses, of any employee of the district incurred in the course of performing services for the district, whether within or outside the district, under the direction of the governing board.

EC 35161

The governing board may authorize an advance of funds to cover such costs directly to vendors or to employees. The advance made to an employee must be repaid or offset against a final travel claim for the actual and necessary costs incurred.

Districts may have tax reporting requirements as a result of untimely or inadequate accounting for such travel advances. Districts can obtain more information concerning these requirements by obtaining IRS Publication 463 "Travel, Entertainment, Gifts and Car Expenses"

All payments for travel advances processed by districts are considered "pending" by KCSOS. Audit staff will follow hold copies of orders process for such travel advances in a pending file for subsequent accountability. The district should submit to KCSOS a reconciliation of the advance to final travel claim as soon as processed by the district.

Minimum Documentation

- Order to Pay with Authorized Signature
- District travel authorization document supporting estimated expenditures

Reference

Travel and Conference Expenses

EC 44032

Employees

The governing board of any school district shall provide for the payment of the actual and necessary expenses, including traveling expenses, of any employee of the district incurred in the course of performing services for the district, whether within or outside the district, under the direction of the governing board.

EC 35172

Governing Board Members

The governing board of any school district may select a member or members of the board to attend meetings of any society, association, or organization for which the school district has subscribed for membership, or any convention to which it may pay the expenses of any employee.

EC 35044

Representatives of the Governing Board

The governing board of each school district shall provide for the payment of the traveling expenses of any representatives of the board when performing services directed by the board.

Spouses and Guests

Costs incurred for non-employee spouses or guests taken along on official school business can not be paid by the district unless they too are serving at the direction of the board. If spouse/guest expenses are included in claims, documentation must be included by the district that reimbursement has already been received for all spouse/guest expenses.

EC 44016

Employment Candidates

Whenever any person is requested by a school district to travel to the headquarters of such district for the purpose of being interviewed and examined prior to possible employment, the district may reimburse such candidate for expenses necessarily incurred in traveling from his place of residence to the place of interview or examination.

Board Policies

The district should establish policies to address the authorization and claim procedures related to travel and conference expenses. The policies should include a minimum of:

- Delegation of approval authority
- Expenditure limits
- Documentation requirements
- Alcohol is prohibited
- Time limits for claims
- Only actual costs are claimable
- Approval process for individuals serving a direction of the board
- Availability/Accounting for travel advances

A copy of the district travel policy should be filed with the KCSOS.

Travel Claims

The district should require individuals requesting travel reimbursements to prepare a travel claim which shows in detail all expenditures incurred. At a minimum the claim document should provide:

- The actual amount and nature of costs incurred
- Event dates

Reference

- The inclusive dates of travel including times of departure and return
- The business purpose of the travel
- Proper district authorization for the travel
- A statement that only legal, actual and necessary costs incurred for official district business are being claimed for reimbursement
- A statement that costs claimed are for employees only unless otherwise disclosed
- The amount and date of any travel advance payments offsetting the reimbursement

Receipts are not required to be provided for meals. An itemized listing or receipt must be included, however, for any lodging or transportation costs paid directly by the claimant.

If costs are being claimed for other individuals, indication should be made whether non-employees or spouses/guests are included. If non-employees serving at the direction of the board are included board policy or specific action should be provided. If spouses/guests are included the district should only reimburse for the claimant's own costs.

Direct Vendor Payments

Some travel costs will normally be paid directly to a vendor and not be included as a claimed reimbursement, such as, Lodging or Transportation costs (Car rental, air fare, train fare). The minimum documentation requirements for direct vendor payments are the same with the exception that the completed travel claim is not applicable. We recommend a copy of a conference brochure, flyer or meeting agenda be attached for these payments as an easy way to establish event dates.

Personal Expenditures

Neither reimbursement claims or direct vendor payments should include items of a personal nature such as:

- Personal Phone Calls
- Alcoholic Beverages
- Video rentals or tickets to movies or sporting events
- Purchases of clothing or other personal items

Minimum Documentation

- Order to Pay with Authorized Signature
- Current copy of board travel policy on file with KCSOS
- Specific board approval of individuals serving at the direction of the board if not covered by board policy.
- Completed Travel Claim
- Itemized listings/Receipts for Lodging and Transportation costs

Reference

EC 44032

Travel Per-Diem Payments

The governing board of any school district shall provide for the payment of the actual and necessary expenses, including traveling expenses, of any employee of the district incurred in the course of performing services for the district, whether within or outside the district, under the direction of the governing board.

The district can not set an arbitrary daily reimbursement rate for which no tangible objective evidence is required. If the governing board establishes a maximum reimbursement rate which it considers a “Necessary” expense, tangible objective evidence is required from the employee that the amount was “Actually” incurred. School Districts may require receipts, or may adopt a policy which allows employees to submit reimbursement requests without receipts if their expenses fall within the IRS Per Diem guidelines, provided that only the actual expense amount may be claimed. To implement this policy, the employee should be required to certify in the expense reimbursement form that their expenses are “Actual Costs (Out of Pocket)” and that the expenses “are actual and were necessarily incurred in the performance” of official duties.

Legal Counsel has also indicated that if an employee claims “Actual and Necessary” expenses were incurred that exceed a board established maximum rate, the “Actual and Necessary” claimed amount must be paid by the district. However, it is possible for a school district to specify by policy, a cap or ceiling in advance for authorized expenses, not to limit reimbursement of expenditures but to limit excessive expenditures before they are made.

Minimum Documentation

- Traditional Travel Per-Diem payments are not allowed
- District must file orders to pay for amounts claimed as actually incurred.