CHAPTER 6

ACCOUNTING FOR EXPENSES, EXPENDITURES

SCOPE

This chapter defines and details regulations and business processes for the various types of payments to vendors from the State of Indiana.

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6.1 STATUTORY AUTHORITY

6.1.1 Payment of Liabilities

*IC 4-7-1-2, **Powers and duties**, states in part: "The auditor of state shall do the following: (8) Draw warrants on the treasurer of state or authorize disbursement through electronic funds transfer in conformity with IC 4-8.1-2-7 for all money directed by law to be paid out of the treasury to public officers or for any other object whatsoever as the warrants become payable. Every warrant or authorization for electronic funds transfer shall be properly numbered.*

*IC 5-13-5-3, **Drawing warrant**, states: **"**All warrants for the payment of public funds of the state shall be drawn by the auditor of state on the treasurer of state."*

*IC 4-7-1-5, **Duties of auditor upon issuing warrants or authorizing electronic funds transfer**, states in part: "Whenever any person is entitled to draw money from the state treasury, the auditor may draw a warrant in his favor on the treasurer of state or authorize an electronic funds transfer in conformity with IC 4-8.1-2-7."*

*IC 4-13-2-20, **Advance payments; special disbursements,** states in (a): "Except as otherwise provided in this section or IC 12-8-10-7, payment for any services, supplies, materials, or equipment shall not be paid from any fund or state money in advance of receipt of such services, supplies, materials, or equipment by the state." Stated further in (d): "The auditor of state may, with the approval of the budget agency and of the commissioner of the Indiana department of administration: (1) appoint a special disbursing officer for any agency or group of agencies whenever it is necessary or expedient that a special record be kept of a particular class of disbursements or when disbursements are made from a special fund; and (2) approve advances to the special disbursing officer or officers from any available appropriation for the purpose."*

Financial Management Circular #96-3 delegated the authority of the budget agency described above in IC 4-13-2-20(d) to the Department of Administration.

IC 4-13-2-14.8, ***State contractor or vendor; electronic funds transfer of payments; waiver,*** *states in (a): "Notwithstanding any other law, rule, or custom, but subject to subsections (c) and (d), a person who has a contract with the state or submits invoices to the state for payment shall authorize in writing the direct deposit by electronic funds transfer of all payments by the state to the person. The person's written authorization must designate a financial institution and an account number to which all payments are to be credited."*

6.1.2 Documentation; itemization of vouchers

IC 4-10-11-1, ***State departments; disbursement of money by vouchers, …*** *states in part: "The disbursement of moneys for any purpose by the departments of the state government shall be by vouchers specifically itemizing in every particular the different purposes for which the treasury warrant is authorized. These vouchers shall not be approved by any officer or officers authorized to approve the same, unless so itemized, giving minutiae of detail, and when vouchers are presented to the auditor of state for warrants, they shall be accompanied by said itemized accounts and statements"*

IC 4-10-12-1, ***Itemized vouchers; expenditure for purpose appropriated,*** *states: "Where an appropriation is made to any officer or department of state government for a specific employment or purpose, itemized vouchers showing the proper expenditure of the appropriation for the purpose named shall be made to the auditor of state before a warrant covering the amount due can be drawn on the treasurer of state."*

6.1.3 Pre-audits; post-audits

IC 4-13-2-7, ***Powers and duties of auditor of state****, states in part in (a): "Subject to this chapter and other laws not inconsistent with this chapter, the auditor of state shall, respecting all agencies of the state, do the following:*

> *(1) Maintain the centralized accounting records for the state, keep the general books of accounts on a double entry basis, and maintain accounts as will reflect in detail or in summary, all assets, liabilities, reserves, surpluses, revenues and receipts, appropriations, allotments, expenditures, and encumbrances except as otherwise provided in this chapter. The accounting records and procedures must provide complete fiscal control over all agencies of the state and over all activities carried on by them and be upon forms, records, and systems approved by the state board of accounts.*
>
> *(2) Examine every receipt, account, bill, claim, refund, and demand against the state arising from activities carried on by agencies of the state, approve each legal, correct, and proper claim, designate the account to be charged therefore, and issue the auditor's warrant in payment thereof. The auditor of state may authorize the disbursement through electronic funds transfer in conformity with IC 4-8.1-2-7. All warrants and electronic funds transfers shall be payable to the vendor or claimant and in no instance shall the auditor issue any warrant or make any electronic funds transfer payable to an officer or agency in payment of several claims where the officer is to distribute or pay to the several claimants the amount due, except in the case of special disbursement officers as provided for in this chapter. However, the auditor of state shall not be required to audit claims for any refunds made pursuant to IC 6-6-1.1 and IC 6-6-2.5."*

IC 4-13-2-7(e) further states: "This subsection applies to a payment of less than five thousand dollars ($5,000). Notwithstanding any other law, the auditor of state may elect to: (1) not pre-audit a payment; and (2) process the payment with the state agency authorizing the payment.

The state agency is accountable to the state board of accounts under the board's post payment auditing procedures."

6.1.4 Late Payment Penalties

IC 5-17-5-1, ***Penalty for late payments of amounts due on public contracts****, states in (a): "Except as provided in section 2 of this chapter, every state agency and political subdivision shall pay a late payment penalty at a rate of one percent (1%) per month on amounts due on written contracts for public works, personal services, goods and services, equipment, and travel whenever the state agency or political subdivision fails to make timely payment. (b) Except as provided in subsection (c), for the purposes of this section, payment is timely if: (1) a check or warrant is mailed or delivered on the date specified for the amount specified in the applicable contract documents, or, if no date is specified, within thirty-five (35) days of: (A) receipt of goods and services; or (B) receipt of a properly completed claim."*

IC 5-17-5-2, ***Exemption; "good faith dispute" defined,*** *states: "(a) Section 1 of this chapter does not apply to the following: (1) Interagency or intergovernmental transactions. (2) Amounts payable to employees or prospective employees of state agencies or political subdivisions as reimbursement for expenses. (3) Claims subject to a good faith dispute, if before the date of timely payment notice of the dispute is: (A) sent by certified mail; (B) personally delivered; or (C) sent in accordance with the procedure in the contract. (4) Contracts entered into before September 1, 1983. (5) Contracts related to highway or road construction, reconstruction, or maintenance, if: (A) the Indiana department of transportation authorizes partial progress payments under IC 8-23-9-14; and (B) each progress payment does not exceed five hundred dollars ($500). (6) Claims, contracts, or projects that are to be paid for exclusively with federal funds. (b) As used in subsection (a)(3), "good faith dispute" means: (1) a contention by the state or political subdivision that goods delivered or services rendered were: (A) of less quantity or quality than ordered or specified by contract; (B) faulty; or (C) installed improperly; or (2) any other reason giving cause for the withholding of payment by the state or political subdivision until such dispute is settled."*

IC 5-17-5-5, ***List of agencies paying late payment penalties*** *states: (a) The auditor of state shall prepare a list that: (1) identifies each state agency that has paid, or on whose behalf the auditor of state has paid, a late payment penalty under this chapter; and (2) states the sum paid by the agency or by the auditor of state on behalf of the agency during the preceding year. (b) The auditor of state shall submit the list prepared under subsection (a) to: (1) the governor; and (2) the budget agency; before August 1 of each year.*

6.2 ACCOUNTING THEORY

Definitions of Expenditure/Expense:

- *Expenditure – a liability incurred in a governmental fund.*
- *Expense – a liability incurred in a proprietary or trust fund.*

6.2.1 Accounts Payable Liability

As discussed in Chapter 5, ***Procurement****, the encumbrance of allotted appropriations begins with the purchasing procedures as processed through ePro. Once the receiver is pulled to an online voucher*

and has passed the Document Tolerance and Budget Check processes, it is posted as a payable liability {Credit (-)} in the general accounting ledger (GL). An expense in an equal amount is posted {Debit (+)}

If a purchase is not processed through ePro, the payable liability (Credit) and associated expense (Debit) will be generated when the voucher (vendor invoice) is entered and posted in the Accounts Payable (AP) module.

6.2.2 Payment of Liability

When a payment of a liability is made to a vendor with either an AOS Warrant or ACH payment, the payable liability will be reduced (+) along with a credit of cash clearing (-). When the payment clears the bank, the cash clearing will be reduced (+) along with a reduction of cash (-).

6.2.3 Expenditure/Expense Categories

With the exception of ID billings from internal service funds, *account codes used to classify and record expenditure transactions begin with a 5. The second digit of the account is the major category, or point, of expenditure.*

- *51XXXX - PERSONAL SERVICES - Includes payments for salaries and wages to officers and employees of the state (either regular or temporary), the employer's share of social security, health insurance, life insurance and retirement fund contributions, payments for compensation awards, and special payments for expert service. It also includes salary per diem paid to commission and board members.*

- *52XXXX - UTILITIES - Includes detail of payments for utility charges, including telecommunication services.*

- *53XXXX - SERVICES PROVIDED EXTERNALLY BY CONTRACT - Includes detail of payments to outside parties to provide certain services, ranging from consulting to maintenance, security, training, insurance, construction, etc.*

- *54XXXX - SUPPLIES, MATERIALS, & PARTS - Includes detail of payments for various supplies, materials and parts.*

- *55XXXX - CAPITAL ASSETS, INCLUDING INFRASTRUCTURE - For purchases of capital assets. To assure that a capital asset valued at $500 or greater with a useful life greater than one year is added as an asset in Asset Management (AM), the asset profile, tag number, location and custodian should be entered in ePro prior to the voucher entry. If the asset is related to a project, the Project field should be included also. For an asset not to be included in AM (value of less than $500), this information should not be included.*

- *56XXXX - DISTRIBUTIONS TO OTHER GOVERNMENTAL UNITS - Reserved for distributions from the State of Indiana to local (or other) governmental units; generally used to distribute the various tax revenues collected on behalf of these units.*

- *57XXXX - GRANTS TO OTHER GOVERNMENTAL UNITS OR EXTERNAL ENTITIES - Reserved for grants to other governmental units and other external entities.*

- *58XXXX - SOCIAL SERVICE PAYMENTS - Includes direct and indirect social service type payments, including child support distributions.*

- *59XXXX - ADMINISTRATIVE AND OPERATING COSTS - Includes a wide variety of administrative and operating costs, such as rentals, licenses, fees, settlements, and travel costs.*

6.3 INTERNAL CONTROLS

6.3.1 PeopleSoft Financials Roles

Separation of duties is critical to internal control for processing payables and expenses (or expenditures). Care must be taken to assure that all invoices are recorded timely and accurately and that all purchases are authorized. PeopleSoft Financials roles designed to provide this assurance are discussed in Chapter 2, Internal Controls. Those with workflow approvals are responsible for certifying the accuracy of all information on the document they are approving.

6.3.2 Basic Internal Control Procedures for Handling of Payables

- *The person verifying the count of product and entering the receiver into the system should be independent of both the purchasing and invoicing functions. Exceptions to this rule are granted by the internal control group in certain situations where the actual receiver of the product does not have system access; in these cases, the actual receiver must sign and date the bill of lading and then pass it on to the AP Receiver, who is responsible for retaining these documents for audit purposes.*
- *All purchase orders and receiving reports should be matched to invoices, with follow up on inconsistent information.*
- *Individuals independent of the purchasing and receiving functions should follow up on mismatched or unmatched, missing, or duplicate items.*
- *Vendor statements should be reconciled to accounts payable items.*
- *Returns and allowances credit memos should be matched to shipping orders and/or vendor communications.*
- *Individuals independent of the accounts payable function should follow up on unmatched shipping orders for returned goods and related receiving reports and invoices and resolve missing, duplicate or unmatched items.*
- *Any subsidiary ledgers should be reconciled with purchase and cash disbursement transactions, and differences resolved.*
- *Access to accounts payable and related files should be restricted.*
- *Warrants and remittance advices should be verified and mailed without allowing them to return to the staff that prepared claims or approved the transactions for payment.*
- *Warrants should be verified in a timely manner and retained in a secure location until mailed.*

6.3.3 Workflow approvals

An approver role should not be taken lightly, as this is a very important segment of the internal control process. A few basic rules apply when assigning these roles:

- *An approver should be at a higher level of authority than the originator of the transaction; exceptions might be made if the approver is 1) in another department and 2) has a working knowledge of the accounting and recording of the transaction. However, the approver should never be at a lower level of authority.*

- *An approver is responsible for authorizing the payment and for certifying the accuracy of all information on the transaction, including, but not necessarily limited to:*
  - *Chart field values*
  - *Dollar amount*
  - *Vendor information, including remit to address*

- *An approver should confirm that PO vouchers are copied from PO receipts.*

6.4 BUSINESS PROCESSES

6.4.1 Requisitions, Purchase Orders, Receivers

The preferred method of purchasing products and services for the State as developed through ePro is outlined in Chapter 5, Procurement. In the PeopleSoft Financials system, an ePro purchase will begin as a pre-encumbrance, will be converted to an encumbrance through a purchase order, and will ultimately become a liability (account payable) when the product is received and posted in the system.

6.4.2 PO Voucher, Non-PO Voucher

A PO voucher results from a purchase initiated in ePro; a non-PO voucher, under $500, results from a purchase made and approved outside the ePro system. The processing for both is similar; both will be subjected to an automatic budget and document tolerance check, and both will be routed to an agency approver before the payment can be submitted to the AOS for payment.

6.4.2.1 PO Voucher

The subsequent step to processing a payment which was initiated through the ePro process is the online entry of the invoice for a PO Voucher. Since all related accounting information was included throughout the ePro process, this detail must be accessed and copied for the payment process. The receiver will provide the detail of whether the ordered items were received in total or a partial shipment. This should be compared with the invoice and differences should be resolved. If an invoice is received prior to a receiver being processed, the voucher should be entered and placed on 'hold' until such time as the receiver is available. Agencies should resolve problems with damaged or missing product with vendors; if a resolution cannot be reached, contact IDOA Procurement for assistance.

6.4.2.2 Non-PO Voucher (claim voucher)

If a purchase is approved and made outside the ePro system, the online entry of the invoice requires the entry of all required fields and accounting detail. A separate voucher is required for each payee claim (invoice). Itemization of separate purchases, categories and account codes should be entered on separate lines. Be sure to note the "estimated no. of invoice lines" and, if a capital asset purchase, verify

that the account code and profile ID are compatible. A "received date" must also be entered to record the date the item or service was received.

The use of non-PO vouchers for the purchase of items and services must be approved by IDOA prior to committing to the purchase/service.

6.4.2.3 Definition of Date Fields

- *Accounting Date – The date that the voucher is created in the PeopleSoft Financials system. This must be within the current accounting period.*

- *Received Date – The date the product or service being billed for was actually received by the State. In the case of a service, the last day the service was rendered should be used. Utility billings have a "service to" date; if no such date is included for service contract billings, enter the last day of the "billed for" month.*

- *Invoice Date – The actual vendor invoice date. All invoices should be date stamped immediately upon receipt to resolve possible future disputes. This stamped date is NOT to be entered in the system. CAUTION: Based on the Pay Terms, the payment of interest is calculated by using the latter of Invoice Date or Receipt Date. The possibility exists that a vendor might delay sending an invoice, preventing the submission of a timely payment, but back-date the invoice prior to the receiver date, thereby causing the receiver date to be used for this calculation and making it impossible to prevent a 'late' payment. If this occurs, CONTACT THE VENDOR to establish a reasonable invoice date. Note: The system will not allow you to enter invoices if the invoice date is more than 30 days in the future. The use of the PeopleSoft Financials Contracts module will resolve most of these situations.*

- *Scheduled date – The date the payment is scheduled to be processed. This date is calculated as the number of days after the Invoice Date according to the payment terms of the Purchase Order, if any, or of the Vendor.*

6.4.2.4 Splitting Invoices by Multiple Agencies

If an agreement exists between agencies that the accounting for a payment will be split, this should be accomplished by entering separate accounting distribution lines on the invoice, using different BU identifying numbers for the various distributions. Approvals will be routed to the BU affected by the entry. Note: ID bills are to be issued ONLY by Internal Service funds, and General Ledger entries should be limited to those distributions not possible in the subsystems.

6.4.2.5 Approved Invoice Numbering System

General Rules for Invoice Numbering:

- *DO NOT use dashes in the account number.*
- *DO NOT use spaces, slashes or dashes in date formats.*
- *DO use punctuations and/or spaces located in vendor created invoice numbers*
- *DO enter the invoice number in all CAPS.*

- *The PeopleSoft Financials invoice number field is 30 characters*

If you have an invoice that does not meet the criteria described below, contact AOS Payables for further assistance.

6.4.2.5.1 Invoice Number Available

If the invoice contains an 'invoice number', enter the exact alpha/numeric value in the invoice number field in PeopleSoft Financials. DO NOT make any additions, subtractions, or alter this value in any way. Examples: 123456; 12A3456, 12-3456; 12 3 456.

If an agency is responsible for creating payee invoices, the agency may devise a numbering system and treat those invoices received with an actual 'invoice number'. DO NOT use payee SSN or EIN numbers.

6.4.2.5.2 Account Number Available, No Invoice Number

If a 'customer account number' is available, but no 'invoice number', enter as invoice number the account number followed by the date of service. Examples: 0003456789OCT08; or 003456789101008. DO NOT use vendor SSN or EIN numbers.

6.4.2.5.3 No Invoice Number, No Account Number

Original invoices (NOT agency created payee invoices as in 6.4.2.5.1 above) with neither an invoice number customer account number should be entered using the agency acronym (as on State ID), date of service, and division (as applicable). Examples: DOCOCT08EDUCATION; DOC100108EDUCATION.

6.4.2.5.3 Travel Voucher

Travel vouchers should have the invoice number entered as the last name of the traveler, space, beginning date of trip, space, ending date of trip. Examples: Smith 071408 071408; Smith 071408 072408.

6.4.2.6 Rejection of On-line Vouchers

If an on-line voucher is rejected, that voucher will be returned to the agency for correction.

6.4.2.7 Freight Charges

Generally Accepted Accounting Principles (GAAP) requires that the cost for a capital asset should include "any reasonable and necessary costs incurred to place the asset in its intended use that can be directly related to the asset." See Capital Asset Policy at the AOS Publications sub-page.

As was communicated by AOS, effective September 24, 2013, for Capital Asset purchases:

- *If a capital asset exists on a PO, the buyer is responsible for making sure that any freight/delivery/shipping costs are included in the line item unit price. This applies to capital asset purchases that are included with non-asset purchases on the same PO also.*

- *If a capital asset exists on a PO and applicable freight/delivery/shipping costs are listed as a separate line item, the PO must be changed so that the costs are included in the line item unit price.*

- *If a capital asset purchase is not referenced to a PO, the same rules apply; these charges must be included in the asset cost.*

For non-capital asset purchases,

- *If a voucher does not reference a PO and/receipt, a separate freight/shipping/delivery charge is acceptable.*

- *If a voucher does reference a PO and/or receipt, any freight/shipping/delivery charge, whether or not presented separately, must be on the PO.*

General rule for all:

- *For all vouchers that reference a PO and/or receipt, if an invoice contains a freight/shipping/delivery charge that was not included on the original PO, additional lines cannot 5be added to the voucher for these charges. The invoice should be taken back to the PO Buyer for further review.*

- *For all vouchers that reference a PO and/or receipt, if an invoice contains a freight/shipping/delivery charge that was not included on the original PO, additional lines cannot be added to the voucher for these charges. The invoice should be taken back to the PO Buyer for further review.*

- *Additional information about freight requirements in ePro can be found on the IDOA Procurement PeopleSoft Guides website.*

6.4.3 Voucher Build

This process is used for vendor payments which are interfaced from an agency client-based system, such as:

- *Department of Education Tuition Support payments*
- *Distributions to local governments*
- *HIPPA (Department of Health) payments*
- *Payroll Vendor Payments*

6.4.3.1 Rejection of Voucher Build vouchers

If a voucher on a voucher build control group contains line(s) not yet approved by all affected business units, the entire control group will be denied if submitted to AOS for payment.

If a voucher on a voucher build NON-control group contains line(s) not yet approved by all affected business units, ONLY the affected voucher will be denied if submitted to AOS for payment.

6.4.4 High-Volume Payment Batches

This process, with prior AOS approval, is used for non-vendor payments only. Included are payments such as:

- *Tax refunds (Department of Revenue)*
- *Child support distributions (Department of Child Services)*
- *STAR refunds (Bureau of Motor Vehicles Commission)*
- *Refunds other than tax*
- *Recipient reimbursements (FSSA, DOH)*
- *Third-party garnishments*

6.4.4.1 Rejection of High Volume Payments

If one individual payment in a high-volume batch is rejected, the entire batch will be returned to the agency for correction.

6.4.5 Approvals; Documentation Requirements

Regardless of the method of voucher entry, certain verifications and approvals must be processed prior to approval for payment by the Auditor of State.

6.4.5.1 Automatic Routing for Approval

Automatic checks and posting will occur at pre-scheduled times for all eligible documents in the system. These schedules may vary. After the transaction has cleared the Document Tolerance and Budget Checking, it will be routed to the AP Approver for your business unit.

6.4.5.2 Document Tolerance

A voucher will have a valid Document Tolerance status unless the voucher is tied to a Purchase Order. Only vouchers tied to Purchase Orders will run through the Document Tolerance checking.

Automatic scheduled document tolerance checks through PeopleSoft Financials will occur at pre-scheduled times for all eligible documents in the system.

For most payable transactions, a variance not greater than 10% or $500, whichever is lower, between a purchase order and resulting invoice is considered acceptable without further review in this area. If this variance is exceeded, the document will route to an agency approver for an exception approval. If a transaction is greater than the tolerance level, a change order should be issued in ePro.

6.4.5.3 Budget Checking

If a voucher has a valid status for Document Tolerance, the voucher will be eligible for automatic budget checking. Automatic scheduled budget checking through PeopleSoft Financials will occur at pre-scheduled times for all eligible documents in the system.

If you are entering an AP transaction without a purchase order to attach, the available allotment balance of the fund affected will be checked to determine available funding. If a transaction fails the

automatic budget checking process, you should notify your agency budget contact for further consideration and possible action by both your agency and the budget agency.

6.4.5.4 Voucher Posting

If a voucher has passed Document Tolerance and Budget Checking, the voucher is eligible for automatic voucher posting. Automatic scheduled voucher posting will occur at pre-scheduled times for all eligible documents in the system.

6.4.5.5 Documentation

Once a payment is approved by the agency approver, the transmittal pages are ready to print. After printing the transmittal page from PeopleSoft Financials, support documentation must be attached. The payment package may then be delivered to the AOS service center for processing. Be sure to allow adequate time for the pre-audit function by the AOS.

6.4.5.6 AOS Approvals – Denials

For a payment to be approved by the Auditor of State, the following must be completed:

- *All vouchers must be posted*
- *All required business unit approvals must be completed*

6.4.5.7 Close-Vouchers

Vouchers should be closed if the voucher was entered in error. Prior to closing a voucher, a note should be made on the voucher payment comment message link as to why the voucher is being closed. Do not re-use vouchers once a vendor has been selected and saved on the vouchers, instead close the voucher. The original vendor defaults remain static on the voucher resulting in incorrect pay terms and scheduled due dates.

6.4.5.8 Vouchers On-Hold

Vouchers should be put on hold if a voucher is pending specific information or needs further investigation. Once a voucher is put on hold by selecting the hold box, select an appropriate hold reason, and make a note on the payments tab comment link as to why the voucher is being placed on hold. Vouchers should not remain on hold for more than 30 days without any action taken against the voucher.

6.4.5.9 Refund of Prior Year's Expenditure

The detail of processing of a refund from a vendor is described in Chapter 4, Accounting for Revenues. However, as this is expense related, it is important to note here that the general accounting for a cash refund is as follows:

- *Cash refund of current year expenditure - will reduce applicable expense account (Credit 5xxxxx.)*
- *Cash refund of prior year expenditure - will reduce applicable expense account in the current fiscal year (Credit 5xxxxx).*

6.4.5.10 Credit to Expenditures (Vendor Credit Memo)

The preferred procedure for an overpayment to a vendor is to ask for a cash refund. In some cases, generally when repetitive purchases are common (such as an office supply vendor), credit memos are issued which can be applied to future payments.

If reasonable effort taken to secure a cash refund for an overpayment has failed, a credit memo can be entered as a regular on-line voucher by entering a negative dollar amount. This amount will then be deducted from the next payment scheduled for that particular vendor.

Note: The remit address, location, and handling code must match the debit voucher.

6.4.6 Auditor of State Voucher Payment Processes

6.4.6.1 Pre-audit function

As described in 6.1.3, the AOS will perform certain pre-audit activities prior to processing a payment. Rejected vouchers will be returned to the agency for resolution.

6.4.6.2 Special Attention Voucher Processing

For emergency situations only, AOS procedures allow for same day approval, with prior permission from the Director or Assistant Director of AOS Accounts Payable. Please be very selective when submitting a voucher for this process.

6.4.6.3 EFT Payments

As noted in 6.1.1 all vendor payments shall be made by an Electronic Funds Transfer (EFT) through an Automated Clearing House (ACH), unless a waiver is granted under the law.

6.4.6.4 Payment by State Warrant

Only payment warrants and ACH remittance advices specifically designated by the agency in PeopleSoft Financials will be returned to the agency for distribution. This is determined by the Payment Handling Code. All others will be mailed by the AOS or, if the vendor file contains an e-mail address, payment notification will be made by e-mail. As noted in 6.3.2, warrants and remittance advices should be verified and mailed without allowing them to return to the staff that prepared claims or approved the transactions for payment. Warrants should be retained in a secure location if not immediately mailed or otherwise distributed. All warrants should be mailed within one business day of receipt.

6.4.6.5 Warrants and Warrant Types

A warrant is an order to pay from the Auditor of State to the Treasurer of State and is issued on the State of Indiana's routing number only, not associated with a specific bank account. Warrant numbers always include nine (9) digits. The beginning number identifies the type and use of the various warrants:

- *Vendor and Travel Warrants - payments for services, products, rent travel reimbursements, etc.; begin with the number 1.*
- *Child Support Warrants - child support payments from DCS; self-mailers; begin with the number*

2.

- *Non-1099 Warrants - high volume payments not requiring IRS form 1099; self-mailers; begin with the number 3.*
- *Tax Refund Warrants - tax refund payments from Department of Revenue; self-mailers; begin with the number 5.*
- *Payroll Warrants - salary payments for state employees; begin with the number 9.*

6.4.6.6 Timing of Payments

In general, the PeopleSoft Financials system will schedule a payment in a pay cycle 35 days after the invoice date. If alternate contract payment dates are set at the purchase order level due to contract terms, payments would be scheduled accordingly. With prior approval by the AOS Accounts Payable division, other exceptions may be made at either the vendor or individual payment level. Two exceptions (at vendor level) are utilities and state employees.

6.4.7 Certain Restrictions on Payment with Public Funds

Unlike funds controlled by private business, the spending of public funds is restricted by law to impose a high level of accountability on public officials approving these expenditures. Payment of unallowable costs from public funds may be the obligation of the responsible official or employee.

6.4.7.1 Unallowable Costs

Officials and employees who are accountable for the expenditure of public funds must exercise due diligence to assure that all such payments are in the taxpayer's interest. The following is a list, not necessarily complete, of unacceptable payments from public funds:

- *Personal items*
- *Items not related to the functions and purposes of the unit*
- *Alcoholic beverages*
- *Duplicate payments or overpayments*
- *Personal long distance telephone calls (should not be billed to state network)*
- *Personal cellular telephone calls that cause the unit to maintain a calling plan in excess of business needs*
- *Personal cellular calls not in compliance with the Information Resources Use Agreement, which provides for de-minimus personal use*
- *Personal use of state debit or credit cards or SDO checks*
- *Personal use of state automobile, unless allowed by specific regulation*

6.4.7.2 State Sales Tax, County Innkeeper's Tax, Food and Beverage Tax

When an allowable purchase is made from public funds, state agencies are exempt from payment of state sales tax, county innkeeper's tax, and food and beverage tax. The purchase must be invoiced to, and paid directly by the state agency. This would include payment using a procurement card or travel card. However, in the case of an employee's approved purchase from personal funds, to be reimbursed from public funds, state sales tax is to be paid by the employee and reimbursed with public funds. This practice should be minimized and used only when other purchasing methods are not possible.

In situations where the vendor is unwilling, or unable to remove the tax, the employee should provide Indiana Code 6-9 chapters 1 through 47.5., to the vendor's management. Each chapter is specific to a county's innkeeper's tax or food and beverage tax. Each chapter includes language that indicate the tax is exempt if the transaction is exempt per IC 6-2.5.

If the vendor is still unwilling to, or unable, to remove the tax, State Form 56410 should be completed by the state employee and submitted to agency personnel to process with the invoice. This form provides proof the employee did his or her due diligence in trying to get the tax removed, but was unsuccessful. If the form is signed and submitted with the vendor invoice, the State Board of Accounts will not take exception to the payment of the tax. The form must accompany the invoice and be retained for audit. At the end of each year, if the agency feels enough taxes have been paid to warrant the time and effort, the agency may request reimbursement from Indiana Department of Revenue.

6.4.7.3 Purchase Premiums, Rewards, etc.

Any compensation, premium, bonus, reward, or product earned as a result of the purchase of goods or services by the governmental unit becomes the property of the governmental unit.

6.4.7.4 Late Payment Penalties

Payment of penalties and interest due to late payments to vendors may be the obligation of the responsible official or employee. See 6.4.2.3 for details.

6.4.8 Returned Warrants; Lost Warrants; Returned ACH Payments

Occasionally a warrant, or other form of payment, is returned and must either be re-deposited into a fund or, if lost or destroyed, a replacement warrant issued to the payee. Except for payroll warrants, a lost warrant cannot be issued until 30 days after the original issue date. However, if the payee can produce part of a partially destroyed warrant, it will be issued immediately. Procedures for processing are outlined in the following sections.

6.4.8.1 Processing for Returned Warrants

If the return is due to an address change and the new address is known, or can be easily obtained by agency personnel, the agency should mail the warrant to the new address.

If returned for any other reason, State Form 46645, Report of Returned Warrants, should be completed and delivered to the AOS Service Center (Rm. 144, State House) in an 8 ½ by 11 inch envelope. Be sure to complete the following fields on the form:

- *Warrant number - on the upper right corner of the warrant or stub. Use one line for each warrant.*
- *Credit amount - the amount of the warrant returned.*
- *Grand Total - total of all warrants or, "Continued" if continued on a subsequent page.*
- *Official signature - must be original signature; date, agency name, and business unit number are also required.*
- *Additional Information - should contain an explanation for the cancellation or reissue of the warrant. A contact person's name and number, if not the agency official, should be included in this section.*
- *Attach all warrants to the front of the report in the order of presentation on the form.*

The AOS Lost Warrant Coordinator will process your returned warrants and mail back the yellow copy of the report of returned warrants form. On your returned copy, you will notice on the right side of the form a column titled "Auditor's Use" and, just below, three smaller columns titled "Date Cleared," Date Issued," and "Payroll." The date cleared column will have the date the warrant was voided/cancelled, i.e., the accounting date. The date issued column will have the date of the reissued warrant, if applicable. The payroll column will have the initials of the person who processed this transaction if the warrant being returned was a payroll warrant.

6.4.8.2 Lost Warrant – Re-write Procedures

Before a lost warrant can be replaced, the payee must complete State Form 42850, Affidavit for Lost or Not Received Warrant. A signature notarization is required and only the original form will be accepted. Except for payroll warrants, a 30 day waiting period will apply.

If a vendor has lost/destroyed a warrant, it is the paying agency's responsibility to send original form SF42850 to the vendor for completion and submission.

6.4.8.3 Returned ACH Payments

A returned ACH payment will be researched by AOS staff and a repayment will be issued to the vendor by the AOS.

6.4.9 Procurement Cards

The Department of Administration, in cooperation with the Auditor of State and other regulatory agencies, has adopted an alternative method for the payment of small purchases, such as those formerly paid through SDO accounts, through use of a procurement credit card. Other similar credit cards processes are also available as described here. Payments made through this process will be recorded and approved in the PeopleSoft Financials accounting system. See the PeopleSoft P/T Card Module training materials for instructions on use of the Procurement Card Module.

The preferred procedure for purchases of goods and services is to timely process payments through the AOS using the regular online voucher system. These alternative procedures should be used sparingly and within the strict guidelines provided.

If an entity, whether or not in the executive branch of government, chooses to utilize a State controlled procurement card, the entity must follow all applicable policies and procedures for the use of the card as prescribed herein and in the Procurement Card User Manual.

If funds are not accounted for on the PeopleSoft Financials accounting system and payment cannot be made by the Auditor of State, a State procurement card should NOT be utilized for the purchase.

6.4.9.1 Procurement Card - P Card

The general purchasing card is known as the PCard and is to be used for small, non-repetitive purchases. A manual including processes and allowable purchases and links to other applicable information can be found on the IDOA Purchasing and Travel Card Program subpage.

However, the preferred procedure for purchases of goods and services is to timely process payments through the AOS using the regular online voucher system.

6.4.9.2 Travel Card - T Card

In order to prevent state employees from needing to use private funds to finance business travel, a travel card (TCard) is available. See the IDOA Purchasing and Travel Card Program subpage.

6.4.9.3 Utility Card - U Card

To avoid late payment penalties in the case of remote state properties' utility billings, a Utility Card (UCard) is available. See the IDOA Purchasing and Travel Card Program subpage.

However, the preferred procedure is to timely process utility payments through the AOS using the regular online voucher system.

6.4.9.4 Fleet Fuel Cards

The state-wide fleet fuel card program provides State agencies with a widely accepted fleet fuel card. The card allows drivers of State vehicles to purchase fuel and auto repair services/items for those vehicles. Use of the fleet fuel card is designed to streamline and automate the purchase of fuel for state business. For further information, see the State of Indiana Fleet Management Policy on the IDOA Fleet Services subpage.

6.4.10 SDO (Special Disbursing Officer) Payments

Special Disbursing Officer (SDO) advances are a predecessor to Procurement Cards. SDOs are agency established checking accounts that can be used for small non-repetitive purchases of products and supplies needed during the course of business. Procurement cards are the preferred method for small purchases, though SDOs can still be useful for petty cash or cash drawer change needs.

Special Disbursing Officer (SDO) advances can be authorized per IC 4-13-2-20, referenced in 6.1.1. Additional statutory authority follows:

IC 4-13-2-20(e), states in part; "unless otherwise approved by the commissioner of the Indiana department of administration, the special disbursing officer must be the same individual as the procurements agent . . ."

IC 4-13-2-20(h) states: "A special disbursing officer is not personally liable for a check issued under subsection (g) if: (1) the officer complies with the procedures described in subsection (g); and (2) funds are appropriated and available to pay the warrant."

In the Appendices at the end of this chapter is a flowchart illustrating most SDO processes. Many of the following sections are referenced in this chart.

Please note: The use of an SDO account by a unit is optional. Thus, if the unit desires to make use of this process, all of the SDO rules must be followed, regardless of whether or not the unit is part of the executive branch of government.

6.4.10.1 Application

State Form 49068, Request for SDO Account Establishment, Adjustments and New Officer, is required to request the establishment of (and subsequent changes to) an SDO account. A letter of justification is required to be included if any of the following is being requested:

- *Use of SDO for expense categories 1 or 5 as noted in the next section.*
- *Use of SDO for travel advances to employees, category 9.*
- *SDO advance over $1,000.*
- *Single purchase limit over $500.*
- *The individual named as Special Disbursing Officer is not to be the agency Procurement Agent.*
- *An expansion, increase or decrease of the fund.*

6.4.10.2 Approval and Local Purchase Number

In addition to State Form 49068, agencies must also complete State Form 47911, Authority for Local Purchases. This form records spending authority and limitations on purchases from the SDO account. Authorized levels of SDO total advance amount and the maximum amount which may be expended on a single purchase will also be noted. These restrictions are not to be circumvented by dividing purchases to avoid exceeding the limit or by purchasing unauthorized items or services. After approval by AOS, all forms are forwarded to the agency.

A separate Local Purchase Number (LPN) is assigned to each SDO advance, as is indicated at the top right of the approval form (SF47911). Subsequent changes in officers assigned, advanced amounts, or authority granted reference the assigned LP number.

6.4.10.3 SDO Checking Account

After the SDO Advance is approved, a State warrant will be sent to the agency in the amount of the total SDO authority. The SDO Officer will then use the warrant to establish a checking account with an approved Financial Institution. The agency will then send the bank account information to AOS and AOS will, in turn, notify GMIS to set up the bank account in PeopleSoft Financials. Once this process is complete, the AOS will notify the agency of the completion of the process. There will be one checking account for each SDO advance; SDO advances will not be commingled or split into several checking accounts, except by specific AOS approval. If multiple checking accounts are required, a request for multiple SDO advances must be made.

6.4.10.4 Other Regulations and Restrictions

State procurement and other state financial laws and regulations also apply to SDO expenditures.

6.4.10.4.1 Product Restrictions

SDO funds shall NOT be spent on:

- *Items available on any Quantity Purchase Agreement (QPA).*

- *PEN Products or other prison industry products.*
- *Printing services above $500 without justification from IDOA.*
- *Items or services procured on an encumbered purchase order contract.*
- *Advance payments, except as authorized by IC 4-13-2-20(a) and (b).*
- *Items that could be more economically or effectively procured by use of competitive bidding or quotations.*
- *Personal items, alcoholic beverages, escort services, furs, jewelry, movie rentals.*
- *Travel related expenses such as hotel charges and vehicle rentals; vehicle expenses such as repair, parking, fuel purchases.*
- *Capital assets.*
- *Gift cards or gift certificates.*
- *Awards or prizes.*
- *Utility payments.*
- *Restaurants or food, entertainment.*
- *Any other items required to be purchased through ePro, as defined in the IDOA Delegation of Purchasing Authority Program Manual.*

6.4.10.4.2 Other Restrictions

- *The authorized level of the account shall not be exceeded.*
- *SDO officers do not have authority to sell, dispose, trade-in or exchange property without IDOA approval.*
- *Refunds or rebates received should be included on the Report of Collections as noted in Chapter 4, Accounting for Revenue.*
- *Sales Tax – see 6.4.7.2.*
- *Cannot repeat purchases of same item from a vendor in a three month period for any reason. Repetitive purchases should be made through the regular procurement process.*
- *Should not split payments to avoid the Single Purchase Limit.*
- *There is no authority for an agency to maintain an "over" or "short" fund.*

6.4.10.5 SDO Record Retention

All copies of both SF49068 and SF47911, as well as all receipts for SDO expenditures (as noted in State retention schedule), should be retained at the agency and available for audit in a permanent file until the LPN is closed.

6.4.10.6 Amount of SDO Advance

Whenever a Special Disbursing Officer fund is established, money is removed from a Treasurer of State bank account, thus, not being invested. Therefore, consideration should be given to the size of the SDO fund. If an agency is not using the total SDO advance within one or two months, the SDO advance is too large and should be reduced. If an agency is reimbursing the total value of the advance more than once monthly, an increase might be warranted.

If there is no activity in a 24 month period in the SDO account, the account must be closed and the advance returned to the AOS as described in 6.4.10.11.

6.4.10.7 Interest Earned on SDO Account – Purchase Discounts

If the SDO fund is in an interest bearing account, any interest earned is to be deposited as interest revenue in the general fund. However, if the SDO advance is from a fund that, by statute, may retain interest earned from investments, the interest should be deposited as interest revenue in the fund accounting for the SDO advance.

Take advantage of any discounts offered. The SDO officer has the duty to pay SDO claims in a timely fashion. Any penalties, interest or other charges paid by the governmental unit may be the obligation of the responsible official or employee.

6.4.10.8 Debit Cards

The preferred purchase method is to timely process payments using the regular online voucher system via AOS. The PCard is now the preferred over the SDO as the alternative purchase method for small purchases. Debit cards through the SDO accounts should no longer be used for payments. To request PCards, see the IDOA Purchasing and Travel Card Program subpage.

6.4.10.9 Change in SDO Officer

If an agency, after submitting SF49068 to the IDOA, is approved to transfer the authority for an SDO fund to another officer, the following tasks should be completed prior to the new officer assuming this responsibility.

- *Reconcile to both checking account and SDO advance on old officer expiration date.**
- *New officer must review and accept both reconciliations.*
- *File new officer's signature with bank.*
- *Assure that new officer is familiar with single purchase limit and types of expenses allowed.*

** Reconciliation should be same as required monthly reconciliations.*

6.4.10.10 Accounting for SDO Funds

All monies in the SDO account must be accounted for at all times, both on the PeopleSoft Financials accounting system and in any manual records used.

6.4.10.10.1 Processing of SDO Checks

MANUAL CHECKS

All manual checks must be serially pre-numbered by the printing supplier and include the agency name. Blank check forms should not be accessible to persons other than those authorized to prepare or supervise the check writing process. Checks should never be signed unless payee and amount has been completed and approved. Voided or damaged checks should be rendered non-negotiable and filed for subsequent inspection or audit. If manual checks are used, a manual check register is required.

Prior to issuing an SDO check, perform a vendor inquiry in PeopleSoft Financials. If no vendor identification number appears, the vendor must complete and file with AOS a Form W-9, Request for Taxpayer Identification Number and Certification, prior to payment of the vendor invoice. Form 1099 reporting will be determined at the vendor level and is no longer the responsibility of the individual agency.

Be sure to include all applicable information on the face of the check, including invoice or account number in the "memo" section. On the invoice, note the date paid and check number. If not entering immediately into PeopleSoft Financials, post the check date, check number, payee, and amount to the manual check register. Calculate and enter the remaining check register balance. Insufficient funds charges are the responsibility of the assigned officer; do not exceed the available balance.

Checks to vendors should be mailed without allowing them to return to the person who approved the transaction for payment. File the paid invoices and receipts in a pending reimbursement file. When the transaction entry is made to PeopleSoft Financials, you will need to complete the appropriate chart fields. You may want to file back-up documents by LPN#, major expense category, and payment ID# assigned by PeopleSoft Financials.

SYSTEM CHECKS

If printing SDO checks from PeopleSoft Financials, enter the voucher for purchase, selecting your applicable SDO bank account. After payment is approved by your agency approver, run the pay cycle, thus printing the SDO check.

ALL checks should be accounted for in PeopleSoft Financials; if a check is voided and in the possession of the agency, enter at -0- dollars and indicate VOID. If a check is to be voided but not in the possession of the agency, stop payment with the bank, cancel the payment in PeopleSoft Financials and, if not replacing, close the voucher. If replacing, re-open and re-issue. Running the SOI_SDO_PAYMENT_DETAIL query prior to entering manual checks in the system will help to prevent possible duplication of entries.

If bank fees are charged to the SDO account, enter a voucher for the total fees for the month, using abbreviated month as check number – ex. NOV10FEES. If fees are due to overdrafts of the account, the SDO Officer could be responsible for the fees. For a suitable Invoice Number, follow guidance in 6.4.2.5.

6.4.10.10.2 SDO Queries in PeopleSoft Financials

The SOI_SDO_PAYMENT_DETAIL Public Query provides information that you need to know prior to requesting the SDO Reimbursement. This query can be run for a specific LPN and provides the following, as well as chart fields used for each payment:

- *Payment Status – if check has cleared the bank, status will show as Paid*
- *Recon Status – Reconciled or Unreconciled*
- *Cancel Action – shows whether or not check has been cancelled*
- *SDO Payment Date – date check written*
- *Reimb Status – if reimbursed, status will show as Paid*
- *Reimb Payment # – this number is the Payment ID used to look up the reimbursement deposit into the SDO bank account*
- *Reimb Payment Date – date of reimbursement deposit*
- *Other Reimbursement information*

Use of this query can help you avoid requesting reimbursements prematurely and possibly requesting reimbursements more than once for the same payment. It can also help to avoid duplicate check entries.

6.4.10.10.3 Documentation for SDO Reimbursement

It is no longer necessary to send backup documentation for SDO payments to the AOS along with the reimbursement transmittal. However, all such documents must be retained at the agency for audit as noted in the retention schedules.

6.4.10.10.4 PeopleSoft Financials Accounting System/Reimbursements by AOS

All SDO fund disbursements must be included on the PeopleSoft Financials accounting system, whether paper checks are printed from the system or manually generated. These entries must occur no later than the last day of the month the checks are created. Individual payments must be entered into Accounts Payable in a similar fashion as non-PO vouchers. If manual checks are used, "Record Only" should be selected in order to prevent duplicate payments.

Reimbursements to the SDO account for a check written should NOT be requested until the check in question has cleared the bank account. This will prevent possible reimbursement for checks which may be lost or remain outstanding for various reasons. Disbursements can be selected for reimbursement through the system. Once your AP Manager has approved and printed the SDO payment reimbursement transmittal form, the SDO officer will need to manually sign this transmittal. A copy may be attached to agency documentation for future reference, audits, etc. All documentation items must agree to the reimbursement request. Attach small receipts to an 8 ½ by 11 page to prevent loss in files.

On the SDO Reimbursement approval screen in PeopleSoft Financials, the status of your reimbursement request in the Reimbursement Status column shows as:

- *New – Created; pending agency approval*
- *Submitted – Approved by agency; pending AOS approval*
- *Completed – AOS approved; pending payment*
- *Paid –ACH transfer has been made*
- *Denied – Not approved; need to process a new request*

6.4.10.10.5 EFT/ACH Deposits of SDO Reimbursements

Once the AOS has approved an SDO reimbursement transmittal form, the amount approved will result in an AP voucher payable to the SDO bank account assigned to the SDO Officer through an automated clearing house (ACH). A remittance advice will be sent to the agency for inclusion in SDO records.

6.4.10.10.6 Return of Excess SDO Balances

Your SDO balance may contain an excess of funds due to 1) more than one reimbursement of a single payment; or 2) reimbursement received for a check that is never cashed. By following the guidelines above, these situations can be avoided. However, if you have an excess balance, you should issue a SDO check to AOS, charging (debit +) expenditure account 599981, Return of Excess SDO Balance. The AOS will deposit the check in the appropriate fund, depositing (credit -) to the same account. The effect of these transactions will move the cash back to the fund without creating an additional expenditure in your SDO

account or fund. This account is not subject to budget checking, and you will not include this in future reimbursement requests.

6.4.10.10.7 SDO Travel Advances

As the TCard is now the preferred method of payment for travel expenses, debit cards through the SDO accounts should no longer be used for travel, except in very limited circumstances. To request TCards, see the IDOA Purchasing and Travel Card Program subpage.

6.4.10.10.8 Reconciliations of SDO Accounts

At least monthly, the following reconciliations must be performed for the SDO fund:

- *Manually reconcile cleared checks from the monthly bank statement. If Automatic Reconciliation is used, reconcile checks cleared from imported bank file.*
- *Reconciliation of the PeopleSoft Financials check register to the bank balance.*
- *Reconciliation of the SDO LPN advance to the PeopleSoft Financials check register balance.*
- *If manual SDO checks are used, reconciliation of the SDO manual check register balance to the PeopleSoft Financials check register balance.*

6.4.10.10.9 PeopleSoft Financials Reconciliation to Bank Statement – Manual

The PeopleSoft Financials system includes pages to reconcile bank statements with PeopleSoft Financials payment information. All SDO checking accounts must be reconciled monthly within PeopleSoft Financials.

INITIAL RECONCILEMENT - If you have not successfully completed an SDO reconcilement in PeopleSoft Financials, use the following steps to perform the initial reconcilement:

1. *Make sure ALL SDO manual checks are entered in the system as Record Only.*
2. *Assure that ALL reimbursements are recorded. Run the SOI_SDO_Payment_Detail query to check this.*
3. *Navigate to Banking>Reconcile Statements>Manual Reconciliation. You will need your bank and bank account number (from bank statement).*
4. *Compare each item to the bank statement, checking in the Select column those checks that have cleared and entering the 'cleared date' in the second column.*
5. *Click on Reconcile box at bottom left.*
6. *Run Check Register report from Banking>Reports>Check Register using a date range from 01/01/1900 to the ending date of bank statement.*
7. *If data prior to 9/15/09 appears on the report, your account will not reconcile; contact GMIS for assistance to clear out these old transactions and balance. GMIS/AOS will review case by case for a possible solution. Solution may be: 1) payment table; 2) reconcile date; 3) reconcile status for a possible SQL update.*
8. *Run Check Register report from Banking>Reports>Check Register, entering the SDO advance amount as the beginning balance.*

MONTHLY RECONCILEMENTS - After the initial 'cleanup' reconcilement, monthly reconcilements must be performed as followed:

1. *Make sure ALL SDO manual checks are entered in the system as Record Only.*
2. *Assure that ALL reimbursements are recorded. Run the SOI_SDO_Payment_Detail query to check this.*
3. *Navigate to Banking>Reconcile Statements>Manual Reconciliation and run this report using the same date range as on your bank statement. You will need your bank name and bank account number (from bank statement).*
4. *Compare each item to the bank statement, checking in the Select column those checks that have cleared and entering the 'cleared date' in the second column.*
5. *Click on Reconcile box at bottom left.*
6. *Run Check Register report from Banking>Reports>Check Register, entering the ending balance of the prior month's Check Register report as the beginning balance.*

6.4.10.10.10 Automatic Reconciliation to Bank Statement

If your agency receives a bank file to import to PeopleSoft Financials (a fee is charged for this service), an automatic reconciliation is available at Banking>Reconcile Statements>Automatic Reconciliation.

After the reconciliation is completed, proceed to the Check Register.

6.4.10.10.11 SDO Advance Reconciliation to PeopleSoft Financials Check Register

At <u>all</u> times, the unreimbursed disbursements plus any advances to office cash plus the SDO checking account balance <u>must</u> equal the local purchase advance. If the reconciled SDO advance is less than the amount originally advanced, the SDO officer may be personally responsible for the amount needed to balance the advance.

Instructions for the reconciliation are as follows:

- *Go to PeopleSoft Financials Banking>Reports>Reconciliation of SDO Advance*
- *Bank SetID should be STIND*
- *Select appropriate Bank Code*
- *Select PeopleSoft Financials Bank Account Number*
- *Complete As Of Date for date desired*
- *Complete Advances to petty cash funds, if applicable*
- *Run Report*

Information on the completed reconciliation will include:

- *LPN Number, SDO Officer, Fund affected by Advance; Bank Account ID, Bank Account Number*
- *Total SDO advance amount*

- *Check register balance at As Of Date*
- *Total Payments made from inception of account to As of Date*
- *Total Deposits made from inception of account to As of Date*
- *Reconciling items section – the report will identify these items*
- *Variance – this is the unreconciled amount that you will have to identify and resolve*

This reconciliation of the SDO advance must be formally documented at least monthly. All reconciliations should be retained for audit; this will help to easily identify a month when a variance first occurred. A sample reconciliation is included in the Appendices of this chapter.

6.4.10.10.12 Outstanding Checks

IC 32-34-1 applies to checks issued by a governmental unit and notes that such items are considered abandoned in 32-34-1-20(7) as follows: "For property held by a state or other government, governmental subdivision or agency, or public corporation or other public authority, one (1) year after the property becomes distributable."

Such property is to be conveyed to the Attorney General at such time that it can be considered abandoned. The process for recording this for SDO checks is described below.

Note: All such checks will have been recorded in prior years, as the property is not considered abandoned until the year following distribution.

6.4.10.10.12.1 Cancelling SDO Payments

Example: Check written in same FY as void process. No reimbursement from AOS.

1 Cancel the outstanding check (void) on the system. In this example, the payment originated in FY2012 and is being cancelled in FY2013.

		Account	Bud Ref	Bud Per	DR	CR
*	Cash	1xxxxx	2012	2013Q1	200	
*	A/P	2xxxxx	2012	2013Q1		200

2 Close the voucher.

					DR	CR
*	A/P	2xxxxx	2012	2013Q1	200	
*	Expense	5xxxxx	2012	2013Q1		200

3 Notify bank to stop payment if check is not in possession of agency. By cancelling (voiding) the check, you have effectively returned the $200 to the cash balance and reinstated the A/P amount. Closing the voucher (effectively eliminating the A/P amount and the related expense) would increase the allotment balance by $200.

4 Issue a new check if necessary.

Note: If AOS reimbursement has been received for the check and you do not reissue, your account will be in excess and you will need to note this on each monthly reconciliation until one year after original distribution of the check, at which time you can consider it 'abandoned property' and follow guidelines in the next section.

6.4.10.10.12.2 Abandoned Property Dispensation Procedures

Example: Check was originally dispensed at least one year prior to current date.

Note: All such checks will have been recorded in prior years, as the property is not considered abandoned until the year following distribution.

1 *Cancel the outstanding check (void) on the system. In this example, the payment originated in FY2010 is being cancelled in FY2013.*

		Account	Bud Ref	Bud Per	DR	CR
*	Cash	1xxxxx	2010	2013Q1	200	
*	A/P	2xxxxx	2010	2013Q1		200

2 *Close the voucher.*

					DR	CR
*	A/P	2xxxxx	2010	2013Q1	200	
*	Expense	5xxxxx	2010	2013Q1		200

**System generated entries*

By cancelling (voiding) the check, you have effectively returned the $200 to the cash balance and reinstated the A/P amount. Closing the voucher (effectively eliminating the A/P amount and the related expense) would increase the allotment balance by $200.

3 *Write SDO check to AG for $200, debiting the expense account.*

		Account	Bud Ref	Bud Per	DR	CR
*	Cash	1xxxxx	2013	2013Q1		200
	Expense	5xxxxx	2013	2013Q1	200	

4 *Process Journal Entry to move expense to prior year.*

	Account	Bud Ref	Bud Per	DR	CR
Expense	5xxxxx	2010	2013Q1	200	
Expense	5xxxxx	2013	2013Q1		200

**System generated entries*

You will need to request reimbursement from AOS for this check in order to return the cash to your account. ***If reimbursement has previously been received*** *(you have excess funds in your bank account), don't use "record only" if manual check entry. For manual or system checks, use Handling Code of IG (Ignore) as you will* ***not*** *be requesting reimbursement for this check.*

6.4.10.10.13 Local Office Cash Funds

Local office cash funds may be established to facilitate payments for small routine office expenses such as postage due or for cash drawer change purposes.

6.4.10.10.14 Establishment and Accountability for Cash

Issue a check from the SDO fund payable to the employee who will be responsible for the cash (custodian). This employee should adhere to the following guidelines:

- *Keep cash in the agency office in a locked cash box stored in a locked safe or cabinet.*
- *Make all disbursements in cash, requiring from the person receiving cash either a purchase receipt or cash receipt (if purchase not yet made).*
- *Keep all receipts, invoices, or other paid items separate from the cash for better internal control.*
- *When reimbursement is necessary, submit paid receipts or invoices to the Special Disbursing Officer.*
- *Upon acceptance of the disbursement receipts/invoices, the Special Disbursing Officer will issue a check payable to the custodian, to be cashed and placed in the locked cash box. If an advance, such as start-up funds, be sure to note as such on SDO checking account record.*
- *There is no authority for an agency to maintain an "over" or "short" fund.*

At all times, the un-reimbursed disbursements plus the cash on hand must equal the cash advance. On a monthly basis, this reconciliation should be documented and, if possible, independently verified.

If an SDO has issued a check to a cash fund, he/she is responsible for oversight of those cash funds and for ensuring that any expenditures are included in PeopleSoft Financials. When processing a reimbursement request through PeopleSoft Financials, all receipts should be attached to the agency copy of the request and kept on file.

6.4.10.10.15 Multiple SDOs in an Agency

If an agency has multiple local purchase authorizations, with different employees as special disbursing officers, then:

- *Each SDO officer is responsible for the assigned local purchase authority, for entering all expenditures into PeopleSoft Financials, and for both reconcilements of the individual banking account.*
- *The various SDO funds established may have different authorized expenses and single purchase limits.*
- *Each SDO established may be authorized to incur expenses for a different fund (or project).*

Current policy is: one SDO to one bank account; do not combine multiple SDO funds in a single bank account or split an SDO fund into more than one bank account. AOS will no longer issue multiple SDOs to an agency.

6.4.10.11 Closing SDO Account

Prior to closing an SDO account, Form #49068 must be submitted to IDOA, who will approve the action and send Forms #49068 and #47911 to the AOS. AOS will approve the closing and send Form #47911 to the agency with further instructions.

The agency SDO Officer should then reconcile the SDO balance to the bank account and also to the SDO advance, retaining all reconcilement records for audit by the SBOA.

AOS will send the agency a request for a cashier's check for the balance on the account made payable to the State of Indiana. At this time, the agency should close the account with the bank so no further charges are accrued.

The AOS will deposit the ending balance check with TOS, using the Report of Collections, to the fund from which the SDO payments were made. After this check has cleared the external bank account, the agency can close this bank account and notify the AOS that the account is closed. AOS will contact GMIS to inactivate the account on the system, thereby completing the closing process.

6.5 APPENDICES

6.5.1 Chart of Expense Accounts (other than Payroll, Benefit Related Accounts)

Due to continual additions of detailed accounts, only the main categories are presented here. In PeopleSoft Financials, detail of any account list can be accessed by entering the first three numbers from this chart and selecting Search.

	UTILITY COSTS
520xxx	WATER & SEWAGE
520xxx	ENERGY
521xxx	TELECOMMUNICATIONS - SERVICES
	SERVICES PROVIDED BY EXTERNAL PARTIES
531xxx	PROFESSIONAL SERVICES
532xxx	FAC & INFRA MAINTENANCE
533xxx	EQUIPMENT MAINTENANCE
534xxx	SECURITY & SAFETY
535xxx	COMMUNICATIONS & TRAINING
536xxx	SHIPPING & TRANSPORTATION
537xxx	INSURANCE
538xxx	CONSTRUCTION
539xxx	PROGRAM OPERATION
	SUPPLIES, MATERIALS, & PARTS
541xxx	MOTOR VEHICLE EXPENSE
543xxx	FACILITIES MAINT SUPPLIES
544xxx	INFRASTRUCTURE MAIN SUPPLIES
545xxx	EQUIPMENT MAINTENANCE SUPPLIES
546xxx	OFFICE SUPPLIES
547xxx	SPECIALIZED OPERATING SUPPLIES
548xxx	MEDICAL & VETERINARY
	CAPITAL ASSETS
551xxx	LAND
552xxx	INFRASTRUCTURE
553xxx	CONSTRUCTION IN PROGRESS
555xxx	PROPERTY, PLANT, & EQUIPMENT
	DISTRIBUTIONS
561xxx	DISTRIBTN TO OTHER GOV UNITS
570xxx	GRANTS
571xxx	LOCAL GOVERNMENTAL UNITS

572xxx	PRIVATE ORGANIZATIONS
573xxx	NON PROFIT ORGANIZATIONS
574xxx	DISASTER ASSISTANCE
575xxx	TUITION & SCHOLARSHIPS
	SOCIAL SERVICE PAYMENTS
580xxx	DIRECT SUPPORT PAYMENTS
581xxx	INDIRECT SUPPORT PAYMENTS
582xxx	REFUNDS
582xxx	LOCAL UNIT REFUNDS
583xxx	ADDITIONAL SUPPORT
583xxx	LOCAL UNIT REIMBURSEMENT
	ADM & OPERATING EXPENSES
590xxx	FAC/REAL ESTATE RENTAL & LEASE
591xxx	EQUIPMENT RENTAL & LEASE
592xxx	LICENSES, FEES, INTEREST TAXES
593xxx	SETTLEMENTS, FINES COURT COSTS
	EMPLOYEE TRAVEL COSTS
5951xx	IN STATE TRAVEL EMPLOYEE REIMB
5955xx	OUTOFSTATETRAVEL EMPLOYEEREIMB
5958xx	INSTATETRAVEL 3RDPARTY PYMT
5959xx	OUTOFSTATETRAVEL 3RDPARTY PYMT
	OTHER ADMIN COSTS
599xxx	ADMIN & OPERATING COSTS

6.5.2 Expense Related Reports

Recommended Delivered Reports

Accounts Payable>Reports>Voucher Reconciliation> various aging reports

PeopleSoft Financials accessible custom reports/queries not available in AOS Alchemy storage

Query / Report Name	*Purpose*	*Data Prerequisite*	*PeopleSoft Financials Navigation*
Fund Profit & Loss Statement	*Profit & loss statement by fund or department*	*Items that have posted to the General Ledger*	*General Ledger> Agency Reports> Profit & Loss Statement*
SOI_WARRANT - ACH & Warrant Totals	*Provides a summary of warrant totals and ACH payment totals*	*Payments that have been created in the pay cycle*	*Public query -- Reporting Tools>Query>Query Viewer – Enter: SOI_WARRANT*
SOI_SDO_PAYMENT_DETAIL - SDO Payment Detail	*Query includes detail about SDO payments, including reimbursement status*	*SDO Vouchers/ Reimbursements that have posted*	*Reporting Tools>Query>Query Viewer – Enter: SOI_SDO_PAYMENT_DETAIL*

Alchemy Accessible AP Agency Custom Reports – Available on AOS Alchemy

Query / Report Name/Frequency	***Purpose***	***Data Prerequisite***	***PeopleSoft Financials Navigation***
Warrant Distribution By Agency *SOIAP201* *Daily*	*To give all the agencies a highlight of the payments to the vendors for that day*	*Payments that have been created in the pay cycle*	*Accounts Payable > Reports > Payments>Warrant Distribution by Agency*
Agency Appropriation & Allotment Trial Balance *SOIGL106* *Daily*	*Gives year-to-date **business unit** totals/balances for appropriations, appropriation balance, allotments, pre-encumbrances, encumbrances, expenditures, and allotment balance.*	*Requisitions, Purchase Orders, Vouchers and Journals that have been budget checked; Appropriation and Allotment Budgets that have been posted*	*General Ledger> Agency Reports> Alchemy reports > Agency Approp & Allot Trial Bal*
Fund Appropriation & Allotment Trial Balance *SOIGL103* *Daily*	*Gives year-to-date **fund** totals/balances for appropriations, appropriation balance, allotments, pre-encumbrances, encumbrances, expenditures, and allotment balance.*	*Requisitions, Purchase Orders, Vouchers and Journals that have been budget checked; Appropriation and Allotment Budgets that have been posted*	*General Ledger> Agency Reports> Alchemy reports > Fund Approp & Allot Trial Bal*
Fund Activity Detail *SOIGL113* *Monthly*	*Provides users with a common source of financial information for the purpose of providing a detailed list of all transactions by Fund and Account for a given Month to Date.*	*Items that have posted to the General Ledger*	*General Ledger > Agency Reports > Alchemy Reports > Fund Activity Detail*
GL Detail by Journal ID *SOIGL111* *Daily*	*Provides the entire journal transaction on each posting date. Agency uses this report to search, to verify or to find questionable transaction. It is a complementary report to GLDETAIL except there's no AP detail.*	*Items that have posted to the General Ledger*	*General Ledger > Agency reports > GL Detail by Journal ID*

Custom Queries in PeopleSoft Financials

Query Name	***Purpose***	***Data Prerequisite***	***PeopleSoft Financials Navigation***
SOI_WARRANT - ACH & Warrant Totals	*Provides a summary of warrant totals and ACH payment totals*	*Payments that have been created in the pay cycle*	*Public query -- Reporting Tools>Query>Query Viewer – Enter: SOI_WARRANT*
SOI_SDO_PAYMENT_DETAIL - SDO Payment Detail	*Query includes detail about SDO payments, including reimbursement status*	*SDO Vouchers/ Reimbursements that have posted*	*Reporting Tools>Query>Query Viewer – Enter: SOI_SDO_PAYMENT_DETAIL*

6.5.3 SDO Reconciliation Examples (2)

DEPARTMENT OF ENCOMPASS

RECONCILIATION OF SDO ADVANCE
As of March 31, 2008

Local Purchase Number: *000501151000*
Special Disbursement Officer: *10000456789 Jane Doe*
Advance from Fund: *10040 Encompass General Fund*
Bank Account ID: *STIND-CHASE-1234*
Bank Account: *074000010-*******3456*

	Total SDO advance	*$1,200.00*
Check register balance at 3/31/08	*320.97*	

Plus: Advances to petty cash funds:

Custodian	*Amount*	
Bob Smith, Columbus	*300.00*	
Kris Love, Kokomo	*200.00*	
	500.00	

Plus: Pending SDO reimbursement requests:

Request Number	*Date*	*Amount*	
100000207	*03/25/09*	*83.72*	
100000234	*03/26/09*	*243.07*	
		326.79	

Plus: Payments not yet on reimbursement request:

Check Number	*Date*	*Status*	*Amount*	
0000000226	*3/26/09*	*Unreconciled*	*3.57*	
0000000228	*3/27/09*	*Reconciled*	*48.67*	
			52.24	

	Total SDO advance reconciled	*$1,200.00*
	Variance	*0.00*

Prepared by: *M123456 Mark Doe* *Date:* *04/05/2009*

Approved by: _____ *Date:* _____

EXAMPLE – SDO CHECK REGISTER -- PeopleSoft Financials

Bank Code: BANK1
Bank Account: 192309466 (LPF)
Bank Object: 113448
Reconciliation From: 05/01/1900 Thru: 12/31/2009

SDO CHECK REGISTER

Balance From Previous Check Register Report: $0.00

SetID	Date	Reference	Name	Debit	Credit	Status(R)	Reconciled	Status(P)	Balance
00640	12/04/2003	0000000001	INDIANA DEPARTMENT OF CORRECTION	0.00	75.00	UNR		P	-75.00
00640	07/02/2007	0000000002	STATE OF INDIANA	0.00	7,767.90	REC		V	-75.00
00640	07/06/2007	SDO #104	STATE OF INDIANA	0.00	7,767.90	UNR		P	-7,842.90
00640	07/13/2007	L344800105	STATE OF INDIANA	0.00	1,384.01	UNR		P	-9,226.91
00640	08/20/2007	L344800106	STATE OF INDIANA	0.00	2,250.48	UNR		P	-11,477.39
00640	09/19/2007	L344800107	STATE OF INDIANA	0.00	2,758.39	UNR		P	-14,235.78
00640	10/17/2007	L344800108	STATE OF INDIANA	0.00	1,381.35	UNR		P	-15,617.13
00640	11/19/2007	L344800109	STATE OF INDIANA	0.00	1,014.60	UNR		P	-16,631.73
00640	12/18/2007	L344800110	STATE OF INDIANA	0.00	982.31	UNR		P	-17,614.04
00640	01/15/2008	L344800111	STATE OF INDIANA	0.00	901.00	UNR		P	-18,515.04
00640	02/15/2008	L344800112	STATE OF INDIANA	0.00	1,123.92	UNR		P	-19,638.96
00640	03/20/2008	L344800113	STATE OF INDIANA	0.00	916.05	UNR		P	-20,555.01
00640	04/11/2008	L344800114	STATE OF INDIANA	0.00	2,573.81	UNR		P	-23,128.82
00640	04/18/2008	L344800115	STATE OF INDIANA	0.00	661.23	UNR		P	-23,790.05
00640	05/19/2008	L344800116	STATE OF INDIANA	0.00	822.31	UNR		P	-24,612.36
00640	06/20/2008	L344800117	STATE OF INDIANA	0.00	1,353.73	UNR		P	-25,966.09
00640	11/06/2008	L344800118	STATE OF INDIANA	0.00	451.71	UNR		P	-26,417.80

Manual Check Register to PeopleSoft Financials Check Register

DEPARTMENT OF ENCOMPASS Financials

SDO MANUAL CHECKING ACCOUNT RECONCILIATION

As of March 31, 2008

Local Purchase Number: 000501151000
Special Disbursement Officer: 10000456789 Jane Doe
Advance from Fund: 10040 Encompass General Fund
Bank Account ID: STIND-CHASE-1234
*Bank Account: 074000010-*******3456*

Balance from Manual Ck. Register *$387.84*

Add: PeopleSoft Financials Deposits not yet in Manual Register
100.00

Less: Checks not yet in PeopleSoft Financials system

Date	*Ck. #*	*Amount*	
3/23	*224*	*63.30*	
3/26	*226*	*3.57*	
			66.87

Reconciled balance manual check register *$320.97*

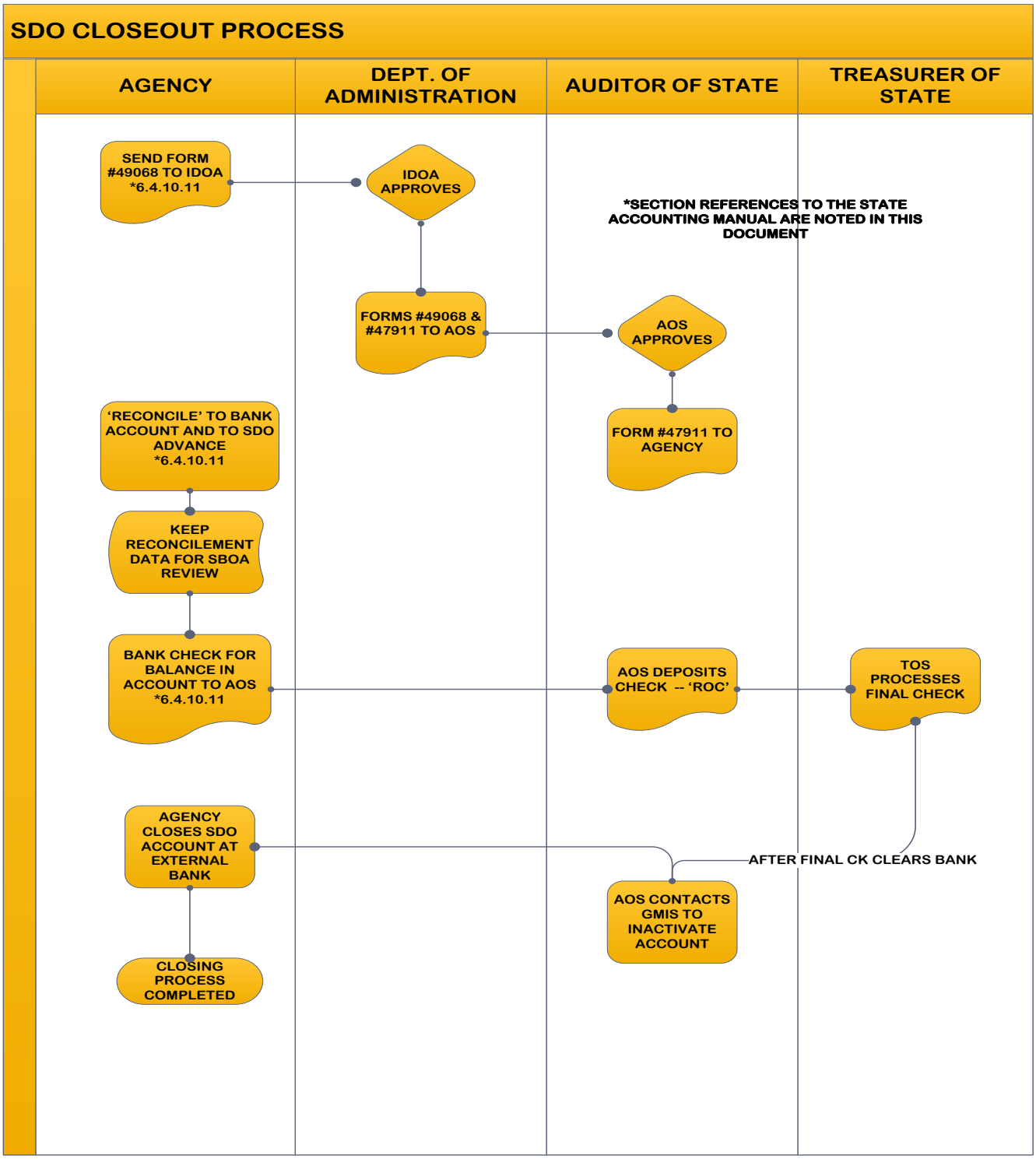
PeopleSoft Financials Register Balance
$320.97

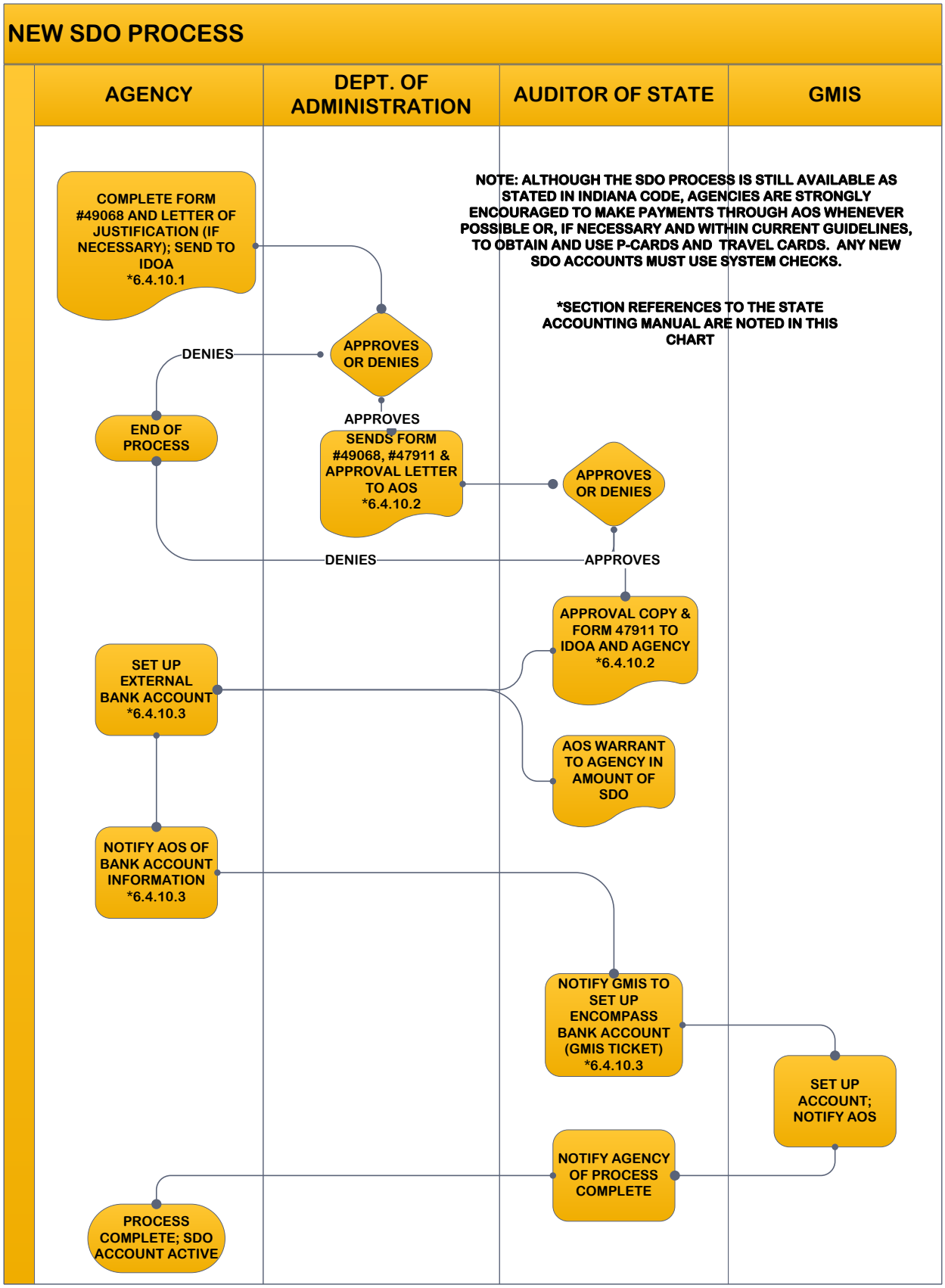
Variance *-0-*

Prepared by: _____Date:_____

Approved by: _____Date:_____

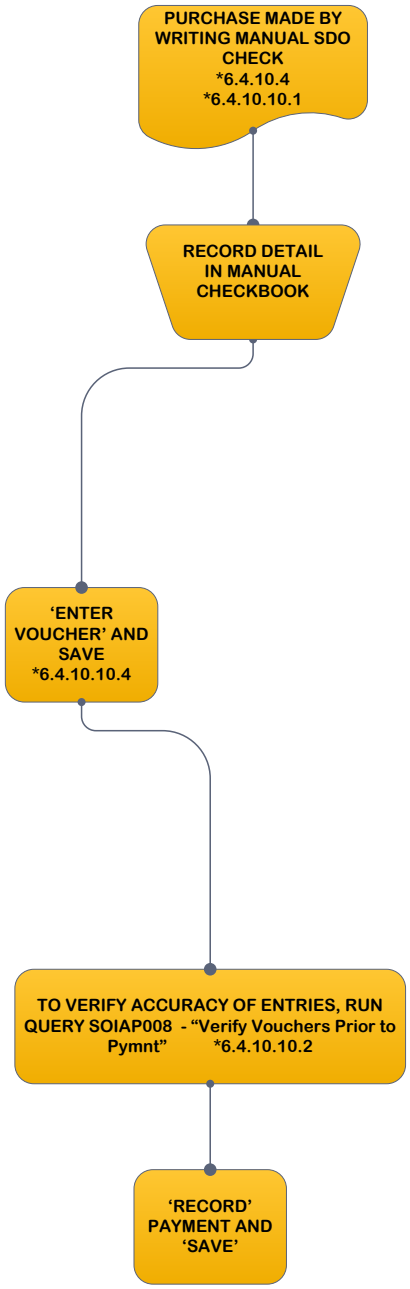
6.5.4 SDO Flowchart



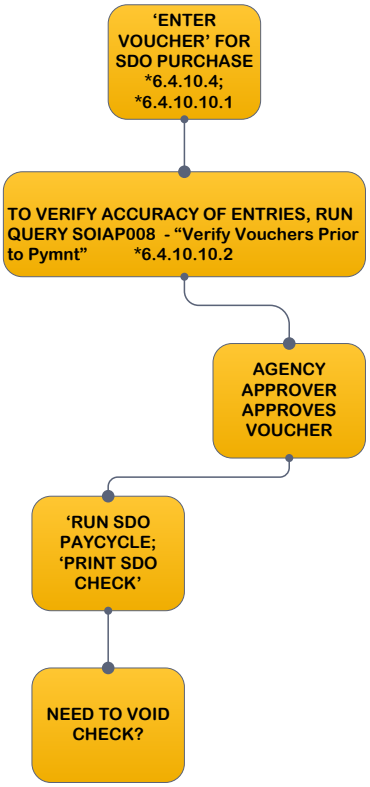

NEW SDO PROCESS
AGENCY
DEPT. OF ADMINISTRATION
AUDITOR OF STATE
GMIS
NOTE: ALTHOUGH THE SDO PROCESS IS STILL AVAILABLE AS STATED IN INDIANA CODE, AGENCIES ARE STRONGLY ENCOURAGED TO MAKE PAYMENTS THROUGH AOS WHENEVER POSSIBLE OR, IF NECESSARY AND WITHIN CURRENT GUIDELINES, TO OBTAIN AND USE P-CARDS AND TRAVEL CARDS. ANY NEW SDO ACCOUNTS MUST USE SYSTEM CHECKS.
*SECTION REFERENCES TO THE STATE ACCOUNTING MANUAL ARE NOTED IN THIS CHART
COMPLETE FORM #49068 AND LETTER OF JUSTIFICATION (IF NECESSARY); SEND TO IDOA *6.4.10.1
APPROVES OR DENIES
DENIES
END OF PROCESS
APPROVES
SENDS FORM #49068, #47911 & APPROVAL LETTER TO AOS *6.4.10.2
APPROVES OR DENIES
DENIES
APPROVES
APPROVAL COPY & FORM 47911 TO IDOA AND AGENCY *6.4.10.2
SET UP EXTERNAL BANK ACCOUNT *6.4.10.3
AOS WARRANT TO AGENCY IN AMOUNT OF SDO
NOTIFY AOS OF BANK ACCOUNT INFORMATION *6.4.10.3
NOTIFY GMIS TO SET UP ENCOMPASS BANK ACCOUNT (GMIS TICKET) *6.4.10.3
SET UP ACCOUNT; NOTIFY AOS
NOTIFY AGENCY OF PROCESS COMPLETE
PROCESS COMPLETE; SDO ACCOUNT ACTIVE

MAKING SDO PAYMENTS

MANUAL CHECK PROCESS



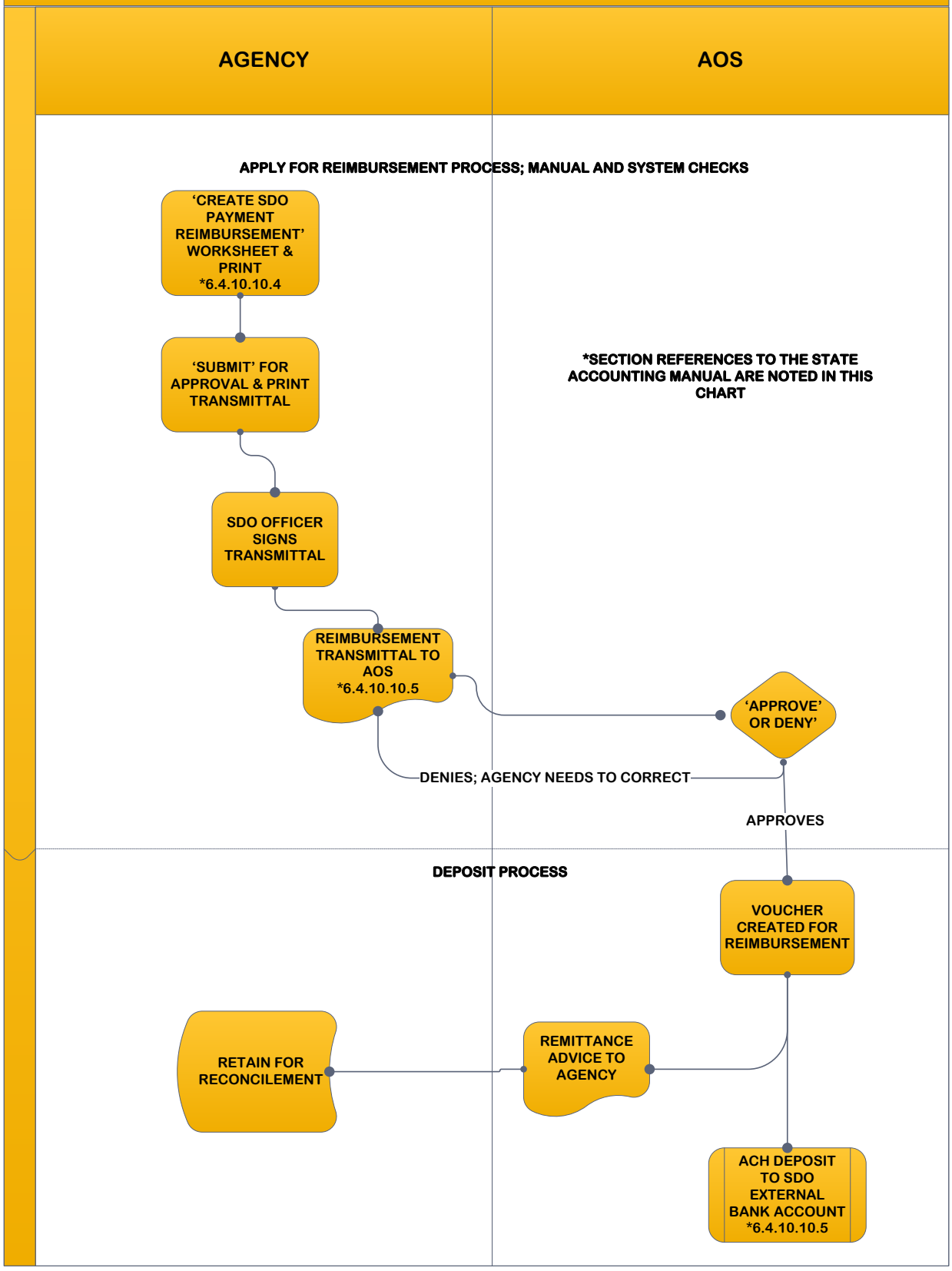
SYSTEM CHECKS – PAYCYCLE PROCESS

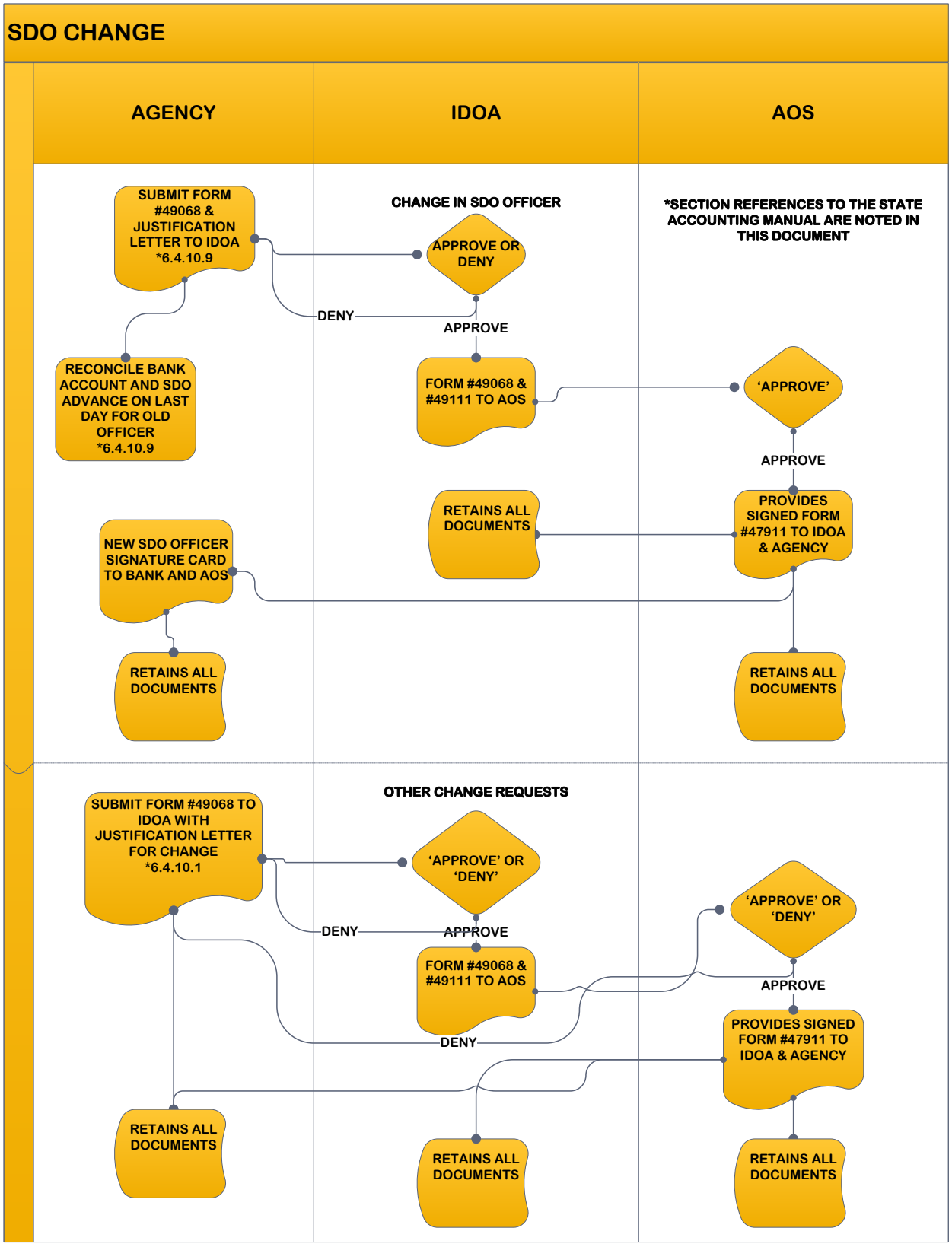


BANK FEES – If bank fees are charged to the SDO account, enter one voucher for the total fees for the month (from bank statement), using abbreviated month as Check Number – ex.- NOV10FEES. For a suitable Invoice Number, follow guidance in State Accounting Manual 6.4.2.5.

***SECTION REFERENCES TO THE STATE ACCOUNTING MANUAL ARE NOTED IN THIS CHART**

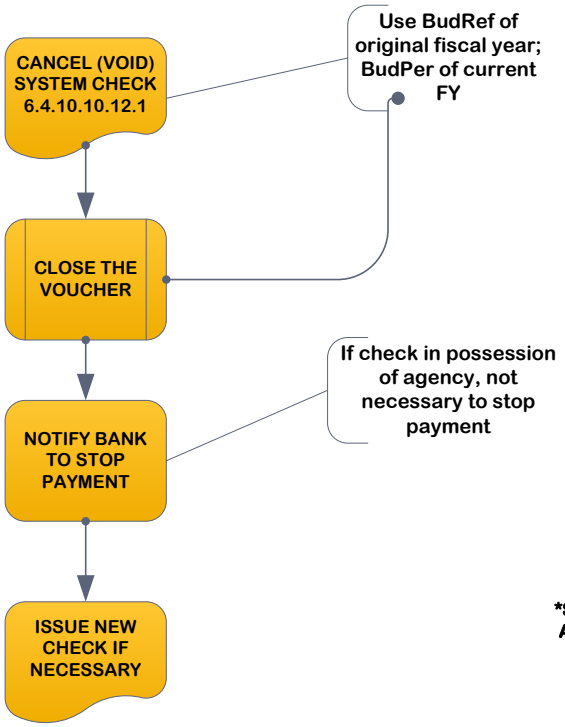
APPLYING FOR REIMBURSEMENT -- DEPOSIT TO SDO BANK ACCOUNT




SDO CHANGE
AGENCY
IDOA
AOS
SUBMIT FORM #49068 & JUSTIFICATION LETTER TO IDOA *6.4.10.9
CHANGE IN SDO OFFICER
*SECTION REFERENCES TO THE STATE ACCOUNTING MANUAL ARE NOTED IN THIS DOCUMENT
APPROVE OR DENY
DENY
APPROVE
RECONCILE BANK ACCOUNT AND SDO ADVANCE ON LAST DAY FOR OLD OFFICER *6.4.10.9
FORM #49068 & #49111 TO AOS
'APPROVE'
APPROVE
RETAINS ALL DOCUMENTS
PROVIDES SIGNED FORM #47911 TO IDOA & AGENCY
NEW SDO OFFICER SIGNATURE CARD TO BANK AND AOS
RETAINS ALL DOCUMENTS
RETAINS ALL DOCUMENTS
OTHER CHANGE REQUESTS
SUBMIT FORM #49068 TO IDOA WITH JUSTIFICATION LETTER FOR CHANGE *6.4.10.1
'APPROVE' OR 'DENY'
'APPROVE' OR 'DENY'
DENY
APPROVE
FORM #49068 & #49111 TO AOS
APPROVE
DENY
PROVIDES SIGNED FORM #47911 TO IDOA & AGENCY
RETAINS ALL DOCUMENTS
RETAINS ALL DOCUMENTS
RETAINS ALL DOCUMENTS

CANCEL PAYMENTS – IF LESS THAN ONE YEAR FROM ISSUE

AGENCY



***SECTION REFERENCES TO THE STATE ACCOUNTING MANUAL ARE NOTED IN THIS DOCUMENT**

Note: If reimbursement has already been made for your uncashed check, the SDO bank account will have excess cash; the reason for this overage should be documented on each monthly bank reconciliation until the abandoned property dispensation law applies (1 year after date of original check).

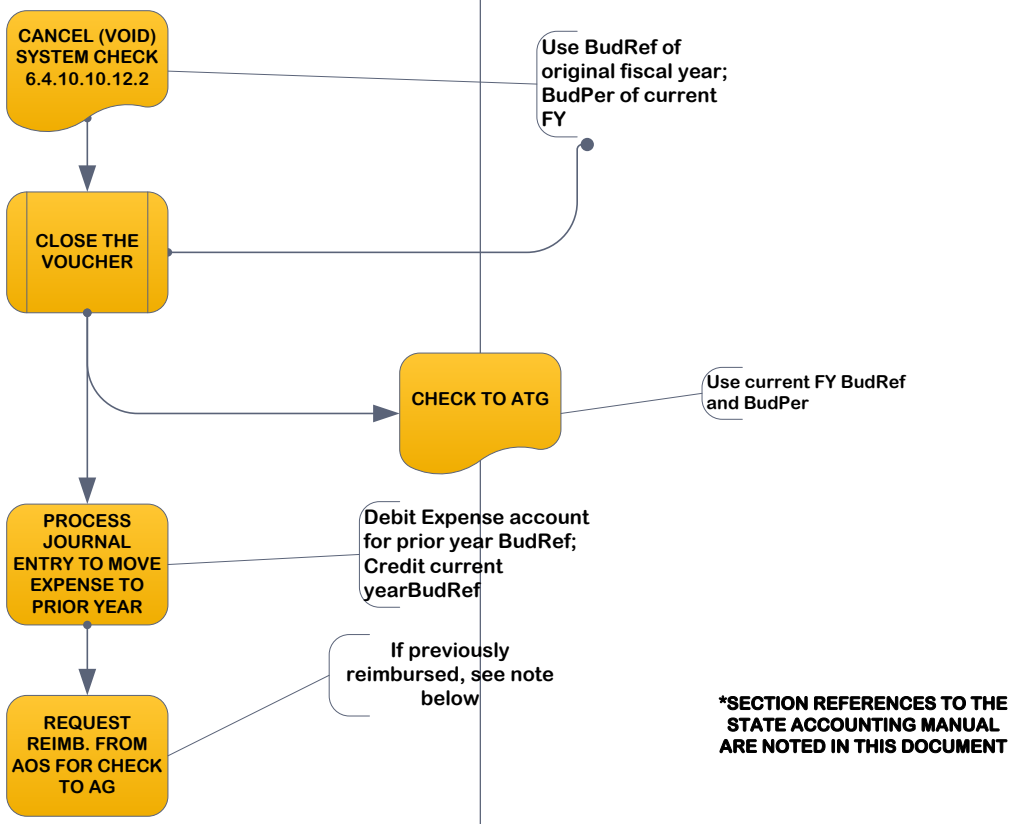
ABANDONED PROPERTY DISPENSATION

AGENCY

ATTORNEY GENERAL

Indiana Code 34-34-1 applies to checks issued by a governmental unit and notes that such items are considered abandoned in Section 20(7) as follows:
"For property held by a state or other government, governmental subdivision or agency, or public corporation or other public authority, one (1) year after the property becomes distributable." Such property is to be conveyed to the Attorney General at such time that it can be considered abandoned.

Note: All such checks will have been recorded in prior years, as the property is not considered abandoned until the year following distribution.



***SECTION REFERENCES TO THE STATE ACCOUNTING MANUAL ARE NOTED IN THIS DOCUMENT**

IF PREVIOUSLY REIMBURSED, DON'T USE 'RECORD ONLY' FOR ATG CHECK; USE HANDLING CODE OF IG (IGNORE), AS YOU WILL NOT REQUEST REIMBURSEMENT