



ADVANCE PURCHASE ORDERS



2023 Fall Auditors Conference
Indiana State Board of Accounts

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IC 5-11-10-1.6

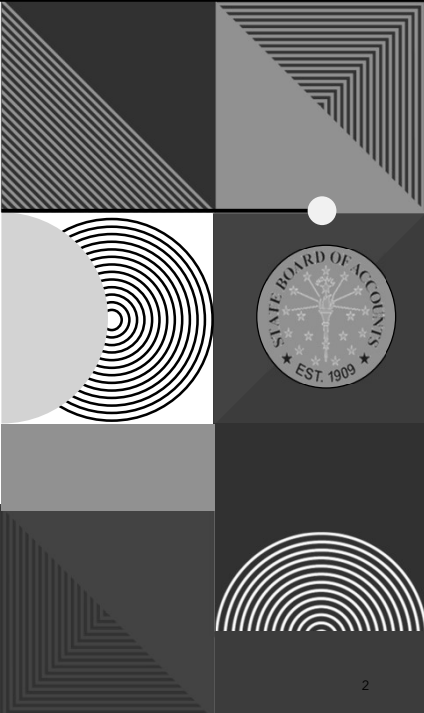
Sec. 1.6. (a) As used in this section, "governmental entity" refers to any of the following:...

(3) A county.

(b) As used in this section, "claim" means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless all of the following apply:

- (1) There is a fully itemized invoice or bill for the claim.
- (2) The invoice or bill is approved by the officer or person receiving the goods and services.
- (3) The invoice or bill is filed with the governmental entity's fiscal officer.
- (4) The fiscal officer audits and certifies before payment that the invoice or bill is true and correct.
- (5) Payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim.



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IC 5-11-10-1.6 (CONT.)

(d) Notwithstanding subsection (c), the following are permitted:...

...(3) A political subdivision (as defined in IC 36-1-2-13) may make advance payments to contractors to enable the contractors to purchase materials needed for a public works project of the political subdivision. The solicitation for the public works contract providing for advance payment for contractors under this subdivision must include the following information:

- (A) That the political subdivision will make advance payments to contractors to enable contractors to purchase materials.
- (B) Any limitations on the amount of advance payments that will be made.
- (C) Requirements for documentation relating to making advance payments to contractors for materials.
- (D) Any other information about advance payment for materials the political subdivision considers useful to contractors that make offers.

(4) A political subdivision (as defined in IC 36-1-2-13) may make advance payments for goods or services before the goods are delivered or services are completed if the fiscal body of the political subdivision authorizes making advance payments. If the fiscal body of the political subdivision authorizes making advance payments, the local fiscal officer or the local fiscal officer's designee must do all of the following when advance payments are made:

- (A) Track prepayments by defining the prepayment on a purchase order.
- (B) Create a prepayment invoice that is associated with the purchase order.
- (C) Require insurance or a surety bond in the amount of the prepayment if the amount of the prepayment is more than one hundred fifty thousand dollars (\$150,000).

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IC 5-11-10-1.6 (CONT.)

(e) Advance payments made under subsection (d)(3) or (d)(4) may not exceed the lesser of the following:

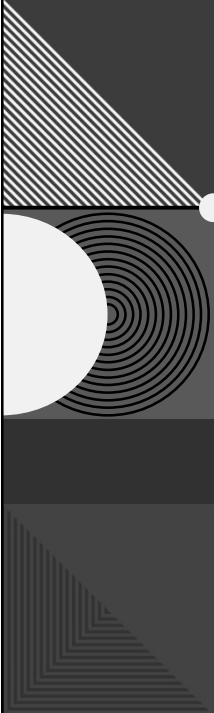

- (1) Fifty percent (50%) of the entire cost of the contract.
- (2) Two million dollars (\$2,000,000).

(f) The fiscal officer of a governmental entity shall issue checks or warrants for claims by the governmental entity that meet all of the requirements of this section. The fiscal officer does not incur personal liability for disbursements:

- (1) processed in accordance with this section; and
- (2) for which funds are appropriated and available.

(g) The certification provided for in subsection (c)(4) must be on a form prescribed by the state board of accounts.

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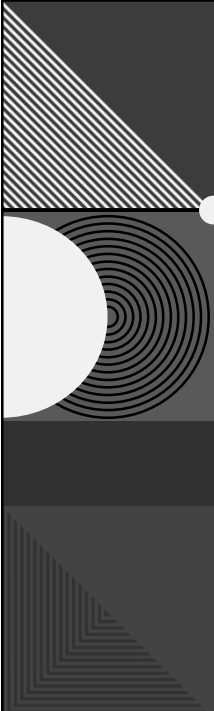




KEY TAKEAWAYS

- IC 5-11-10-1.6(c) details out what must be provided for a claim to be paid
- IC 5-11-10-1.6 (d)(3) is for advance payments to contractors
- IC 5-11-10-1.6 (d)(4) is for advance payments for goods and services
- IC 5-11-10-1.6 (e) advance payments may not exceed 50% of the cost of the contract or \$2,000,000 (whichever is lesser)
- IC 5-11-10-1.6 (g) new prescribed form from SBOA - Form 98P

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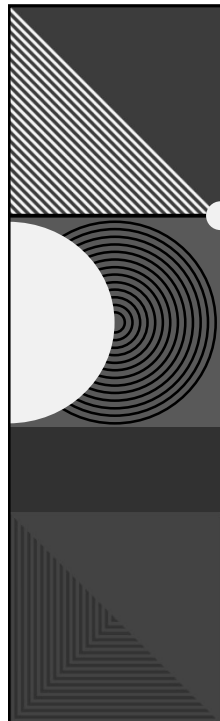



SBOA GUIDANCE

- Council must approve the prepayment, prior to payment being made.
- Make sure the goods and services you pay for are being received, especially prior to final payment.
- Include requirements that substantiate that the materials are purchased for the counties project only and are used on that project.

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SBOA GUIDANCE (CONT.)



- Prepayment of materials increases the risk for loss of funds, which can be mitigated with proper procedures and internal controls.
- Internal controls need to be established with procedures and policies that govern how the county will track from the prepayment to the receipt of goods and any final payment due.
- Requires the use of purchase orders and invoices for the prepayment.

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PRESCRIBED BY STATE BOARD OF ACCOUNTS

GENERAL FORM NO. 98P (REV. 2023)

PREPAYMENT PURCHASE ORDER

NOTE: NO CLAIMS WILL BE APPROVED FOR PAYMENT UNLESS ORIGINAL COPY OF THIS ORDER OR THE P.O. NUMBER IS MAILED PART OF THE CLAIM.

P.O. _____
This number must be on invoice, together with Delivery Slip.

DATE _____

REQ. IN ACCORDANCE WITH BID AND CONTRACT DATED _____

Printed in black on blue inkless or toner.

QUANTITY	UNIT	DESCRIPTION	UNIT PRICE	AMOUNT

Do you have the local ordinance? Y/N TOTAL AMOUNT OF ORDER

PREPAYMENTS			
<small>Prepaid Amount</small>			
<small>Prepaid check #</small>			
<small>Prepaid check date</small>			
<small>Invoice Number</small>			
<small>Is there a surety bond or has a determination been made that one is not required?</small>			
<small>IC 5-11-10-1.6 specifies the requirements for prepayments</small>		<small>TOTAL AMOUNT REMAINING OF ORDER</small>	

PREPAYMENT PURCHASE ORDER

FORM 98P

I HEREBY CERTIFY THAT THERE IS AN UNOBLIGATED BALANCE IN THIS APPROPRIATION SUFFICIENT FOR THE ABOVE ORDER BILLING ON THIS ORDER MUST BE ACCOUNTING TO PRICES SHOWN ABOVE

SIGNATURE _____ TITLE _____

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HOW TO COMPLETE THE FROM 98P

The top of the form:

- the quantity
- number of units
- description
- unit price and
- total amount of the order



PRESCRIBED BY STATE BOARD OF ACCOUNTS GENERAL FORM NO. 98P (REV 2023)

PREPAYMENT PURCHASE ORDER

NOTE: NO CLAIMS WILL BE APPROVED FOR PAYMENT UNLESS ORIGINAL COPY OF THIS ORDER OR THE P.O. NUMBER IS MADE PART OF THE CLAIM.

P.O. _____
This number must be on Invoice, Voucher and Delivery Memo
 DATE _____
 REQ. _____
IN ACCORDANCE WITH BID AND CONTRACT DATED
If subject to discount please indicate on invoice

Charge to		Appropriation Number			
QUANTITY	UNIT	DESCRIPTION	UNIT PRICE	AMOUNT	
Do you have the local ordinance? Y/N			TOTAL AMOUNT OF ORDER		

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HOW TO COMPLETE THE FROM 98P

The bottom of the form:

- prepaid amount
- prepaid check number
- prepaid check date
- invoice number
- total amount remaining of the order.



PREPAYMENTS			
	Prepaid Amount		
	Prepaid check #		
	Prepaid check date		
	Invoice Number		
	Is there a surety bond or has a determination been made that one is not required?		
IC 5-11-10-1.6 specifies the requirements for prepayments		TOTAL AMOUNT REMAINING OF ORDER	

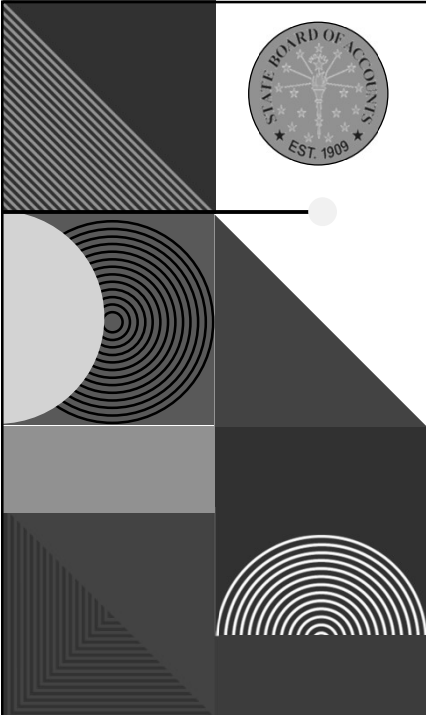
I HEREBY CERTIFY THAT THERE IS AN UNOBLIGATED BALANCE IN THIS APPROPRIATION SUFFICIENT FOR THE ABOVE ORDER

BILLING ON THIS ORDER MUST BE ACCOUNTING TO PRICES SHOWN ABOVE

SIGNATURE

TITLE

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HOW TO COMPLETE THE FORM 98P (CONT.)


It also has a space to document that a surety bond has been issued or is not required.

The prepayments section also lists the Indiana Code for further requirements, if needed.

PREPAYMENTS			
	Prepaid Amount		
	Prepaid check #		
	Prepaid check date		
	Invoice Number		
	Is there a surety bond or has a determination been made that one is not required?		
IC 5-11-10-1.6 specifies the requirements for prepayments		TOTAL AMOUNT REMAINING OF ORDER	


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EXAMPLE


CONSIDER PURCHASING A DUMP TRUCK



BUT HALF OF THE COST IS NEEDED UP FRONT





REQUEST COUNCIL APPROVAL FOR PREPAYMENT OF PURCHASE




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EXAMPLE

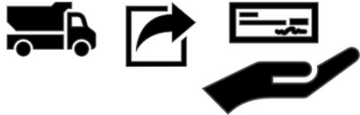
**INVOICE FOR TOTAL
COST ATTACHED TO
PO APPROVED BY
COMMISSIONERS**



**WARRANT FOR
PREPAYMENT ISSUED
& CHECK SENT TO
VENDOR**



**WHEN DUMP TRUCK
RECEIVED, CLAIM
FOR FINAL PAYMENT**



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CONTACT US

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Staci Byrns**

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