ACCOUNTS PAYABLE PROCESSES

“One of the most important duties of the county auditor, as the title implies, is to audit all claims and vouchers prior to their allowance and payment. It is not expected that the county auditor personally supervise the performance of all work or the delivery of all goods, but to ensure a claim or voucher is proper…”

* Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 8
APPROVAL OF CLAIMS

Indiana Code 5-11-10-1.6(c) states “The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

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.

PROCUREMENT POLICY

IC 5-22-8-2 (a) “This section applies only if the purchasing agent expects the purchase to be less than fifty thousand dollars ($50,000) (b) A purchasing agent may make a purchase under small purchase policies established by the purchasing agency or under rules adopted by the governmental body.”

IC 5-22-6-1 “The purchasing agency of a governmental body may purchase services using any procedures the governmental body or the purchasing agency of the governmental body considers appropriate.”
RISK ASSESSMENT

What are the risks to our accounts payable cycles and how do we address those risks?

Scenarios
* Standard purchase from approved vendor
* Purchase with petty cash
* Purchase with credit card

Accounts Payable Cycle
PETTY CASH

IC 361-8-3 states: (a) The fiscal body of a political subdivision may establish a petty cash fund for any of its offices in a like manner to section 2 of this chapter (cash change fund) (b) The custodian of a petty cash fund shall use it to pay small or emergency items of operating expense. A receipt shall be taken for each expenditure made from the fund. (c) the custodian of a petty cash fund shall periodically file a voucher, with all original receipts totaling the cash claimed expended being attached to it, so that the fund can be reimbursed from it. Reimbursements must be approved and made in the same manner as is required for other expenditures of the political subdivision.

DEFINITION

A credit card is a thin rectangular piece of plastic issued by a bank or financial services company, that allows cardholders to borrow funds with which to pay for goods and services from merchants that accept the cards for payment.
CREDIT CARD POLICY

The State Board of Accounts does not take exception to the use of credit cards by a unit provided the following criteria are observed:

1. The governing body must authorize credit card use through an ordinance which has been approved in a meeting and documented in the minutes.

2. Issuance must be handled by an official or employee designated by the governing body.

CREDIT CARD POLICY - CONTINUED

3. The purpose for which the credit card may be used must be specifically stated in the ordinance.

4. When the purpose for which the credit card has been issued has been accomplished, the card must be returned to the custody of the responsible person.

5. The designated responsible official or employee must maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.
6. Credit cards must not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing body and other officials with timely and accurate accounting information and monitoring of the accounting system.

7. Payment cannot be made on the basis of a statement or a credit card slip only. Procedures for payments must be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee may be the personal obligation of the responsible officer or employee.

8. If authorized, an annual fee may be paid
OTHER CONSIDERATIONS

Who has access to use the credit cards and credit card numbers?
What is the credit limit on the credit card?
Does the credit card have a cash advance function?
Will each department/authorized user review and certify good/services received and identify any unauthorized uses?
Credit card should be issued in the name and EIN of the County not an official or employee of the County.

OTHER POLICY CONSIDERATIONS

Does your policy address:
• Who is responsible for late charges
• What happens if insufficient documentation is provided
• What if personal expenses or other unallowable costs are paid by credit card?
• What if card is lost or stolen
• Employee with access to card leaves employment
SUMMARY — POINTS TO REMEMBER

At the time the credit card is used, payment to the vendor has been made.

There should be strong internal controls over the use of the credit card.

The credit card statement should be reviewed, and any charges not made by an authorized user should be disputed.

Any charges made by an authorized user that are in violation of the credit card policy would be handled within the county - the charges would be paid.
CONTACT

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