



Tehama County Department of Education

Jared Caylor
Tehama County
Superintendent of
Schools

1135 Lincoln Street Red Bluff CA 96080 | 530.527.5811 | www.tehamaschools.org

Business Office Procedures Audit of District Accounts Payable

Purpose

State statutes, as embodied in the California Education Code, charge each county superintendent of schools office with the responsibility to determine the legality of accounts payable expenditures for school districts in their jurisdictions. Our goal is to minimize any disruption of district business and maximum efficiency for both the districts and our office while meeting the intent and form, where prescribed, of all legal requirements.

Legal Requirements

The District is required to

1. Ensure each order is signed by a majority of the governing board or by an authorized official [EC §42632]
2. Ensure that all orders are numbered [EC §42634] and:
 - i. include the fund or funds to be drawn upon
 - ii. include the amount of payment to be made
 - iii. are supported by an itemized bill showing separate items and the price of each (support may be maintained at district)
3. Submit all orders to the county office [EC §42635]

The County Superintendent is required to

1. Prescribe the forms used to process orders unless the warrants are processed by an on-line data processing system [EC §42631]
2. Maintain the signatures on file in their office of the persons authorized to sign orders and determine that the signatures on orders are of persons authorized to sign the orders [EC §42633]
3. Examine and approve all properly drawn district orders at which time the order becomes a requisition of the county auditor. [EC §42636]
4. Submit a statement to the district governing board requesting additional information or to provide the reasons for disapproving any district orders. [EC §42638]
5. Notify the governing board of the district, the State Controller, and the Superintendent of Public Instruction, and the local district attorney if they determine that there is any evidence of fraud or misappropriation. [EC §42638]

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Legal Requirements Continued

The County Superintendent may also perform the following:

1. EC §42634 authorizes the county superintendent to allow the districts to maintain itemized bills and supporting documentation for non-salary expenditures on file at the school district instead of submitting them with the orders for payment.
2. EC §42636 states that the county superintendent may examine each order on school district funds.

TCDE Accounts Payable Audit Procedure

Our audit of supporting documentation will be performed on a selective basis using the strength of the district's internal control over accounts payable as the primary selection criteria. There may also be occasions that we will request the supporting documentation for a specific item in a warrant batch.

By relieving the districts of the need to provide supporting documentation of invoices, we are hoping to reduce copying costs as well as the time required to complete an accounts payable warrant batch. We are able to remove the need to validate every order with physical documentation by taking a risk-based approach to our auditing work. It is our intent and belief that this approach will allow us the time to assist districts in improving their systems of internal control; allow us the time to better review the appropriateness of the object code; and provide a more valuable service to the districts in our county.

Field Procedures

The approach we have chosen requires us to obtain a thorough understanding of each District's internal control over cash disbursements processed through accounts payable. We have begun the process of documenting our understanding of your internal control with a description of your process and how accounts payable is processed in ESCAPE at your District. We will need to augment this understanding by making inquiries and observations and walking through the process with you at your District. To that end we will be scheduling on-site visits to accomplish these tasks and subsequently test a sample of invoices against your process. We will provide the District with a written report to describe the results of our audit and any recommendations we may have. On-site audits will be performed at regular intervals not to exceed one year.

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Office Procedures

We will require all warrant batches for accounts payable to be submitted for review and approval in the following form:

1. Submit a detailed listing of each warrant and the invoices it is paying to include the account code and amount and we will immediately advise you if the batch is subject to audit of the supporting documentation.
2. Provide a detailed description of the purchase.
3. Include with the batch documentation for the following:
 - a. Payments to employees other than Payroll replacement checks
 - b. Revolving fund reimbursements
 - c. Payment to districts (in and out of County)
 - d. Payments using object classification 7xxx
 - e. Contracted Services for contracts over \$5,000. We will accept a copy of the contract uploaded to the requisition. Please note in the comments "initial payment"
4. Submit a warrant batch authorization form to include the following information:
 - a. Signed by an authorized official
 - b. Number of warrants to be drawn
 - c. Total amount to be drawn from each of the District's funds

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