

SECTION D **PURCHASING AND ACCOUNTS PAYABLE**

One of the most important aspects of controls over expenditures is an efficient and effective system of purchasing. The objectives of an effective purchasing system are to buy materials, supplies, commodities, and services that are of the right quality, quantity, price and from the right source with delivery being at the right place. These objectives should be accomplished in accordance with management's purchasing policies and in accordance with applicable federal and state purchasing laws. Each school district shall adopt purchasing policies and establish a purchasing system which will meet these objectives.

Well-designed Purchasing System

A well-designed purchasing system should include the following items:

1. Purchase requisitions
Purchase requisitions are documents completed and signed by school personnel requesting authorization by school district management for the purchase of requested goods and/or services. The use of purchase requisitions is optional; however, the control objectives must be achieved by other means if they are not used. Purchase requisitions do not require pre-numbering.

2. Purchase orders
A purchase order is defined as a document authorizing the delivery of specified goods or the rendering of certain services and the making of a charge for them. Acceptance of a purchase order by the vendor establishes a legally binding contract. The purchase order gives the vendor authority to ship the required items and binds the district for payment when goods have been received, and services have been rendered. It is highly recommended that purchase orders include terms such as:
 1. LEA is Tax Exempt
 2. PO is voided after 60/90/120 days
 3. Cancel Order for items not in stock; No Substitutions and No Backorders.
 4. PO number must appear on all correspondences.
 5. Any other terms that are applicable to your district's policies

All public-school districts are required to use purchase orders.

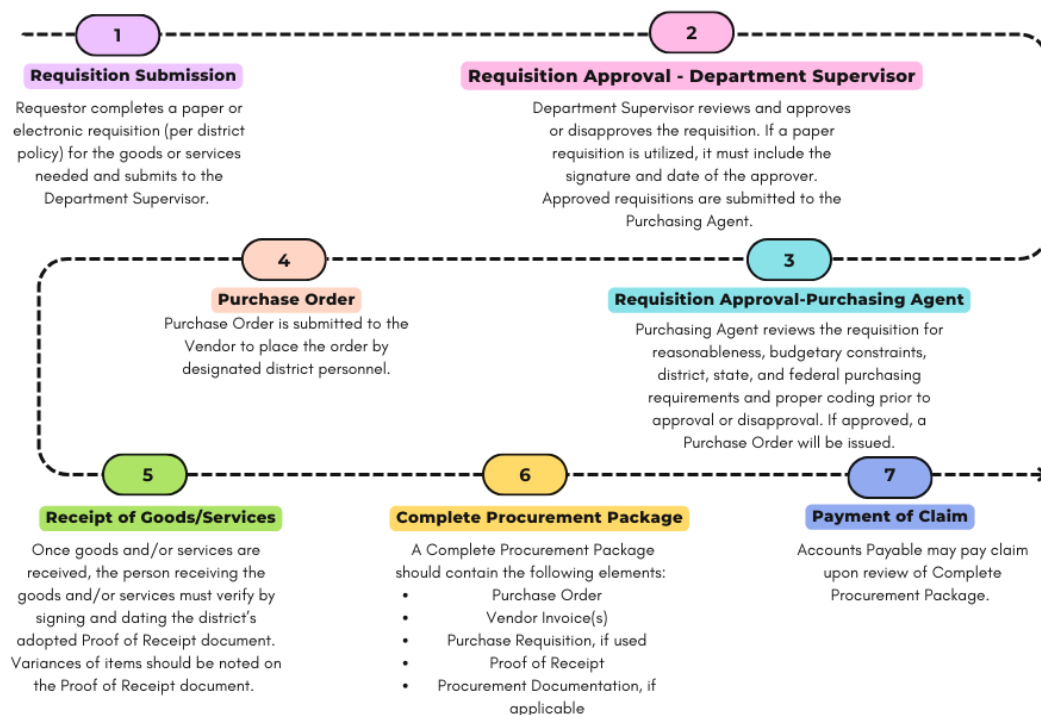
The school board may exempt certain purchases from purchase order requirements. This may be achieved by the school board's approved purchasing policy detailing which type(s) of transactions are exempt from purchase order requirements.

All purchase orders shall be numerically pre-numbered/pre-printed if they are used in paper form. In an electronic format, purchase orders shall be generated numerically.

3. **Proof of Receipt**
Proof of receipts are documents recording the fact that the items ordered were actually received and services were rendered. Proof of receipt may be in the form of a signed and dated receiving report, packing slip, copy of the purchase order, or in the instance of services, other supporting documentation. The proof of receipt signature should be of the one who has direct knowledge of the receipt of goods or services.
4. Upon receipt of all invoices, the district shall indicate the date the invoice was actually received from the vendor. The invoice must be verified that it aligns with the proof of receipt and purchase order. It is recommended that the verification be documented on the invoice.

The following is a flowchart of recommended minimum requirements for all purchases. Additional processes may be added based on district needs.

Fundamental Purchasing Process



Steps six (6) and seven (7) of the Fundamental Purchasing Process chart above will be further explained in the Well-Designed Accounts Payable section below.

Well-designed Accounts Payable System

Accounts Payable is the process of paying invoices to vendors for goods received and services rendered. The accounts payable department may pay the claim/invoice upon review of the Complete Procurement Package.

A complete procurement package includes the following:

1. Purchase Order
2. Vendor Invoices
3. Purchase Requisition, if used
4. Proof of Receipt
5. Procurement Documentation, if applicable

Once the complete procurement package has been verified, the invoice shall be entered into the accounting software for payment processing, which creates a claim. When all claims have been entered for a specified period, the compilation of claims is called a claims docket. The claims docket must be board approved prior to the release of payment. Board policy may allow for specific types of claims to be paid prior to board approval, but the claims must be ratified at the next board meeting.

The district should have internal controls in place to avoid duplicate payments of invoices. In addition to having a Complete Procurement Package as indicated above, the paid invoice files shall include check number, claim number (if applicable), and complete expenditure funding code. This may be accomplished by attaching a cover sheet generated by your accounting system, a copy of the check or a copy of the purchase order, with this information.

Record Keeping Requirements

All school districts are to maintain quote or bid records which are cross-referenced to purchase orders, invoices, and board approval, if applicable, to substantiate that purchasing laws have been followed. Records related to sealed bids received in response to advertisements must be maintained in a bid file by bid number. Records related to quotes (bids obtained without formal advertising) must be attached to the paid invoice. The district may also choose to maintain a quote file by quote number, but it is not required.

Paid invoice files shall contain all information necessary to support the payment transaction. School districts shall utilize a system of filing the paid invoice files that promotes easy access and review. Acceptable filing systems with appropriate supporting documentation include:

- Filing by vendor in alphabetical order.
- Filing by check number or claim number.

- Filing by purchase order number.
- Filing by voucher number.

The district must also comply with records retention laws for certain types of purchases and/or funding sources of the purchase (i.e. construction, bond projects, grants, etc.).

Board approval is required before the destruction of financial records. Records may be maintained in paper form or electronically. Record retention guidelines for purchasing and accounts payable can be viewed at the Mississippi Department of Archives & History (MDAH).

<https://www.mdah.ms.gov/local-government#retention>

Legal Reference: Miss. Code Ann. §37-15-4; 37-15-8; 31-7-13 (a)(iii);

Required Supplemental Notes:

1. When using paper requisitions, it is recommended that the disapproval of requisitions beyond the Supervisor's approval be noted as such, copied, filed and notification given to the requesting individual of the disapproval.
2. The use of open purchase orders to vendors is allowable. Open purchase orders must be used according to school board policy and in compliance with state law.
3. While centralized purchasing is recommended, for the majority of school districts, centralized vs. decentralized purchasing is a determination that each school district should make by considering the most efficient and effective means of handling purchasing. With centralized purchasing, all purchases of the school district are handled by one department where purchases are received at one location. With decentralized purchasing, purchases are handled by more than one department with purchases received at more than one location.
4. School boards shall establish detailed purchasing policies. Purchasing policies shall be approved by the school board and recorded in its official minutes.
5. Statements cannot be used in lieu of invoices.

Public Purchasing Laws:

Mississippi public school districts must make purchases in accordance with the Mississippi Code of 1972, Annotated. Also see the "Quick Reference Index of School Related Laws" (Section P of this manual).

The most significant code sections affecting purchasing are:

- 31-7-1 Definitions
- 31-7-9 Purchasing Regulations
- 31-7-12 State Contract Price for Purchase of Commodities
- 31-7-13 Bid Requirement and Exceptions; Public Auctions
- 37-39-1 Public Schools; Definitions
- 37-39-15 Purchase of Supplies or Equipment for Schools
- 37-39-17 Restrictions on Purchases in Small Quantities

Purchases using federal funds are also subject to applicable federal regulations.

Note: The Mississippi public purchasing laws are subject to amendments by the Legislature each year. To keep current, each school district is encouraged to review any amended public purchasing laws. These amended code sections may be obtained from the Office of the Secretary of State. Additional purchasing guidance is available at dfa.ms.gov.

Purchasing Document Formats:

The actual forms and formats to be utilized are to be determined by the district.