USFR Expenditure & Payroll Processing Webinar

Presented By

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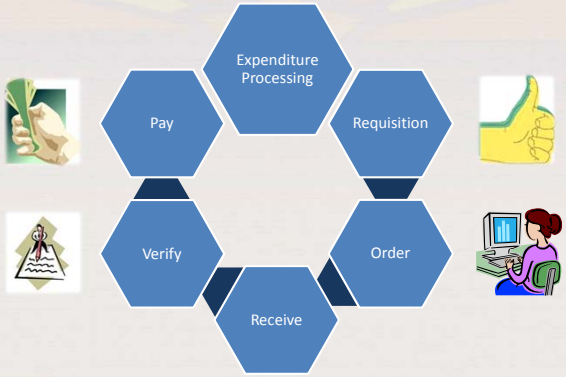
Outline

- What Controls Can Do for You
- Expenditure Processing
- Payroll Processing
- Questions

What Controls Can Do for You

- Good controls
  - Safeguard monies
  - Protect people handling the monies
  - Provide an audit trail

Expenditure Cycle

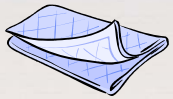


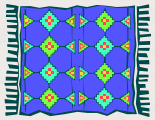
Common Expenditure Problem Areas

- Blanket P.O.s
- Prepayments
- Overexpenditures
- Revolving Bank Account
- Conflict of Interest

Expenditure Processing- Blanket Purchase Orders

- Use of Blanket Purchase Orders
  - Recurring basis from same vendor
  - Specific items or classes of items
  - Specific time frame and dollar limit
- Processing
  - Deduct each appropriate purchase
  - Check balance remaining
  - Check timeframe (not expired)





Expenditure Processing- Prepayments

For items normally prepaid or to receive a discount

Examples:

- Insurance premiums
- Conference registrations
- Hotel accommodations/Airfare
- Service/Maintenance contracts
- Subscriptions

Not allowed for Salaries

Expenditure Processing- Overexpenditures

- Monitoring Budget Capacity
- Monitoring Cash Available
- Impact of Pooling at County
  - A.R.S. §15-996
  - Federal and State Grants

Expenditure Processing- M&O Revolving Account

Revolving Account (See Cash § of USFR)

- Imprest basis
- Used for immediate cash outlays
  - Postage, Freight, Travel
- Disbursement procedures
  - Employee requests check
  - Revolving Account Custodian issues check
- Periodic account replenishment

Expenditure Processing- Revolving Account & Petty Cash Fund

Things to look for:

- Completed/approved check/cash request
- Support provided for request
- Extra cash returned
- Support marked paid after use
- Appropriate Replenishment
- No salaries or check cashing

Expenditure Processing- Emerging Issues

- USFR Memo on Internal Controls for Credit Cards and Purchasing Cards

Conflict of Interest

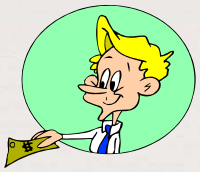
- What's Required - A.R.S. §38-503?
  - Document conflicts
  - Refrain from voting/participating
- Purchases from Employees and Governing Board Members

See USFR Memo 248 for more info

Payroll Cycle – Separation of Duties

Common Payroll Problem Areas

- Delayed Payroll
- Documentation – Contracts and PARs, etc.
- Taxable Travel Reimbursements
- Prorating Wages
- Tracking Leave Balances
- Miscellaneous Items



Payroll Processing- Delayed Payroll

- Delayed Payroll System
  - Allow for adjustments before payment made
  - Payments only for wages earned
  - Based on A.R.S. §23-351
  - "Lag time" of up to 2 weeks

Payroll Processing- Documentation

- Contracts
  - Position, salary, benefits, duration
  - Extra duty pay (aka stipend)
- Personnel/Payroll Action Form (PAR)
  - Employment terms
  - Rate of pay
  - No specific length of service
- Withholding Authorizations

Payroll Processing- Documentation - Fringe Benefits

- Must be approved in writing
  - Personal use of vehicles provided by district
  - Tuition reimbursement or payment
  - Cell phone allowance
- May need to be included in employees' gross income and subject to income taxes

Consult IRS Circular E-Employer's Tax Guide

Payroll Processing- Taxable Travel Reimbursements

- Travel Reimbursements-process through payroll
  - Taxable meal reimbursements (object 6290)
    - No overnight stay/substantial rest period
    - Withholding for social security, Medicare, and state and federal income taxes
  - Nontaxable-meal reimbursements, mileage, other incidental expenses (object 6580)

Payroll Processing- Prorating Wages

- Employees may elect to prorate wages over number of payments (A.R.S. §23-351)
- Ensure employees are paid only for actual hours worked
- Ensure overtime is paid (A.R.S. §23-351)
- Adjust compensation and hourly rate
- Employee file should include documentation

Payroll Processing- Prorating Wages-Example

Number of Months	Hours per 2 week pay period	Rate	Amount per Pay Period	# Pay Periods to be Paid	Annual Total
9 Months (Actual)	60	$10.00	$600.00	20	$12,000
12 Months (Prorated)	60	**$7.69 ($461.53 / 60)**	**$461.53 ($12,000 / 26)**	26	$12,000

① 5 Pays
x $461.53
=$2,307.65

② $12,000.00
-2,307.65
$9,692.35

③ $9,692.35
-60.00
=$9,632.35

Payroll Processing- Prorating Wages-Example

Number of Months	Hours per 2 week pay period	Rate	Amount per Pay Period	# Pay Periods to be Paid	Total
9 Months (Actual)	60	$10.00	$600.00	20	$12,000
12 Months (Prorated)	60	**$7.69 ($461.53 / 60)**	**$461.53 ($12,000 / 26)**	26	$12,000
12 Months (Adjusted)	60	**$7.64 ($458.68/60)**	**$458.68 ($9,632.35/21)**	21 Remaining	$9,632.35

① 5 Pays x $461.53 =$2,307.65

② $12,000.00 -2,307.65 $9,692.35

③ $9,692.35 -60.00 =$9,632.35

Payroll Processing- Tracking Leave Balances

- Correct leave balance schedules prevent over- or underpayment
- Allows for the correct reporting of compensated absences in financial statements

Payroll Processing- Miscellaneous Items

Coaches & Referees for athletic games

- Independent contractor or employee
  - Based on IRS Guidance (Publication 15A)
- Employees must be paid through Payroll
- Non-Employee options (A/P or bank account)

Compliance

- USFR Compliance Questionnaire
  - Memorandum No. 249
- Payroll FAQs on our Website

Questions

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