

2018

# Orange County Department of Education Disbursements Services

## Commercial Checks Audit Process

Disbursement Services provides exceptional services that ensures adherence to government codes and guidelines including Education Code section 42635 which requires orders against the funds of a school district to be examined and approved by County Superintendent of Schools.



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# Introduction

Disbursements staff handles auditing and signing of vendor checks, maintaining authorization to sign or receive fiscal documents; distributing checks to Courier or District personnel, ordering blank checks and orange bags.

Ramona Haug researches lost or stolen checks. Patricia Hodowski, Ramona Haug, Yanet Moreno, and Jenny Pham review checks for legality, process canceled checks and all incoming checks and registers including void checks. If you have questions or need additional information, please contact the person assigned to your district.

The Fund management System [FMS] is the source of all information concerning the status of checks and registers. It is also the source of the current balance on each fund and the encumbrance against the fund. Please contact Disbursements Manager if you need access to FMS.

## Disbursement Services Contact List

### Address:

Disbursement Services  
Business Services Division  
Orange County Department of Education  
200 Kalmus Drive, Costa Mesa, CA 92626

Email: firstname initial+lastname@ocde.us [example: gokereke@ocde.us]

Fax: 714 557-2658

Zari Zalmai	Disbursements Manager	(714) 966-4424
Patricia Hodowski	Senior Accounting Technician	(714) 966-4293
Josh Nixon	Senior Accounting Technician	(714) 966-4282
Jenny Pham	Senior Accounting Technician	(714) 966-4289
Ramona Haug	Senior Accounting Technician	(714) 966-4286

### Unit Goal

Apply OCDE values of integrity, professionalism and resource management in reviewing commercial vendor payments for compliance with various governmental codes.

Expediently record, audit and return incoming vendor payments to districts in three to five business days.

Continue to maintain a high level of internal and external customer service.

Attend technical and communication training to maintain proficiency in job performance.

Increase use of technology to record vendor payments and perform other office functions.

## Purpose of Audit Process Manual

The purpose of this manual is to assist school district personnel in the proper payment of commercial claims and to support compliance with education codes, government codes, public contract code and other codes as applicable; legal opinions and Disbursements policies as they relate to specific types of payments.

Codes are listed by name and number for your reference and are not quoted in full. Please refer to the code listed for full understanding of its meaning. These codes may be found at the following website: <http://leginfo.legislature.ca.gov/faces/codes.xhtml>.

Please review the manual carefully. Your suggestions for additions or improvements are welcome and should be submitted to the Disbursements Manager. The County Superintendent encourages changes which save time for districts, eliminates unnecessary work or duplication of work and/or improves processing procedures, as long as such recommended changes meet all legal requirements.

Requests for departmental procedure on a particular issue not covered here should be directed to the Disbursements Manager.

In addition to this manual, you may also refer to "**COMPETITIVE BIDDING AND PUBLIC CONTRACTING**" manual distributed by the Orange County Schools Legal Service department.

If there are any questions regarding this manual or the processing of vendor payments, please contact the Disbursements Services at 714/966-4424. Disbursements Staff is available to assist you.

Here is a description of abbreviations used:  
EC refers to the Education Code  
PCC refers to the Public Contract Code  
LC refers to Labor Code  
GC refers to the Government Code  
CC refers to the Civil Code.  
BPC refers to Business and Professional Code



## DISBURSEMENTS OFFICE PROCESS

### What are orders/checks?

A school order (check) is a written order signed by an authorized person on behalf of the governing board or by a majority of board members ordering a payment to be made from school district funds in the county treasury. After legally required examination and approval by the County Superintendent of Schools, the school order becomes a requisition against the designated fund of the school district. Upon approval by the County Superintendent, the original school order becomes a negotiable check payable out of the county treasury. The check is then transmitted to the school district for distribution to the payee.

Two types of checks are used: **payroll and commercial.**

**Payroll checks** are used to make payments for services by employees.

**Commercial checks** are used to make payments to commercial firms or contractors and other payments which are not for salaries or wages. Commercial checks for the off-line districts are prepared by personnel in the school districts and all checks are submitted to the County Superintendent of Schools for audit and approval. Those districts operating the on-line computer system (Sungard system) have all their checks printed by the Orange County Department of Education. All checks input and distributed to the Disbursements Services are printed and released on a daily bases with the exception of checks that will be audited by Disbursements.

Additionally, funds may be deposited into a vendor's account through an Automated Clearing House (ACH) process. ACH transactions are transmitted electronically between our bank and vendor's financial institution, thereby eliminating possible fraud. The vendor has to be authorized for an ACH payment to be initiated.

*The instructions contained here apply generally to checks drawn upon any school district fund in the County Treasury.*

*Specific guidelines and instructions will be issued on an individual case as needed and/or requested.*

### ACH Transaction Process

How the ACH Network and ACH Payments Work  
(Redacted from <https://www.nacha.org/ach-network>)

1. An Originator— (school district) initiates either a Direct Deposit or **Direct Payment** transaction using the ACH Network. ACH transactions can be either debit or credit payments and commonly include Direct Deposit of payroll, government and Social Security benefits, mortgage and bill payments, online banking payments, person-to-person (P2P) and business-to-business (B2B) payments, etc. **We are only implementing direct payments to vendors.**
2. Instead of using paper checks, ACH entries are entered and transmitted electronically, making transactions quicker, safer and easier.
3. The Originating Depository Financial institution (ODFI) enters the ACH entry at the request of the Originator.
4. The ODFI totals payments from customers and transmits them in batches at regular, predetermined intervals to an ACH Operator.

5. ACH Operators (two central clearing facilities: The Federal Reserve or The Clearing House) receive batches of ACH entries from the ODFI.
6. The ACH transactions are sorted and made available by the ACH Operator to the Receiving Depository Financial Institution (RDFI).
7. The Receiver's (vendors) account is credited by the RDFI, according to the type of ACH entry. Individuals, businesses and other entities can all be Receivers.
8. Each ACH credit transaction **settles** in one to two business days. **We do not allow debit transactions at this time or a deposit into the accounts payable account by vendors.**
9. If a vendor reports that there is a problem with **settlement** the following process is used:
  - a. Vendor reports to district that payment was not deposited in their account.
  - b. District sends email to [Disbgroup@ocde.us](mailto:Disbgroup@ocde.us) with all the information pertaining to the payment.
  - c. Disbursement staff contacts Wells Fargo Bank (WFB) client service officer with information provided or additional information as necessary.
  - d. WFB resolves the issue and notifies [Disbgroup@ocde.us](mailto:Disbgroup@ocde.us).
  - e. Disbursement in turn notifies the district.
10. If a return is generated by the bank for reasons listed below; Disbursements staff will notify the district affected and OCDE Accounting Office processes the refund of ACH funds to district account.
  - a. R02 Account Closed
  - b. R03 No Account/Unable to Locate Account
  - c. R04 Invalid Account Number



### Commercial Checks [Off-Line Districts]

Pre-numbered commercial checks are supplied to school districts each fiscal year by the County Superintendent of Schools. Each district is assigned a specific series of numbers. All numbered checks must be accounted for in the records of the County Superintendent of Schools; therefore, if a check is voided, it must be submitted to the County Superintendent of Schools in proper numerical sequence with the Check Register.

School checks are to be listed in numerical order on the Check Register. Checks may be approved out of sequence if all preceding checks have been submitted or are in the process of being submitted.

All checks listed on one Check Register must be approved at the same time. The following items are to appear on each check, in addition to the payee and monetary amount:

- Official name of the school district
- Name of the fund or fund number
- Signature of the authorized agent

There must be no corrections or erasures on commercial checks either in the monetary amount or the name of the payee. A dollar sign (\$) or asterisk (\*) must directly precede the dollar amount, i.e., \$1, 000.00 or \*1, 000.00.

Budget classification, i.e., the object of expenditure, should appear on the check stub. This information is used by Disbursements for auditing purposes.

## **Rush/Walk-Through Checks [Off-line]**

A request for "**WALK-THROUGH**" of checks should be directed to the manager or the staff member assigned to the Off-line district. Disbursements Services staff will make every effort to comply with the request. Effective from **July 1, 2002**, the File Transfer Process (FTP) was implemented; this requires that all checks submitted to Disbursements Services should be accompanied by a file transfer. The only exceptions to FTP are these eight districts listed here: 42, 51, 53, 56, 57, 58, 61, and 81 because they only process very few checks each month.

## **Commercial Check Registers [Off-Line Districts]**

Each district must prepare and submit a check register in addition to the checks. The check registers tabulates individual checks submitted to the County Superintendent's Office for processing. Checks must be listed in numerical order, including any voids, and all pertinent documentation legally required. **Note:** when one check from a register is being held for audit, it holds up the other checks on the same register. For this reason, each register should not contain or list more than fifty (50) checks.

All check registers must include the following information:

- District Order Number (if applicable)
- Payee
- Amount of Check
- Account Number (object of expenditure)
- Amount per Account (object)
- Auditors Check Number in Numerical Sequence—same as commercial check number.

Near the bottom of the pre-printed **check register** the district must complete the following: Register number, Fund charged, Total (dollar total of all checks listed) Order /Check numbers (beginning and ending), School District Name, Execution Date and City, and Authorizing Signature(s).

The execution date is the date the authorized person signs the register, not the Governing Board's date of approval of the orders.

Object codes must be summarized and shown on the check registers. This information is needed for timely input to the SunGard on-line computer system which generates expenditure reports.

Multiple funds cannot be processed on the one register —our system will not combine different funds on one register.

Documentation that may be required along with checks and registers include, but are not limited to: contracts/agreements for services, invoices, and board approvals.

## **Backup Documentation Format [Off-Line Districts]**

Due to the quantity of checks and registers sent to Disbursements Services on a daily basis, to expedite the audit and release process, the checks and registers should be packaged as follows:

- Original check is to precede the pink check copy and supporting documentation.
- Supporting documentation is to be stapled to the pink check copy only and then placed directly behind the original check.



- Checks/documentations are to be filed in numerical order by check number.
- Check registers are then placed at the back of the checks. Please be sure all checks are facing the same direction. Rubber band together or use one large paper clip in upper center to secure registers to checks.
- Checks that require special handling should have a note attached to the first check in the package. These notes should identify the need: "**RUSH**", "**DISCOUNTS**", "**NEED BY**". Checks with these notes will be given special handling ahead of other checks/ registers received on any given day.

Beginning on July 1, 2002, the File Transfer Process (FTP) was implemented; this requires that an electronic file transfer for all checks being submitted be sent to Disbursements Services. The only exceptions to the FTP are 5 miscellaneous districts.

### **Duplicate Commercial Checks [Off-Line Districts]**

This section applies to lost or destroyed checks issued within the last six months.

**[GC 29850].**

We may not issue duplicate checks for Off-line Districts since check numbers can only be transmitted once to the bank, and should not be re-transmitted. If an **unpaid** check is lost, stolen or destroyed, it must be canceled on the FMS system. The information is then transmitted to the Wells Fargo Bank to avoid unauthorized person cashing the check. The District will issue a replacement check for the lost or destroyed checks.

Effective from April 1, 2004, districts have access to the FMS to perform research on checks. If a lost check status on FMS is **paid**, districts may request a copy of the paid check as well as an affidavit. Disbursement staff will send an affidavit to the district and the district staff will send the affidavit to the vendor for completion. When the vendor returns the original completed affidavit, it should be sent to Disbursements for processing. **Only Disbursements staff may process an affidavit.** District may issue a re-replacement check upon verification that the vendor did not cash the original check.

**\*\* Wells Fargo Bank may not initiate a review of fraudulent check if the check has been cashed for more than 60 days.**

***GC29850.** If any warrant issued by the county auditor is lost or destroyed before it is paid by the treasurer, the amount due may be recovered by the legal owner or custodian by filing with the auditor or his or her designee an affidavit setting forth the fact of the loss or destruction of the warrant, the number, date, amount, and name of the payee, and all material facts relative to its loss or destruction.*

***GC29853.** A warrant is considered lost if it has been mailed and has not been received by the addressee within 20 days after the date of mailing or within a shorter period of time as the board of supervisors may by ordinance establish.*

### **Commercial Checks [On-Line Districts]**

The on-line system generates commercial checks for items not selected for audit. The checks are printed on blank check stock by a laser printer in Disbursements. This printer also prints the signatures of the Superintendent of Schools on the checks.

The system is capable of printing the signature of an authorized district personnel for any district that chooses to have it done. Printing of authorized district personnel signature is not mandatory but is an option. If a district chooses this option, the Governing Board of the district must adopt a resolution that authorizes OCDE to print checks with the district's signature(s).

Adequate measure is taken to insure the security of the printing of the checks. After printing, the checks are bagged and delivered to the authorized courier for delivery to the districts. Commercial checks printed for online districts are sent to the districts one day after they are printed.

### **Commercial Check Registers [On-Line Districts]**

The On-Line Districts input information into the Sungard system and distribute that information to Disbursements Services. This process creates a payment listing used as a register. The system also identifies the payments that are to be audited. Disbursements Services staff places payments to be audited in "H2" status while the remaining items in "WP" status will have checks printed the following day. The great advantage to the on-line district is that only those payments that are to be audited are on hold. No other checks are held up due to the audit process.

The method used by Disbursements Services to choose the payments for audit is the same for both on-line and off-line districts. The form faxed to on-line districts with the selected audit items is produced by the Sungard system and shows all payments in the "H2" status.

### **Backup Documentation Format [On-line Districts]**

The On-line districts should submit H2 Report list, invoices and any other supporting documentation for the item under review. This will make it easier to identify the vendor number, name and invoice amounts to be examined and approved by Disbursements Services.

### **Duplicate Commercial Checks [On-line Districts]**

Since pre-printed checks are used on the Sungard system, it is not possible for Disbursements to duplicate lost or stolen checks. Effective from April 1, 2004, districts have access to the FMS to research and validate the status of checks. FMS can be used to see if the check is paid, expired or outstanding.

Webiplex system can be used to view the paid check. However, if the check copy is not available on Webiplex, at district's request, Disbursement Services staff will send a copy of the paid check and an affidavit to be completed by vendor.

If a check is cashed by an unauthorized person, affidavit of lost check should be completed by vendor and forwarded to Disbursements. District may issue a re-

replacement check upon verification that the vendor did not cash the original check. **Wells Fargo Bank may not initiate a review of fraudulent check if the check has been cashed for more than 60 days.**

The replacement check may then be re-issued as a new payment. The affidavit and the FMS check status screen may be used as supporting documentation for the new payment.

District may also request that an unpaid missing or lost check be canceled on the FMS system. Once a check is canceled, the process may not be reversed. A request to cancel check should be sent to Disbursements along with Online check "reversal batch proof". The district will use the FMS **check status** screen as backup documentation to cancel (reverse) the original check on the SunGard System. Cancelled check information is transmitted to Wells Fargo Bank to avoid unauthorized person cashing the check.

### **Commercial Vendor Checks Cancellation**

To reimburse district funds for checks already processed by Disbursements and check information submitted to bank for positive pay processing please do the following:

- A. Initiate cancellation request by using the Check Cancellation Form supplied by Disbursements Services. Attach the original check(s) to the form. If a check is lost or missing but still outstanding, please complete the cancellation form, attach FMS check status screen and send to Disbursements Services for cancellation.
- B. **On-Line** Districts need to submit a Reversal Batch Proof in addition to the Check Cancellation Form and the check. Also, indicate a Y or N for the re-encumbrance action.

### **Random Audit**

A letter dated March 28, 1988, was sent to each District Superintendent to inform each school district, of the County Superintendent of Schools' decision to implement a random audit of the school districts' expenditures. As a result of this decision, it is the responsibility of the districts to check for legality and mathematical accuracy of the expenditures. However, if an item is being audited, the district will continue to submit all supporting documentation as required by education code 42636 or 85236.

If there is any question on the documentation that is being requested, please contact Disbursements Services. Disbursements staff is available to answer questions and assist in expediting the processing of claims with as little delay as possible.

In order to eliminate sending numerous copies of an annual or multi-year contract, Disbursements Services will accept one copy of the contract which will be placed in the school district's files for future reference. This copy may be sent under a separate cover. Contracts and other documentation may be attached to payment requests sent to Disbursements.



**[EC 42636/85236]**

**Authorized Signatures for School Orders**

Since the date on which each school district have their board meetings varies from month to month, the practice of having school orders (checks) signed by a majority of board members may not be feasible and may cause problems in processing school orders. Therefore, to avoid these problems, the board may adopt a resolution authorizing an officer or employee of the school district to sign school orders.

**[EC 17604, EC42633]**

This resolution must be filed with the County Superintendent of Schools. If the authorization is for only one fiscal year, a new resolution must be adopted and filed at the beginning of each fiscal year. The signature to be used must appear on the resolution. The employee may authorize his/her facsimile or machine signature to be used in lieu of his/her hand signature, in which case, both the signature to be used and the hand signature are to appear on the resolution.

When signature authorizations change, a district must submit a new resolution. The new resolution rescinds all previous signature authorizations. ***Below is a sample Authorization of Signature resolution.***

<b>AUTHORIZATION OF SIGNATURES</b>																			
SCHOOL DISTRICT _____	DATE _____																		
<p>I, _____, Clerk of the governing Board of the above named School District of Orange County, California, hereby certify that the said Board at a regular/special meeting thereof, held on the _____ day of _____, 20____, adopted by a majority vote of said Board, a resolution that the following named persons be authorized to sign payroll orders for payments and fund transfers, vendor orders for payment, and vendor check registers as indicated, and that all previous authorizations of signatures are rescinded. This resolution further states that the authorization is subject to the following provisions:</p>																			
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="border: none;"></th> <th colspan="2" style="text-align: center; border: none;">AUTHORIZED TO SIGN</th> </tr> <tr> <th style="border: none; text-align: left;">NAME TYPED</th> <th style="border: none; text-align: left;">SIGNATURE</th> <th style="border: none; text-align: center;">PAYROLL TRANSFERS</th> <th style="border: none; text-align: center;">VENDOR PAYMENTS ORDERS REGISTERS</th> </tr> </thead> <tbody> <tr> <td style="border: none; height: 20px;"> </td> <td style="border: none;"> </td> <td style="border: none; text-align: center;"> </td> <td style="border: none; text-align: center;"> </td> </tr> <tr> <td style="border: none; height: 20px;"> </td> <td style="border: none;"> </td> <td style="border: none; text-align: center;"> </td> <td style="border: none; text-align: center;"> </td> </tr> </tbody> </table>						AUTHORIZED TO SIGN		NAME TYPED	SIGNATURE	PAYROLL TRANSFERS	VENDOR PAYMENTS ORDERS REGISTERS								
		AUTHORIZED TO SIGN																	
NAME TYPED	SIGNATURE	PAYROLL TRANSFERS	VENDOR PAYMENTS ORDERS REGISTERS																
<p>IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of _____, 20____.</p>																			
<p>Clerk _____</p>																			

## District Commercial Vendor Authorization Documents

Form Name	Required?	Reason for this form	Directive for deletion	Directive for Addition
1 Authorization of Signatures on Electronically printed checks	Yes - online Districts	Allows OCDE IT to put electronic signature on vendor checks	Memo from CBO or superintendent requesting that a staff personnel be deleted.	EC 42630-34 - revised form with <b>board approval required</b> , and signature sample.
2 Authorization of Approval of vendor claims/orders	Yes - online Districts	Allows district staff to approve vendor payments <b>electronically</b> in IFAS Systems	Memo from CBO or superintendent requesting that a staff personnel be deleted.	EC 42630-34 - revised form with <b>board approval required</b> , and signature sample.
3 Authorization of signatures	Yes	Allows district staff to approve various hard copy documents, contracts, etc	Memo from CBO or superintendent requesting that a staff personnel be deleted.	EC 42630-34 - revised form with <b>board approval required</b> , and signature sample.
4 Authorization of signatures from School Financial Service (aka) Authorization to receive checks from Disbursements, Payroll and OCDE Couriers	Yes	Allows district staff to receive checks from couriers or pick up checks from OCDE	Memo from CBO or superintendent requesting that a staff personnel be deleted.	Memo from CBO or superintendent requesting that a staff personnel be added. Form revised each July.
5 Revolving Cash Resolution	Yes	Custodian of revolving cash to sign for emergency expenses from district accounts	EC 42800 - revised form with board approval required, and signature sample.	
6 Check Order	Yes- offline Districts	Checks will be ordered if the district chooses to be an Offline district.		

## General Information about Invoices

Each order for materials or services must be accompanied by an itemized invoice showing the separate items and the price of each, in accordance with **EC 42634 and GC 910**

However, a billing on a flat rate or job price may be made when it is the general practice of vendors to submit an invoice on this basis. Examples of this type of billing might include lubrication of cars or buses, rewinding of electric motors, repair of musical instruments, printing, and some installation by utility companies.

The governing board may also authorize securing estimates for certain small jobs such as repairs or painting. In such cases, the invoice submitted must state that the prices are in accordance with the estimates given.

The original invoice should accompany the school order and is retained by the County Superintendent of Schools. Photocopies of the original are acceptable only when original is not available.

Invoices must be readable in order to properly support payments of public funds, and should include the following details:

- Name and address of firm or person submitting invoice
- Name of school district as addressee
- Date of invoice
- Number of school district purchase order (if applicable)
- Special terms, such as discounts
- Description of each item
- Quantity
- Unit price, extended price for each item
- Hours and rates for labor charges
- Freight charges (if applicable)
- Subtotals of amounts subject to sales tax
- Amount of sales tax (if applicable)
- Total amount of invoice

Cash discounts should be taken when indicated on the invoice if the time requirements for payment are met. Please show the percent and amount of the cash discount deducted and the net amount to be paid. If cash discounts are shown separately in price lists or for other reasons do not appear on invoices, Districts should pay special attention to vendor policies to insure that all cash discount commitments from vendors are taken.

Since vendors usually understand that the required processing of school orders sometimes prevents meeting cash discount timeliness, many school districts routinely take all cash discounts. In order to assist districts in taking advantage of cash discounts, process payments for the discount on a separate check register marked **DISCOUNTS**. The School Disbursements Services will expedite these registers.

If payment of an invoice is made from two funds, cross reference should be made on the invoice to the other school order.

# CONSTRUCTION/PUBLIC WORKS PROCESS

Contracts subject to competitive bidding include:

1. Purchase of equipment, materials, or supplies to be furnished, sold, or leased to the school district that are over the bid threshold.
2. Services/Construction/public projects.
3. Repairs over bid threshold. Please see PCC Section 20115, and definition of maintenance projects in PCC Section 22002(c)

## Required Documentation for Formal Bid

Formal bidding is required for any expenditure of \$15,000 or more for public projects and construction services, or \$90,200 for materials, equipment, or supplies as well as repairs and maintenance. **[PCC 20111 and 20651]**

Additional documents required include:

## Affidavit of publication

There should be advertisement or notice calling for bids for TWO WEEKS in a newspaper - with at least five days intervening between the respective publication dates not counting such publication dates. The period of notice commences upon the first day of publication and terminates at the end of the fourteenth day, including the first day.

In addition, an **affidavit of publication** should be obtained from the publication company.

**[GC 6066, PCC 20112 and EC 81641].**

NEWSPAPER - Any newspaper used for advertising must have obtained a judicial decree establishing it as being a newspaper of general circulation.

**[GC 6027]**

**PCC 20112.** *For the purpose of securing bids the governing board of a school district shall publish at least once a week for two weeks in some newspaper of general circulation published in the district, or if there is no such paper, then in some newspaper of general circulation, circulated in the county, and may post on the district's Web site or through an electronic portal, a notice calling for bids, stating the work to be done or materials or supplies to be furnished and the time, when and the place and the Web site where bids will be opened. Whether or not bids are opened exactly at the time fixed in the public notice for opening bids, a bid shall not be received after that time. The governing board of the district may accept a bid that was submitted either electronically or on paper.*

## Senate Bill No. 854 (from DIR website)

### DIR Public Works Funding Legislation – SB 854 June 30, 2014

Contractors will be subject to a registration and annual renewal fee that has been set initially at \$300. The fee is non-refundable and applies to all contractors and subcontractors who intend to bid or perform work on public works projects (as defined under the Labor Code).

Contractors will apply and pay the fee online and must meet minimum qualifications to be registered as eligible to bid and work on public works projects:

1. Must have workers' compensation coverage for any employees and only use subcontractors who are registered public works contractors.
2. Must have Contractors State License Board license if applicable to trade.
3. Must have no delinquent unpaid wage or penalty assessments owed to any employee or enforcement agency.
4. Must not be under federal or state debarment.
5. Must not be in prior violation of this registration requirement once it becomes effective. However, for the first violation in a 12 month period, a contractor may still qualify for registration by paying an additional penalty.

The requirement to only use registered contractors and subcontractors on public works projects applies to all projects awarded on or after April 1, 2015.

### Essentials of Public Works Enforcement Fund

All contractor registration fees will go into the State Public Works Enforcement Fund

**AB 44 (Chapter 258, Statutes of 2013)** was passed by the Legislature and signed by Governor Jerry Brown in September 2013. Effective July 1, 2014, the law also requires the inclusion of the California contractor license number for each subcontractor.

**PCC 4104**

### What Is an Awarding Body?

An awarding body is the entity that awards a contract for public works and is sometimes known as the project owner. The awarding body can be any kind of public agency or official (state, county, city, school board, water district, etc.) or a private entity using public funds.

### Awarding Body Responsibilities

1. Register public works projects with DIR. Project registration must be completed within five days of awarding the contract.
2. Obtain prevailing wage rates from DIR.
3. Notify potential contractors that they must register with DIR and that the project is subject to enforcement by DIR.
4. Require proof of public works contractor registration before accepting a bid or awarding a contract. To find actively registered contractors, use: Public Works Contractor Registration Search.
5. Post or require contractors to post jobsite notices on public works requirements.
6. Ensure that public works contractors pay prevailing wages and are in compliance with public works laws.
7. Report any suspected public works violations to the Labor Commissioner.



### **Board Action Awarding Bid**

District should obtain board action awarding bid to the lowest responsive responsible bidder who met all the requirements.

### **Contract/Agreement**

District should obtain signed agreement from vendor and forward notice to proceed when all documents have been submitted.

### **Bid Bond or Security**

Bidder's Bond made payable to the school district **shall** accompany all bids for construction work. Other forms of bidder's security such as cash, certified or cashier's check are acceptable. Typically, this is ten (10) percent of the contract price.

**[PCC 20413]**

### **Payment Bond**

Payment Bond is required on all projects over \$25,000.00. The Civil Code requires that bonding **shall** be in place before any payment to the contractor is made. The amount of the bond **shall** be 100% of the contract up to five million dollars, at which time, a percentage schedule is applied. A deposit in lieu of a bond is not acceptable. The payment bond guarantees that if the contractor cannot pay the subcontractors for labor or materials, the surety will pay. A Payment bond of minimum of 100% of contract amount is required when contract is over \$ 25,000.00.

**[PCC7103, CC 9550, CC 9952 and CC 9554]**

### **Performance Bond**

Performance Bond is not required by code, but is highly recommended by the Schools Legal Service. The recommendation is for a bond of 100% of the contract amount. Essentially, if the contract calls for a Performance bond, then the contractor should provide usually 100% of the contract amount.

**[PCC 7200; PCC 10221, PCC 10224]**

### **General Insurance**

Vendor should provide general Liability insurance as contractually specified. This protects the district against claims for injury or other damages as a result of the contractors work.

**[CC 2782.1]**

### **Workers' Compensation Insurance**

Vendor should provide workers Compensation Insurance, as required by code. This protects the vendors' employees while performing work on the project.

**[LC 3700]**

### **Progress Payment Invoice**

Vendor should submit progress Payment Invoice with appropriate approvals to pay invoice (i.e., district, architect, inspector, and contractor) with retention being withheld or payment made to escrow account.

**Retention** of not less than 5% is required on all progress payment over \$5,000 plus like percentage of value of materials. It is Disbursements Services practice to record retention payments on projects over the bid amount of \$15,000. The release of the retention money requires board acceptance of the project as complete and a recorded

Notice of Completion. It is not necessary to withhold retention on equipment, material, supply or repairs/ maintenance contracts. **[PCC 7201; PCC 9203].**

**Public Contract Code 7107** states that all contracts relating to the construction of any public work of improvement entered into on or after January 1, 1993 **SHALL** be subject to this code. It states that the retention withheld by the district **SHALL** be released after certain specified events occur and no disputes occur between the contractor and the

district. **READ THIS CODE CAREFULLY BEFORE APPLYING IT TO A RETENTION PAYMENT.**

(b) (1) the retention proceeds withheld from any payment by a public entity from the original contractor, by the original contractor from any subcontractor, and by a subcontractor from any subcontractor thereunder shall not exceed 5 percent of the payment. In no event shall the total retention proceeds withheld exceed 5 percent of the contract price. In a contract between the original contractor and a subcontractor, and in a contract between a subcontractor and any subcontractor thereunder, the percentage of the retention proceeds withheld shall not exceed the percentage specified in the contract between the public entity and the original contractor.

PCC 7201

In addition, provision shall be included in the invitation for bid and in the contract document to permit the **substitution of securities** for any moneys withheld by a public agency. At the request and expense of the contractor, securities equivalent to the amount withheld shall be deposited with the public agency, or with a state or federally chartered bank in this state as the **escrow agent**, who shall then pay those moneys to the contractor. Upon satisfactory completion of the contract, the securities shall be returned to the contractor. The contractor deposits the funds with the escrow agent. The district shall deposit the retention directly to the escrow account.

**[PCC 22300]**

### Documentation for escrow payments

1. Escrow agreement signed by contractor, district and escrow officer.
2. If vendor is paying into the escrow account, a letter from the escrow officer indicating fund balance is required.

### Notice of Completion

A Notice of Completion is a written notice, signed and verified by the owner or his agent, containing: the date of completion, the name and address of the owner, the street address of the site (or school name), work done, and the name of the contractor. The notice of completion:

- A. Shall be recorded in the office of the county recorder.
- B. Shall be recorded within 15 days after completion.
- C. Must have an action of the board, accepting the project as complete and authorizing the notice of completion to be filed. **[CC 9200 - 9208]**

Within 60 days of board acceptance of job as complete, retention held should be released to the vendor if no stop payments are pending. In addition, final payment (retention) requires copy of the Notice of Completion recorded by the County Recorder.

Disbursements will **release retention** after 35 days from the County Recorder's date of completion. **[PCC 7107, PCC 9203 and PCC 10261]**

## Change Orders

Change orders must be signed by both parties to the original contract. **Change orders to contracts -- over bid amounts**

- A. Must be specified in writing, showing amount of change order and amended total of the contract.
- B. There must be Board action approving the change order with the change order number or identification number clearly in the board's action.
- C. Amounts of the change orders are cumulative and must not exceed ten percent [10%] of the original contract amount or amount specified in PCC 20111 or 20114, whichever is greater.
- D. Change orders must be signed by both parties to the original contract.
- E. When using the Schools Legal Services bid documents, the general conditions has wording that delegates authority to the Assistant Superintendent of Business to approve change orders up to \$15,000 each. The **CUMULATIVE** amount of the change orders still must not exceed the bid threshold amount or the 10% of the contract amount, whichever is greater.

[PCC 20118.4]

# OTHER BID OR COMPETITIVE REQUIREMENTS

Contact OCDE Legal Department or your legal counsel if you need help in evaluating these contracts to make sure they meet specific guidelines. It might be necessary to have a checklist, and also obtain full contract from other district or vendor prior to using any piggyback bid, WSCA or CMAS.

## Unit Price Bids/Public Projects

Consult with OCDE Legal Department or your legal counsel for guidance on unit price bids. A school district may utilize Unit price bid for Maintenance or Repairs. Disbursements Services will ask for the following documents:

1. Invoice must match the items or work, which was bid.
2. Affidavit of Publication.
3. Board action awarding bid,
4. Contract/agreement.
5. Copy of bid proposal that clearly shows what was bid and the price of each item.
6. Bonds as required per contract terms. A payment bond is required on all projects over \$25,000.00. For district wide unit price bid, it is better to get lump sum bonding for all identified projects.
7. Retention shall be withheld on all projects over \$15,000.00 and a notice of completion filed on the project. While the PCC 9203 requires retention on all projects over \$5,000.00, we do not keep records of retention withheld on projects under \$15,000.00.

## CMAS (California Multiple Awards Schedules)

### MN-NASPO Value Point (formerly WSCA-NASPO) PC Contracts

(Western States Contracting Alliance is now National Association of State Procurement Officials)

Consult with OCDE Legal Department or your legal counsel for guidance on CMAS or WSCA contracts as these are negotiated contracts. A school district may utilize CMAS or WSCA contract for Equipment/Material purchase.

Disbursements Services will ask for the following documents:

1. Invoice(s).
2. Board action finding that the district can obtain the purchase at a lower price through CMAS or NASPO than through its normal process or that it is in the best interest of the district to use a CMAS or NASPO contractor.
3. Contract/agreement (attach **California Schedule/Addendum** if NASPO contract).
4. If the installation of wiring or cabling is involved and the project exceeds \$25,000.00 and the wiring or cabling is not just an incidental part of the project, a payment bond is required. Performance bonds and insurances are required only if called for in the contract. **[Disbursement Services recommends that you hold retention on the progress payment for the installation].**

**REMINDER:** Only electronic data-processing systems and telecommunications systems may have services as a major part of a CMAS contract.

**[PCC 10290, PCC 10295-10299 and 12100]**

## Piggyback Bids

Piggy-backing is the use of another public entity's bid. This should only to be used for equipment, materials, and/or supplies. **Services cannot** be piggy-backed except when incidental to the purchase of the equipment.

[PCC 20118]

Disbursements Services will ask for the following documents:

1. Invoice(s).
2. Board action with finding that it is in the best interest of the district to piggy-back. The appropriate wording for board action is in Schools Legal Services OPAD89-3.
3. Contract/agreement.
4. Complete copy of the awarding district's bid documents including board approvals.
5. Items must be **identical** to the items awarded in the original bid. Quantities purchased shall not exceed the number awarded by the awarding entity.

## Lease Lease-back

Districts use Education Code (EC) 17406 as a project delivery method for public school construction projects. Effective January 1, 2017, Lease-Lease Back process was modified by AB 2316.

**EC 17406:** The school district shall give notice of the request for sealed proposals in the manner of notice provided in Section 20112 of the Public Contract Code and in a trade paper of general circulation published in the county where the project is located, with the latest notice published at least 10 days before the date for receipt of the proposals.

**“Best value”** means a competitive procurement process whereby the selected proposer is selected on the basis of objective criteria for evaluating the qualifications of proposers with the resulting selection representing the **best combination of price and qualifications**.

Prior to using Lease Lease-back, ensure that the District have title to the site on which the project will be constructed at the time that the apportionment is approved by the State Allocation Board (SAB). Please consult with a counsel prior to using lease lease-back.

## EC 17406 criteria

Proposals shall be evaluated and the instrument awarded under this section in the following manner:

(i) All proposals received shall be reviewed to determine those that meet the format requirements and the standards specified in the request for sealed proposals.

(ii) The school district shall evaluate the qualifications of the proposers based solely upon the criteria and evaluation methodology set forth in the request for sealed proposals, and shall assign a best value score to each proposal. Once the evaluation is complete, all responsive proposals shall be ranked from the highest best value to the lowest best value to the school district.

(iii) The award of the instrument shall be made by the governing board of the school district to the responsive proposer whose proposal is determined, in writing by the governing board of the school district, to be the **best value** to the school district.

(iv) If the selected proposer refuses or fails to execute the tendered instrument, the governing board of the school district may award the instrument to the proposer with the second highest best value score if the governing board of the school district deems it to be for the best interest of the school district. If the second selected proposer refuses or fails to execute the tendered instrument, the governing board of the school district may award the instrument to the proposer with the third highest best value score if the governing board of the school district deems it to be for the best interest of the school district.

(v) Notwithstanding any other law, upon issuance of a contract award, the school district shall publicly announce its award, identifying the entity to which the award is made, along with a statement regarding the basis of the award. The statement regarding the school district's contract award and the contract file shall provide sufficient information to satisfy an external audit.

The governing board of the school district, at its discretion, may reject all proposals and request new proposals.

Disbursement Services will request for the following documents:

1. Affidavit of Publication for the RFP
2. Board action approving the contract
3. Site lease agreement which indicates the value of the lease (\$1).
4. Facilities lease agreement which allows district to lease back site and facility as progress payment is made. It contains a provision that the title to the improvements on the site shall vest with the District upon completion of the project and that the lease agreement shall terminate within 180 days of the filing of a notice of completion or occupancy of the project by the District, whichever occurs first.
5. General Insurance and Workers' Compensation Insurance
6. Bonds
7. Change Orders or Amendments

## Bids are not required for the following:

### Emergency Repairs

Districts may award contracts without competitive bidding in specific emergency situations after the district has obtained an approved emergency request from the County Superintendent of Schools. An emergency only relieves the district the necessity of going to bid.

Disbursements Services will ask for the following documents:

1. Unanimous board approval of emergency condition.
2. Approval of County Superintendent of Schools.
3. Fully executed contract (if applicable).
4. Board approval of contract.
5. Invoice
6. Any bonds and security otherwise required by law.

**[PCC 20113, PCC 20654]**

a) In an emergency when any repairs, alterations, work, or improvement is necessary to any facility of public schools to permit the continuance of existing school classes, or to avoid danger to life or property, the board may, by unanimous vote, with the approval of the county superintendent of schools, do either of the following:

(1) Make a contract in writing or otherwise on behalf of the district for the performance of labor and furnishing of materials or supplies for the purpose without advertising for or inviting bids.

(2) Notwithstanding Section 201 14, authorize the use of day labor or force account for the purpose.

(b) Nothing in this section shall eliminate the need for any bonds or security otherwise required by law.

## Sole Source

Sole source involves the purchase of material without going to bid because the product is considered unique and can only be obtained from a sole source. Essentially, this unique product is available only from a single source, or is compatible with existing previously installed items. See **Public Contract Code 3400** below and **consult legal counsel** before sole sourcing materials or services.

A determination has to be made about the sole source purchase including that the item is available from only one supplier and meets at least one of the following criteria:

- One-of-a-kind - The commodity or service has no competitive product alternatives available- provide detailed description to substantiate this claim.
- Compatibility - The commodity or service must match existing brand of equipment for compatibility.
- Replacement Part - The commodity is a replacement part for a specific brand of existing equipment.
- Unique Design - The commodity or service must meet physical design or quality requirements.
- Emergency - URGENT NEED for the item or service does not permit soliciting competitive bids, as in cases of emergencies, disasters, or urgent extenuating circumstances and also only one supplier can meet necessary delivery requirements.

## Public Contract Code 3400

(a) No agency of the state, nor any political subdivision, municipal corporation, or district, nor any public officer or person charged with the letting of contracts for the construction, alteration, or repair of public works, shall draft or cause to be drafted specifications for bids, in connection with the construction, alteration, or repair of public works,

(1) in a manner that limits the bidding, directly or indirectly, to any one specific concern, or  
(2) calling for a designated material, product, thing, or service by specific brand or trade name unless the specification is followed by the words "or equal" so that bidders may furnish any equal material, product, thing, or service. In applying this section, the specifying agency shall, if aware of an equal product manufactured in this state, name that product in the specification. Specifications shall provide a period of time prior to or after, or prior to and after, the award of the contract for submission of data substantiating a request for a substitution of "an equal" item. If no time period is specified, data may be submitted any time within 35 days after the award of the contract.

(b) Subdivision (a) is not applicable if the awarding authority, or its designee, makes a finding that is described in the invitation for bids or request for proposals that a particular material, product, thing, or service is designated by specific brand or trade name for any of the following purposes:

(1) In order that a field test or experiment may be made to determine the product's suitability for future use.

(2) In order to match other products in use on a particular public improvement either completed or in the course of completion.

(3) In order to obtain a necessary item that is only available from one source.

(4) (A) In order to respond to an emergency declared by a local agency, but only if the declaration is approved by a four-fifths vote of the governing board of the local agency issuing the invitation for bid or request for proposals.

(B) In order to respond to an emergency declared by the state, a state agency, or political subdivision of the state, but only if the facts setting forth the reasons for the finding of the emergency are contained in the public records of the authority issuing the invitation for bid or request for proposals.

## California State Board Of Equalization - Publication 9 • LDA

### DEFINITION OF TERMS

**CONSTRUCTION CONTRACT** — Means and includes a contract, whether on a lump-sum, time and material, cost-plus, or other basis, to:

1. Erect, construct, alter, or repair any building or other structure, project, development, or other improvement on or to real property, or
2. Erect, construct, alter, or repair any fixed works such as waterways and hydroelectric plants, steam and atomic electric generating plants, electrical transmission and distribution lines, telephone and telegraph lines....., or
3. Pave surfaces separately or in connection with any of the above works or projects, or
4. Furnish and install the property becoming a part of a central heating, air-conditioning, or electrical system of a building or other structure, and furnish and install wires, ducts, pipes, vents, and other conduit imbedded in or securely affixed to the land or a structure thereon.

**CONSTRUCTION CONTRACTORS** — Persons who for themselves, in conjunction with, or by or through others, agree to perform and do perform construction contracts.

**MATERIALS** — Means and includes construction materials and components, and other tangible personal property incorporated into, attached to, or affixed to, real property by contractors in the performance of a construction contract and which, when combined with other tangible personal property, loses its identity to become an integral and inseparable part of the real property.

**FIXTURES** — Means and includes items which are accessory to a building or other structure and do not lose their identity as accessories when installed.

**MACHINERY AND EQUIPMENT** — Means and includes property intended to be used in the production, manufacturing or processing of tangible personal property, the performance of services or for other purposes (e.g., research, testing, experimentation) not essential to the fixed works, building, or structure itself, but which property incidentally may, on account of its nature, be attached to the realty without losing its identity as a particular piece of machinery or equipment and, if attached, is readily removable without damage to the unit or to the realty.

**TIME AND MATERIAL CONTRACT** — Means a contract under which the contractor agrees to furnish and install materials or fixtures, or both, and which sets forth separately a charge for the materials or fixtures and a charge for their installation or fabrication.

**LUMP-SUM CONTRACT** — Means a contract under which the contractor for a stated lump-sum agrees to furnish and install materials or fixtures, or both. A lump-sum contract does not become a time and material contract when the amounts attributable to materials, fixtures, labor, or tax are separately stated in the invoice.



# STOP PAYMENT NOTICE PROCESS

- A. **Please do not give legal advice to the general contractor, or to any one that may serve or has served a stop payment notice. You should suggest that they seek legal advice from their own attorney.**
- B. **Send copies of stop payment notices, release of stop payment notices, and bonds to release stop payment notice to Disbursements as quickly as the documents are received by the school district.**

## Stop Payment Notice

The district receives a stop payment notice from a subcontractor that contains a general description of the services furnished, the name of the contractor to whom the services were furnished, the dollar amount of the services furnished, a general description of location of the project (street address and/or project name), subcontractor/claimant's signature and a verification of signature (notary).

**[CC 8102, CC 9350 et seq.]**

## 20-Day Preliminary Notice

- a. This notice must be served on the general contractor and the school district no later than 20 days after first furnishing labor, services, equipment, or material to the job.
- b. Please note that the server of the stop payment notice should have a direct contractual relation to the prime contractor, unless, it is a Union Trust Fund, or an individual who has or is performing actual labor for wages for the prime contractor. If so, then the 20 day preliminary notice is not required.

**[CC 9300 – CC 9306; CC 9560, CC 8102 – CC 8118]**

If a server has not filed a 20-Day preliminary notice on time, the Stop Payment Notice may be rejected, as the server has lost all Stop Payment Notice rights. To be effective, a stop payment notice must be served before the expiration of:

- (a) Thirty (30) days after the recording of the notice of completion or notice of cessation if such notice is recorded.
- (b) If no notice of completion or notice of cessation is recorded, Ninety (90) days after completion or cessation.

**[CC 9356, CC 9560, CC 9362 regarding \$10 payment]**

## Withholding Stop Payment Notice from Next Payment

- 1. When the next progress payment request is received from the general contractor, the amount of the Stop Payment Notice plus an amount to cover any litigation that may result must be withheld from the payment. Litigation fee is usually 25% of the Stop Payment Notice amount.

**[CC 9358]**

2. The balance of the payment request may be released to the general contractor. The vendor will be owed amounts withheld from payment until a release of Stop Payment Notice or bond to release Stop Payment Notice is received. Stop Payment Notice Release Bonds require Board Action or letter of acceptance from authorized school district personnel.

[CC 9364]

3. All Stop Payment Notices must be covered before any monies may be released to the general contractor. **If the vendor is working on several school sites, please pay attention to the location listed on stop payment notice as you may only withhold amount that pertain to the site with the stop payment notice.**

[CC 9360]

### Release of Stop Payment Notice

1. Any Waiver and Release of Stop Payment Notice shall be binding and effective to release the general contractor and others only if the waiver and release follows substantially one of the forms set forth in **Civil Code 8124 - 8138**.
2. The Conditional Waiver and Release on Progress Payment or the Conditional Waiver and Release upon Final Payment may require a two-party check. When this occurs, request a letter from the prime contractor authorizing you to do so. While there is no code requiring that you receive such a letter, it is just a good business practice.
3. A commencement of action by the sub-contractor must begin within 90 days after expiration of the notice of completion (35 days after filing for a total of 125 days) or the sub will lose the right to start legal action against the contractor. Any money withheld to cover a stop payment notice will be released to the general contractor after this time period. It would be in the best interest of the school district to ask the general contractor to furnish you with a letter containing the following information. **"I certify under the penalty of perjury that no litigation has been commenced concerning the stop payment notice filed by (name of sub).** There is no legal requirement for this letter, but it is considered good business.

[CC 8138]

#### *CC 8138 Unconditional Waiver and Release on Final Payment*

*Notice to claimant: this document waives and releases lien, stop payment notice, and payment bond rights unconditionally and states that you have been paid for giving up those rights. This document is enforceable against you if you sign it, even if you have not been paid. If you have not been paid, use a conditional waiver and release form.*

## CC 8132 Conditional Waiver and Release on Progress Payment

If a claimant is required to execute a waiver and release in exchange for, or in order to induce payment of, a progress payment and the claimant is not, in fact, paid in exchange for the waiver and release or a single payee check or joint payee check is given in exchange for the waiver and release, the waiver and release shall be null, void, and unenforceable unless it is in substantially the following form:

### Identifying Information

Name of Claimant:

Name of Customer:

Job Location:

Owner:

Through Date:

### Conditional Waiver and Release

This document waives and releases lien, stop payment notice, and payment bond rights the claimant has for labor and service provided, and equipment and material delivered, to the customer on this job through the Through Date of this document. Rights based upon labor or service provided, or equipment or material delivered, pursuant to a written change order that has been fully executed by the parties prior to the date that this document is signed by the claimant, are waived and released by this document, unless listed as an Exception below. This document is effective only on the claimant's receipt of payment from the financial institution on which the following check is drawn:

Maker of Check:

Amount of Check: \$

Check Payable to:

### Exceptions

This document does not affect any of the following:

- (1) Retentions.
- (2) Extras for which the claimant has not received payment.
- (3) The following progress payments for which the claimant has previously given a conditional waiver and release but has not received payment:

Date(s) of waiver and release:

Amount(s) of unpaid progress payment(s): \$

- (4) Contract rights, including (A) a right based on rescission, abandonment, or breach of contract, and (B) the right to recover compensation for work not compensated by the payment.

### Signature

Claimant's Signature:

Claimant's Title:

Date of Signature:

Notice: this document waives the claimant's lien, stop payment notice, and payment bond rights effective on receipt of payment. A person should not rely on this document unless satisfied that the claimant has received payment.

## Release of Stop Payment Notice – Bonded

1. If the general contractor disputes the stop payment notice served, the school district may, “in its discretion”, permit the contractor to file with the school district a bond in an amount equal to 125% of the stop payment notice. (“In its discretion” has been interpreted to mean an action by the governing board.) A letter from authorized upper management is acceptable.  
**[CC 9364]**
2. Once the district has received the bond, verification must be made that the bond is issued by a different surety than the issuer of the payment and performance bonds.
3. Any money withheld from the general contractor because of the stop payment notice shall be released to him as quickly as Disbursements receives the bond and the board action.
4. Per code of civil procedure **995.311**, bond is to be executed by an admitted insurer. Verify this information by printing verification found on Department of Insurance website or obtain certificate from county clerk that confirms that the surety is an admitted insurer.

## Affidavits and Counter-Affidavits

1. If the general contractor disputes the validity of the stop payment notice, he may demand the release of the questioned money by completing an affidavit. The affidavit shall contain the alleged legal grounds upon which he is basing his claim and the facts to support the alleged grounds. The affidavit shall also contain the address of the general contractor within this state for the purpose of permitting service by mail for any notice or legal document.  
**[CC 9402]**
2. The school district shall send a copy of the affidavit/demand for release, together with a written notice to the claimant/subcontractor. The notice shall state that the school district will release such money that has been demanded, unless the claimant/subcontractor files with the school district a counter-affidavit on/or before a time designated in the notice. This time period shall not be less than ten [10] days or more than twenty [20] days after service upon the claimant of the copy of the affidavit/demand for release. Proof of service shall be made by an affidavit.  
**[CC 9404]**
3. If the claimant/subcontractor desires to contest the general contractor's affidavit/demand for release, he shall, within the time allowed, serve upon the school district a counter-affidavit. This counter-affidavit shall contain the alleged details of his claim and the specific basis upon which he contests the allegation of the general contractor's affidavit/demand for release. Along with his counter-affidavit, the claimant shall submit proof of service of a copy of the counter-affidavit upon the original contractor. If no such counter-affidavit and proof of service is served upon the school district within the time allowed, the school district shall release the money as demanded by the original contractor's affidavit without notice to the claimant. The school district shall not be liable in any manner for releasing the money.  
**[CC 9406]**

4. If both the affidavit and counter-affidavit have been served correctly, the matter now will be in the hands of the attorneys for both parties involved. Either party may file an action to the appropriate superior court. The party making the motion for the hearing must give no less than five days' notice to the other party and the school district.  
**[CC 9408]**
5. The school district shall file with the court the affidavit and the counter-affidavit.  
**[CC 9410]**
6. At the conclusion of the hearing, the court shall make and enter its order. A copy of the order will be served on the school district by the original contractor and the school district shall do as the court so orders.  
**[CC 9412]**

# ALPHABETICAL LIST OF PAYMENT TYPES AND TERMS

Disbursements Services select items for audit based on the criteria indicated below. The goal is to process audited items as quickly as possible and release checks to the districts in less than five working days.

Object	Description	Selection Criteria	Comments
3000	Health/Welfare	random	Backup of item(s) required
4100	Books	random	Backup of item(s) required
5600	Leases/Maintenance	random	Backup of item(s) required
5800	Professional Consulting	random	Backup of item(s) required
6100	Sites	selected	100% Audit
6200	Buildings	selected	100% Audit
7000	Inter District Transfers	random	Backup of item(s) required
9130	Revolving Cash/Credit Cards	random	Backup of item(s) required
5200/5300	Travel/Reimbursements	random	Backup of item(s) required
6400/6500	Equipment/Replacement	random	Backup of item(s) required

## 1.1 Action of the Board

The action of the board is the motion made and seconded that shows a certain item is approved (or not-approved). The board may also approve items after the fact i.e. ratify an action approved by an employee with a delegation of authority from the board.

All excerpts must be certified as a true and exact copy of the action taken. A stamp may be used for this purpose. **[EC35250, EC35024 and EC17604]**

## 1.2 Advance Payments

Prepayment for goods or services is not recommended, however, payment may be made in advance for the following:

- Postage
- Admission tickets
- Permits and Services provided by other governmental agencies
- Subscriptions
- Lease, rents, insurance and maintenance agreements

## 1.3 Alcoholic Beverages

No public funds shall be expended on the purchase of alcoholic beverages. However, if an employee is erroneously granted a reimbursement for the purchase of alcoholic beverages, the employee may refund the reimbursement.

**[EC 32435]**

## 1.4 All Payments

Itemized invoice(s) - must accompany each order for payment and must be billed to the school district. The vendor's name and address is required to appear on the printed form. If a hand-written or typed invoice is used, it must be signed by the vendor.

[EC 42634; GC 910, 910.2; EC 85234]

Each order drawn against the funds of a school district **shall** be transmitted to the county superintendent of schools for approval and signature. [EC 42635, EC 85235]

When payment is to be made to a vendor name other than that on the invoice, the payment must be documented with either a letter of assignment or a letter of notification of the name change. **THESE LETTERS MUST BE FROM THE VENDOR WHOSE NAME APPEARS ON THE INVOICE.**

## 1.5 Approval of Orders [Checks]

Payments of checks shall be made on written order of the governing board.

[EC 42631, EC85230]

## 1.6 Audits

The requirement for audits (financial and compliance) start with Education Code 14500.

Payment to an audit firm requires a contract with board approval of the audit firm. Ten (10) percent of the fee shall be withheld until the audit is certified. [EC 14505; GC 53060]

## 1.7 Awards

The governing board **shall** adopt rules and regulations for awards to employees and students.

[EC 44015]

A board policy may be on file with Disbursements Services, if that is not the case, attach individual board action of the award to the payment. Awards for community leaders and/or board members **must** have specific board action.

## 1.8 Brown Act

The brown act essentially states that "the Legislature finds and declares that the public commissions, boards and councils and the other public agencies in this State exist to aid in the conduct of the people's business. It is the intent of the law that their actions be taken openly and that their deliberations be conducted openly."

[GC 54950]

## 1.9 Cafeteria Fund Use Only

There are certain vendors that have multi-page or daily invoices, such as the milk delivery companies. The vendors use statements for the monthly billings. In order to expedite these payments and to save time in copying those daily invoices, we have developed the following statement to be used on these payments.

**M E M O**

*I hereby certify that the above listed expenditures totaling \$ \_\_\_\_\_ have been made only for food items that are legal charges against the cafeteria fund and in compliance with applicable state and federal guidelines, rules and regulations. Additional documentation is on file at the school district office.*

*Print Name and Sign \_\_\_\_\_ Phone No. \_\_\_\_\_*

*Title: \_\_\_\_\_ Date: \_\_\_\_\_*

**1.10 Candidates for Employment**

Anyone asked by the district to travel to the district for interviews may have his/her actual and necessary expenses reimbursed. **[EC 44016]**

**1.11 Consultants/Independent Contractors**

The governing board may contract with and employ any persons for the furnishing to the district special services and advice in financial, economic, accounting, engineering, legal or administrative matters if such persons are specially trained and experienced and competent to perform the special services required.

**[GC 53060]**

- A. There is no limitation on the duration or length of time of the contract.
- B. There is no limit on the dollar amount except if the contract says "not-to-exceed"
- C. Any changes to original contract require board approval.

Disbursements would request the following:

1. An invoice, billed per the terms of the contract. If a contract is for a job price, it cannot be billed by the hour, or if contracted for an hourly rate, cannot be billed as a job price.
2. A copy of the contract and the board action approving the contract.
3. Supporting documentation for expenses listed on contract. Documentation for phone calls, UPS, and other delivery services as well as mileage should be submitted if required on contract.
4. If authorization to sign contracts and/or approval of contracts has been delegated by the board, the board's action should be attached to the payment request or be on file with Disbursements.

**1.12 Consultants/Independent Contractors [Legal]**

Please note that **Business and Professions Code (BPC) Section 6148** requires attorneys to have written contracts for services in most cases and also has requirements for billing statements. Under the statute, if the requirements are not met, a fee agreement may be voidable at the option of the client, entitling the attorney to collect only a "reasonable fee."

Here are things to look for on legal contracts and bills/invoices:



1. The invoice has to be consistent with the fee agreement as to hourly rates or other fee computation and costs. Rate Increases should be based on the agreement and the district should be given enough notice about the increase.
2. Description of Services should be adequately described as to what work was done and who performed it.
3. Hourly rates and time charged for each attorney should be adequately identified. In addition, it should be easy to determine how much time was charged for each task.
4. The invoices should adequately identify costs and expenses and also the basis for calculation should be determined and itemized. (e.g., Travel Expense: \$500.00. This is not adequate, it should be broken down as follows: Air Fare: \$300.00, Hotel (1 night) \$100.00, Taxis: \$50.00, Meals: \$50.00.").
5. The invoices should be sent to the district promptly.

For contracts terms and payments regarding Engineers, Inspectors, Construction Management, Accountants, Architects and other specialized service providers read the following codes: **[EC 17302, EC 81138, EC 17316, GC 4525 et seq]**

Architects	[BPC 5500 - 5502]
Professional Engineers	[BPC 6700 - 6706.3]

### 1.13 Contracts in General

Contracts are not a legal obligation against the district unless approved or ratified by the governing board. This applies to **ALL** contracts, regardless of the dollar amount or the time period of the contract.

**[EC17604].**

#### **Contract time limits –**

Work/services/equipment - 5 years maximum,  
Materials/supplies - 3 years maximum.

**[EC 17596]**

A contract must contain:

1. The date the contract was entered into.
2. The names of the parties to the contract.
3. A description of the work to be done or the services to be provided or materials, supplies, and/or equipment to be supplied.
4. The duration of the contract and/or provision for termination or renewal.
5. The total dollar amount obligated by the agreement with due date of obligation or payment schedule with amounts for multiple payments.
6. The signatures of the authorizing parties.
7. Any other terms and conditions that the parties may require.
8. Where and how the contract is to be completed, if applicable.

### 1.14 Credit Cards

Credit cards may be obtained in the name of the school district for use by authorized district employees and officials. Individuals are to charge only those items which are legal expenditures and reimbursable from district funds.

Credit cards would normally be used for the following expenditures; Gasoline, Telephone, Travel expenses and miscellaneous school supplies.

Minimum Documentation required for Payment:

1. Credit card statement.
2. Receipts and/or expense claim form.
3. Approvals, as necessary, e.g., approved travel claims for each individual must be included as documentation.

[CC 1747.02]

### 1.15 Delegation of Authority

- A. The governing board may delegate to an officer or employee of the district any of its powers or duties.

[EC 35161]

- B. The governing board may delegate to the district superintendent (or a person designated by him/her) the power to contract.

[EC 17604]

- C. The governing board may delegate to any officer or employee of the district the authority to purchase supplies, materials, apparatus, equipment and services, up to the bid limits set by Public Contract Code 20111.

[EC 17605]

### 1.16 Field Trips

- A. Board action for each trip or board policy regarding field trips. If there is a policy, it should be on file with Disbursements.
- B. Expenses require supporting documentation.
- C. Expenses for trips within the state may be paid.
- D. Expenses for trips outside of the state may not be paid.
- E. Districts may contract to provide group transportation for a group of students attending a field trip both within and outside of the state.
- F. Expenses for district personnel and chaperons require separate board approval.



[EC 35330; 39860]

### 1.17 Lost or Stale-Dated Checks

**Government Code 29853** states that a “warrant is considered lost if it has been mailed and has not been received by the addressee **within 20 days** after the date of mailing...” The time-lines in the life of a check (warrant) is as follows:

- A. A check (warrant) will be void (stale-dated) if not presented to the county treasurer for payment within six (6) months of date of issue.
- B. Within two (2) years of the issue date, a check may be re-issued, supported by the original stale-dated check or verification that check is not cashed or an affidavit that the check has been lost or stolen.
- C. After two (2) years from date of issue, the check requires a resolution of the board to replace.
- D. All checks issued under **government code 29802** are subject to the same limitations as the original check.

**PLEASE READ CODE [GC 29802] CAREFULLY BEFORE CREATING A NEW CHECK.**

Districts may request for research on a check by phone, but also please submit your request in writing on the form provided. Disbursement Staff will take your request and verify the status of the check in question or district staff may lookup check status on FMS.

If the check in question is paid, a copy of the paid check will be sent to you. If unpaid or outstanding, submit cancellation request. If paid, send affidavit to the vendor for completion. The vendor must return the original completed affidavit before further action to replace the check can take place. **Only Disbursements may process an affidavit through the bank.** It takes the bank approximately ninety days to trace payment.

**\*\*Wells Fargo Bank will not trace payment of checks reported after sixty days of paid status.**

To replace a stale dated or outlawed check (a check with an issue date six months or older) the district shall: Create a replacement check by providing a supporting documentation for the replacement check such as an affidavit signed by the vendor or the original check and board resolution for replacing stale-dated checks or with a specific board act. **[GC 29802]**

**1.18 Mileage**

The governing board SHALL pay for the actual and necessary expenses for travel by an employee of the district, when such travel is directed by the board. **[EC 44032]**

- A. An invoice signed by the employee and approved by the supervisor, which shows an itemized listing of the dates of travel, destination and miles. It should also contain a summary of the miles driven, amount of current reimbursement per mile, as well as the total amount of the invoice.
- B. The board action establishing the mileage rate **OR** that portion of the union contract showing the rate (with board approval of the contract should be on file with Disbursements).

**1.19 Permissive Code**

The governing board may initiate and carry on any program, activity, or may otherwise act in any manner which is not in conflict with or inconsistent with, or preempted by, any law and which is not in conflict with the purposes for which the school district is established. **[EC 35160]**

When used in Education codes **'shall'** implies mandatory and **'may'** implies permissive. **[EC 75]**

**1.20 Property/Land Purchase**

Disbursement Services will request for the following backup documentation for building or Land Purchase:

- 1. Letter of Intent to Purchase with Board Approval, this allows the district to make a deposit—deposit and sale price should be indicated.

2. Purchase and Sale Agreement which shows the district as the buyer/Location of property.
3. Board Action/Resolution of Board with location and price of site indicated.

Final Closing—will need Escrow Statement/instruction. If wire transfer, is requested, obtain wire transfer instruction information from OCDE Accounting Services Staff. [714-966-4242]

### 1.21 Property Taxes for Leased Property

Property taxes must not be paid by the school district to the Tax Collector for leased property. If your lease agreement calls for the payment of taxes, the owner of the property must pay the taxes, and the district will reimburse the owner.

### 1.22 Public Works - Definition

Public works means any work of improvement contracted for by a public entity.

**[CC 9000]**

### 1.23 Purchases without Bids

#### Books

"The governing board of any school district may purchase supplementary textbooks, library books, educational films, audiovisual materials, test materials, workbooks, instructional computer software packages, or periodicals in any amount needed for the operation of the schools of the district without taking estimates or advertising for bids."

**[EC 81651/PCC 20118.3]**

#### Perishable foodstuffs

School districts are exempt from competitive bidding with respect to contracts for: perishable foodstuffs and seasonal commodities **[EC 38083]**

Surplus federal property **[EC 17602]**

Other public agencies **[PCC 20118]**

Emergency repairs **[PCC 20113]**.

### 1.24 Purchases through General Services Administration (G.S.A)

[State Procurement] Purchases of materials, equipment or supplies, other than printed materials may be made through G.S.A. upon written request, provided that the purchases can be made by the G.S.A. upon the same terms, conditions and specifications at a price lower than the local agency can obtain through its normal purchasing procedures.

Board action is required to use a G.S.A. vendor, the same wording that is used for piggy-back or CMAS. **[PCC 10298 and PCC 10299]**

## 1.25 Relocatable Structures

“Relocatable structure” is any structure that is designed to be relocated. **[EC17405]**. These contracts are subject to bidding provisions. Any lease or agreement shall be subject to the following requirements:

1. A building or structure which is to be used for school purposes shall be subject to the provisions of **EC 17280 and EC 17365**.
2. EC 17405(a) shall not apply to trailer coaches used for classrooms or laboratories if the trailer coaches conform to the requirements of Health and Safety Code 18000.
3. The site on which a leased Relocatable structure is located shall be owned by the school district, or shall be under the control of the school district pursuant to a lease or a permit.

### **Contracts must include the following items:**

- A. Type of Contract--description of Relocatable structure(s) which is being leased or is under a lease-purchase agreement, e.g. indicate New or Used, Serial Numbers, Size (24X30 DSA approved, etc.). Districts may modify these documents for a straight purchase.
- B. Term of Contract--term may commence on the date of acceptance of the relocatable structure.
- C. Payment Provisions--lease or lease-purchase is usually paid in a number of equal payments over the term of the lease. A monthly or annual payment in advance is standard while district has continued possession of the relocatable building. State sales tax may be included in each payment.
- D. In certain circumstances, contractors have billed for materials/labor for the installation of relocatable structures. If any payment other than the periodic lease amount is required, the specific payment provision must be included in the agreement.

### Minimum Documentation Required for Payment:

1. Fully executed lease or lease-purchase agreement.
2. Board approval
3. Invoice.

## 1.26 Revolving Cash Fund

A district may establish a revolving cash fund, by resolution, for the use of the chief accounting officer (custodian). There can be only one custodian of the fund. This fund shall not exceed the lesser of two percent of the district's estimated expenditures for the current fiscal year or the dollar amount set by code. **[EC 42800]**

In addition, the district may establish alternative revolving cash funds, by resolutions, for use by school principals and other administrator designated by the governing board. The resolution shall state necessity for the funds, the principal or other administrator, the purposes for which the funds may be used, and the amount of the funds. The total amount of the fund shall not exceed three percent of the current year's instructional supply budget. **[EC 42810]**

- A. The refund request requires a cover sheet, signed by the custodian, showing a recap of the expenditures and the total amount of the fund.
- B. Reimbursements to the revolving fund require the same documentation required on any vendor check.
- C. Individuals requesting reimbursement for items purchased must have a signed claim, as well as supporting receipts for their expenditures.

## 1.27 Sales Taxes

### 1. Freight:

Sales taxes may be charged on deliveries if the items purchased were delivered by the company from which the items were purchased. Example: Widgets purchased from Sears and delivered by Sears.

Sales taxes may not be charged on deliveries if the delivery is made by a licensed common carrier such as FED-EX or UPS or Yellow Freight Lines. Example: Widgets purchased from Sears and delivered by UPS.

Freight must be shown as a separate line item to be taxed. Shipping and handling sometime will appear as a combined item and taxes charged on part of the amount.

### 2. Utility Bills

- (a). Federal and State **FEES** may be charged to the school district.
- (b). 911 tax may be charged to the school district. Please see **California Revenue and Taxation Codes 41024 and 41150.**

*As of August 1, 2006, the IRS stopped collecting the federal excise tax on charges billed for long distance telephone service. This ruling only pertains to the federal excise tax. There has been no change in the California Emergency Telephone Users (911) Surcharge program. Telephone communications service suppliers doing business in California must continue to collect and remit the surcharge to the Board of Equalization, under the 911 Surcharge Law.*

*The surcharge is imposed on every person using intrastate telephone communication services in California, as required by Revenue and Taxation Code sections 41020 and 41009 (service users). Section 41021 requires all persons supplying intrastate telephone communication services (service suppliers) to collect the surcharge from every service user in this state.*

*RT41024. Every service user in this state is liable for the surcharge until it has been paid to this state, ...*

*RT 41150. it is necessary that a surcharge be imposed upon amounts paid by every person in the state for intrastate telephone communication services in this state. This bill will provide funding for basic 911,....*

## 1.28 Special Schools –Nonpublic Schools (NPS)

- A. An invoice showing students name, number of days in attendance, unit cost and extension, as well as total amount of invoice, is necessary. A copy of the attendance sheet is also necessary for verification of days charged for attendance. **[EC 56365-6]**
- B. The master and individual contracts, with the appropriate board actions, must be on file with Disbursements.

## 1.29 Surplus Property

"The governing board of any school district may purchase from the federal government or any agency thereof any surplus property, as defined in the Surplus Property Act of 1944, in any amount needed for the operation of the schools of the district without taking estimates or advertising for bids."

[EC 17602/81653]

## 1.30 Transportation — Bus

"In order to procure the service at the lowest possible figure consistent with proper and satisfactory service, bidding for transportation services **must** be done if the contract is an expenditure of more than \$10,000 with a person or corporation other than common carrier, municipally owned transit system, parents or guardians of pupils being transported. The governing board may let the contract to other than the lowest bidder."

[EC 39802]

- A. **Service** -Continuing contracts for the furnishing of transportation of pupils in school districts to and from school, if made, shall be made for a term not to exceed five years. Such contracts shall be renewable at the end of each term of the contract. The contract renewed shall include, other than the rates of the previous contract, all of the terms and conditions of the previous contract, including any provisions for increasing rates based on increased costs.
- B. **Equipment** -Continuing contracts may be made for the lease or rental of school buses, not to exceed five years, except that if such a lease or rental contract provides that the district may exercise an option either to purchase the buses or to cancel the lease at the end of each annual period during the period of the contract, such contract may be made for a **term not to exceed ten years**.
- C. Notwithstanding any other provisions of law to the contrary, continuing contracts executed under the provisions of this section [EC39803] may be negotiated annually within the contract period when economic factors indicate such negotiation is necessary to maintain an equitable pricing structure. Such renegotiation shall be subject to the approval of both contracting parties.
- D. Any rental, lease, or lease-purchase of a school bus shall comply with all applicable provisions of EC 17450.
- E. Type of Contract--should specify type of transportation service being performed and the vehicle being used to provide the transportation, e.g., "bus transportation for athletic events."
- F. Term of Contract--is generally tied to a particular school year, although multiple year contracts are authorized by EC 17596, 39803 and limits term of continuing agreements for services to five years. **EC 39803 authorizes 10 year contracts under certain circumstances.**
- G. Payment Provisions--are often based upon an amount per mile of transportation for use of the equipment, and an amount for the driver.

Minimum Documentation required for payment:

1. Affidavit of Publication for Bid.
2. Fully executed contract.
3. Board approval date.
4. Invoice.



### 1.31 Travel Reimbursement (Conferences, Seminars)

The governing board **SHALL** pay for the actual and necessary expenses for travel by an employee of the district, when such travel is directed by the board. [EC44032]. Note that Board members are covered under EC 35172.

The governing board shall pay for the traveling expenses of any representative of the board when performing services directed by the board.

[EC 35044]

- A. Travel claim must be signed by the employee (board member or representative of the board) and approved by his/her supervisor. Board members do not need an approval signature. Representatives of the board should have a signature of the unit submitting the reimbursement for payment.
- B. The authority to travel may be by board action or by delegated authority. If by delegated authority, a copy of the delegation must be on file with Disbursements.
- C. The claim should be supported with documentation for air fares, hotel, conference registration, car rental and any other unusual expenses.
- D. Advance travel (registration and/or hotel reservations) may be made without board action or delegated approval. Advance travel should not be made for consultants unless it is clearly referred to in the consultant's contract.
- E. Payments to travel and/or car rental agencies require board action or delegated approval for the employee named on the invoice.
- F. Tips are considered a legal expenditure of district funds. As such, tips may be reimbursed when listed on travel expense claims.

### 1.32 Trust Accounts

- A. Reimbursements to the trust accounts that involve payments made by a trustee may be made with a recap sheet and a statement signed by the appropriate school district administrator. [EC 17566]
- B. The statement should be in the following form:

***I hereby certify that the above listed expenditures are legal claims against the trust account and the supporting documentation is on file in the district office.***

**NAME:** \_\_\_\_\_ **Phone No.** \_\_\_\_\_

**TITLE:** \_\_\_\_\_ **DATE:** \_\_\_\_\_

### 1.33 Unusual Payments Funded By Grants

- A. There must be board action accepting the grant.
- B. A copy of the grant or that part of the grant showing that the expenditure is covered may be used. Another option is to use a copy of the budget of the grant, showing the area covering the expenditure.

### 1.34 Utility Bills - communication

[U.S. Code Title 26 § 4251 - Imposition of tax]

#### (a) Tax imposed

(1) In general: There is hereby imposed on amounts paid for communications services a tax equal to the applicable percentage of amounts so paid.



(2) Payment of tax: The tax imposed by this section shall be paid by the person paying for such services.

**(b) Definitions**

For purposes of subsection (a)—

(1) Communications services

The term “communications services” means—

(A) Local telephone service;

(B) Toll telephone service; and

(C) Teletypewriter exchange service.

**[U.S. Code Title 26, Section 4253j].**

**(j) Exception for nonprofit educational organizations**

Under regulations prescribed by the Secretary, no tax shall be imposed under section 4251 on any amount paid by a nonprofit educational organization for services or facilities furnished to such organization. For purposes of this subsection, the term “nonprofit educational organization” means an educational organization described in section 170 (b)(1)(A)(ii) which is exempt from income tax under section 501 (a). The term also includes a school operated as an activity of an organization described in section 501 (c)(3) which is exempt from income tax under section 501 (a), if such school normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on.

**Phone Bills**

Follow appropriate tax guidelines for paying Federal Excise and state taxes.

To minimize excess time spent in processing and copying telephone bills, the district staff can send a memo stating that the bills have been thoroughly checked. The memo should be signed by a responsible district employee. This memo must be attached to each batch of phone bills. Please be aware that this memo is **NOT** in lieu of the phone bills when the payment is to be audited by Disbursements. We still require the first page of the phone bill be sent so we can audit current amounts due, vendor names and billing names.

**1.35 Procedure on Disapproval of District Orders**

If the order is disapproved by the County Superintendent of schools, it shall be returned to the governing board of the school district with a statement of his/her reasons for disapproving the order.

**[EC 42638]**

# LEGAL REFERENCES

Actual and Necessary Expense	EC 44032
Advertising (Publication of Notice)	GC 6066, PCC 20112, EC 81641
Alcoholic Beverages	EC 32435 (K-12)
Ambulance Service 49474	EC
EC 49474	
Architect Agreements	GC 4525-8, GC 53060
Attorney-in-Fact	CCP 995.630
Attorney General	CC 1669.7, EC 100427
Auction – School District Property	EC 17545, 81450
Audits – Annual (K-12)	EC 14505, 41020
Authority to Allow/Examine Orders/Checks	EC 42635, 42636, 42639, 85235, 85265.5
Authority to Settle Claims	GC 935
Auto Allowance or Mileage	EC 44033
Awards to Employees/Students	EC 44015
Awards to Board/Community Members	EC 35160
Back-up for Checks- Destruction of	EC 42639.1
Banks – Cost of transporting money	EC 41019
Bid Amounts OR Bonds	PCC 20111
Bidding Procedure	PCC 20111-15 (K-12) PCC 20650-59 (CCD)
Bidder - Responsible	PC 1103
Board approval/ratification	EC 17604
Board Meetings (Time and Place of meetings)	EC 35140, 72121
Board Meetings-special	EC 35144, 35145, 72129
Board Representatives (Travel Payments)	EC 35044
Board Members - Fringe Benefits	GC 53208
Board Members – Students	EC 33011
Board Members – Travel	EC 35172 (Part F)
Books, Instructional Software	PCC 20118.3
Bonds – Cost of, or Procurement of	EC 81955 (CCD)
Bonds to Release Stop Payment Notices	CC 9364
Brown Act	GC 54950
Budget Transfers	EC 42601

CA Assessment Program (CAP)	EC 54644.4, 54650 - 54657
Cafeteria Fund	EC 38090-95
Calif. Interscholastic Fed. (CIF) Membership	EC 35179
Caps and Gowns	EC 38119 (HS)
Certification of Board Minutes Clerk of Board, Superintendent	EC 35250, 72121
Certificated Consultant Contracts	EC 35046
Change Orders	PCC 20118.4, 20659
Chamber of Commerce Membership	EC 1260
Charter Schools	EC 47600 et seq.
Checks – Lost or Stolen	GC 29850
Checks – Costs	EC 42631, 42647
Child Care Centers	EC 8320
Claims, authority to settle	GC 935.4
Claims, contents of & invoices	GC 910, 910.2, EC 42634
Collective Bargaining	EC 1624, EC 26504
Community Service Classes	EC 78300 (CCD)
Completion Date of Work of Improvement	CC 9200
Computers & Software maintenance	EC 17453.1, 81645
Conference/travel expenses	EC 44032
Consultants- Retired Cert. Employees	EC 35046, 1300, GC 53060
Construction Contracts- Payments	EC 17603
Contracts – authority to sign, approval of	EC 17604, 81656
Contracts – Bid limits	PCC 20111-15, 20650, 20660
Contracts – continuing	EC 17596, 81644, 81552
Contracts – legal services	GC 53060, Bus & Prof Code 6148
Contracts – Employee payoff	EC 22119.2
Contracts – Terms of lease/purchase	EC 17596, 81552
Contracts – Public contract code	PCC 20111-15, 20650-59, 20103.5
Contracts – Work to be done-timeframe	GC 53069.85
Cosmetology classes	EC 8080
Credit cards	GC 6159, CC 1747, GC 6160
Data Processing	EC 10500, 81645
Definition of Terms	EC 70-95
Delegation of authority	EC 35161, 70902, 17604
To settle claims	GC 935.4, EC 42630
To contract	EC 17604
To purchase	EC 17605
Deposit of money to County Treas.	EC 41001

Developer fees	GC 53082, 65995, 65928, 66001; EC 17620
Discounts (Coupons)	
Taxes on	State Board of Equalization- Publ. 113
Discrimination (Not allowed-athletics)	GC 53080
Elections	EC 5420
Emergencies	PCC 1102, 20113, 20654, GC 54954.2 (b) (L)
Employment contracts	GC 53260-64
Energy conservation contracts	GC 4217.10
Escrow accounts	PCC 22300
Bonds for escrow accounts	PCC 10263
Federal programs – authority to rcv / exp funds	EC 12400-05
Flex hours	EC 45133
Field trips	EC 35330, 71040
Fingerprinting of children	EC 32390
Fingerprints	EC 45125, 88024
Fiscal accountability	EC 1241.5, 42650, 85266, 85266.5
County transfer of duties to OCDE	EC 1080
Food items for schools	EC 38083
Franchise Tax Board	
Freight – taxes on	RTC 6381
Fund raising	EC 48932, 51521
Funds, short of	EC 42670
GATE Program	EC 52209
Gifts to Schools	
Surplus money invested	EC 41030
Gift of Public funds	Article 16, section 6 of CA Constitution
Golden Handshake	EC 22715
Handicapped student equipment	RTC 6369
Health & Welfare Trust	EC 17566
Health services	EC 76407
Hearing tests	EC 49452
Instructional software	PCC 20118.3
Insurance – school property	EC 81601
Insurance – Worker’s Comp.	LC 3700
Interns -Teachers	EC 44450
Salary of Intern Supervisors	EC 44462

Invoices (Claims)	GC 910, 910.2, EC 42634
Invoices – over 1 year old	GC 911.2
Joint occupancy	EC 17527
Keypunching	EC 17598
Labor Commission	LC 1727
Land Purchases	EC 17492
Late Charges on Credit Cards	CC 1747.90
Lease of Buildings, Relocatable	EC 17405, EC 81526
Lease of equipment	EC 81552, 17450
Leaseback of equipment	EC 81645.5, 17457
Lecturer	EC 78022
Legal services	EC 35204, 35205, 35041.5
Library books	EC 18130-39
Lost Checks	GC 29802, 29850-29853
Maintenance of computers	EC 81645
May/shall	EC 75
Meals/lodging for collective bargaining	GC 3543.2
Medical care for students	EC 44873
Medicare/OASDI	EC 7000
Membership	EC 1095, 35172
Medical exam of student	EC 49450
Messenger service –Employment of Minor	LC 1297
Microfilm records	EC 35254, 42639.1
Migrant education	EC 54443.1
Mileage	EC 44033
Missing checks/ Lost Checks	GC 29802, 29850-29853
Mobile- Modular-Relocatable	EC 17405 (K-12) and 81526-7 (CCD)
Name change of school district	EC 35001
Notary Public	GC 8202.5
Notice of Completion	CCP 1013A
Alternate method	PCC 7107
Notice to Withhold – Labor Commissioner	LC 1727
Nurses	EC 44877, 49426, 49450
Nutrition programs for elderly	EC 12402

Object codes	EC 56195
Orders (checks)	EC 42630 - 42636
Outdoor Science programs	EC 8760
Paper recycling	EC 32370
Paramedics	EC 35331
Parent Drug Alert Program	EC 49091.12
Payment Bond	CC9550 – CC 9554
Payment Penalty	PCC 20104.50
Performance Bond	PCC 7200
Permissive Code	EC 35160, EC 75,
Personal Property replacement	EC 35213
Personal Property Tax	RTC 2.5 # 270
Physical exam – employees	EC 45122, 88021
Physicians, Psychologists, Surgeons	EC 44873, 87400, 49422- 25, 76401
Piggybacking	PCC 20118
Plaques and awards	EC 35160
Police Alarm permits	EC 32261
Police services	EC 32280
Preliminary 20-day notice	CC9300 – CC 9306
Professional services	GC 4525-26, GC 53060
Progress Payment	EC 17603
Proof of publication (includes web sites)	PCC 20112
Public works definition	PCC 1101
Purchase from Federal Govt. State	PCC 10290 PCC 10298
Purchase through other district or agency	PCC 20118, 20652
Purchase of property	EC 35271
Ratify	EC 17604
Records – retention of	Title V, EC 35254, 42639
Regional Occupation Programs (ROP)	EC 52301...
Release of Stop Payment Notice	CC 8124 – CC 8138
Relocatables – Lease of	EC 81526-28, EC 17405
Replacement of property – employee	
Representative of Board	EC 35044
Responsible Bidder	PC 1103
Retention	PCC 7107, PCC 9203 PCC 22300
Retirement consultants (Certificated)	EC 35046

Revolving Cash	EC 42800, 42820-1
Alternative (School Principals)	EC 42810, 85410
Cafeteria	EC 38091
Custodian	
Revolving fund (Commercial checks)	EC 42640
Sale/lease-back of property	EC 17450, 81520, 81550
Sale of district personal property	EC 17455, 81430
Scholarship & Loan Fund	EC 35310
School safety plans	EC 38001-5, 17280
Schools commercial revolving fund	EC 42640
Security/police	EC 72330, 38000
Settlement of claims	GC 906(d), 935.4
Settlements – Supts. and Mgmt.	GC 53260-64
Shall/may	EC 75
Signature on Board minutes	GC 25101
Signatures on file	EC 42632-33, 85233
Signing contracts	EC 17604, 85232
Software for computers	PCC 20118.1
Software, instructional	PCC 20118.3
Software licenses	PCC 20118.3
Software purchases	PCC 20118
Sole Source	PCC 3400
Special Education (NPS)	EC 56365, & 6 (b) (1), 7 Admin cd. Title V 3030 & 3062
Special Meetings of Governing Board	EC 35144
Specific Brand (Bid)	GC 4333
Stale dated checks/orders	EC 85270, GC 29802
Stop Payment Notices	CC 9362, CC 9560
Student Body – sale of food	EC 48931, CCD ED 76060
Fund raising	EC 48932
Student teachers – interns	EC 44927, 44450
Sue/Be Sued	GC 945
Superintendent/Asst. Supt. Contracts	EC 35031-35035
Surplus property – purchases	EC 81653
Taxes paid to Auditor/Controller	RTC 75
Tax on freight	RTC 6010 – RTC 6012
Tax on gasoline	RTC 8651.8
Tax on utilities	RTC 41001 – RTC 41099
Tax rate changes	Board of Equalization Publication 44
Taxes – sales taxes	RTC 7200 – RTC 7212

Taxes – Use taxes	RTC 7200 – RTC 7212
Teachers	EC 44927, 44450
Teenage mothers	EC 49559, 52610.5, 54740, 8900
Telephone (Communication)	RTC 41001
Temporary help	EC 45140
Tips	IRS Regulation Form 2106
Transportation	EC 39802,3,6, 39860
Trash contracts	PRC 40059
Travel expenses	EC 44032, 87032
For purposes of employment	EC 44016
Trophies, awards	EC 44015
Trust accounts	EC 17566
Tuberculosis (TB) exam	EC 49406
Vandalism – reward for info.	EC 48904, GC 53069.5
Vision testing	EC 49452
Void checks	GC 29802 (K-12), EC 85270 (CCD)
Duty to keep record of	EC 42662
Warrants (checks) – approval of Contents of	EC 42630 EC 42634, 42631
Work of improvement (Definition)	CC 8050, PCC 1101
Worker’s compensation insurance	LC 3700



## Appendix A: Disbursements Process Flow Chart

# Education Code 42635

This code requires districts to send checks to county office for approval. The districts process numerous school business transactions and transmit to Disbursements. This process creates approximately 300,000 commercial vendor checks each year.



# Disbursements Verification

Disbursements verifies the following on randomly selected items before releasing payment:

- Approval by board
- Signature of authorized district personnel
- Sufficient funds are available
- Legal requirements are met
- Check invoices for mathematical accuracy

If there is a problem with meeting legal requirement, Disbursements Services refers the problem to legal counsel for guidance and resolution. The problems typically relate to public works, piggybacking and construction payments.



# Final Disposition of Checks

Disbursements return checks to districts and transmit check information (check number, fund and amount) to the bank. Information sent to the bank is used to:

- Control Fraud with positive pay
- Assist with Account Reconciliation
- Verify payment or nonpayment of lost checks on Fund Management System [FMS]
- District accounts are automatically reimbursed for outlawed/expired checks

## Appendix B: FMS Authorization Request

**Social Security number is required.**

Date:

To: Anthony Giordano, Disbursements Services Manager

From: Accounts Payable Supervisor/Manager

Subject: FMS Authorization Request

Please grant FMS access to the employee noted below.

District Name:

Employee Name:

Employee Email Address:

Access as District Employee:

Yes  No (Please check only one box)

**If 'Yes' box is checked, skip next question.**

Access as District Administrator:

Yes  No (Please check only one box)

*A person granted access as an 'administrator' may grant access to other district personnel.*

Authorized by:

Date:

Title:

# Appendix C: Request To Cancel Checks

## REQUEST TO CANCEL UNPAID CHECK(S)

**TO:** *Disbursements, Business Services Division, Orange County Department of Education (OCDE)*

**FROM:** \_\_\_\_\_ REVERSAL BATCH NAME **V** \_\_\_\_\_ Page \_\_\_\_ of \_\_\_\_  
Name of Requestor and District Name

Please Cancel the following check(s) effective - - **Date:** \_\_\_\_\_ **Month:** \_\_\_\_\_ **Year:** \_\_\_\_\_

CHECK NUMBER	VENDOR NAME	DISBURSEMENTS' ISSUE DATE	FUND NUMBER	AMOUNT OF CHECK	BI-TECH Districts RE-ENCUMBER P.O.? Yes or No <small>(Do not combine Yes with No answers on the same batch/form)</small>

**DISTRICT APPROVAL** \_\_\_\_\_ **DATE** \_\_\_\_\_ **TOTAL (This page)** \$ \_\_\_\_\_ -  
(District Authorized Signature)

**DISBURSEMENTS APPROVAL** \_\_\_\_\_ **DATE** \_\_\_\_\_ **GRAND TOTAL (All pages)** \$ \_\_\_\_\_  
(Disbursements Authorized Signature)

**\*\*\*\* Once a check is cancelled, the process may not be reversed \*\*\*\***

Send (1) original check(s); (2) three copies of form (Bi-Tech- separate forms for re-encumber PO); and (3) Bi-Tech reversal batch proofs - - to Disbursements, OCDE.  
 Bitech Districts Note: If reversed check includes Use Tax, you must create and post a correction batch for the Use Tax transaction in H1 status.  
 Month-end cut-off is the 28th, or the last working day prior to the 28th, of each month. See Instructions sheet or call staff assigned to your district with questions about this form.

### INSTRUCTIONS FOR COMPLETING THE REQUEST TO CANCEL CHECK(S) FORM

- Fill in:
1. Requestor and District Name
  2. If a Bi Tech District, the Batch Name. The last page of Batch Proof total should match.
  3. Number of pages.
  4. Request Date = Today's Date
  5. Fund Number  
 The same four-digit fund the check was paid from.  
 Checks paid from different funds may be listed on the same form **except** for Bi-Tech re-encumber Purchase Orders (PO).  
*Bi-Tech -- Re-encumber PO request needs to be separated by batch. Therefore, a separate form should be used to separate Yes from No answers.*
  6. Specific check information
    - a. Check Number
    - b. Vendor Name
    - c. Disbursements Issue Date is the date check was signed by County. The Issue date must be less than 6 months.
    - d. Dollar Amount of Entire Check
    - e. **Bitech Districts:** If the Purchase Order should be re-encumbered when transactions are reversed, indicate Yes. Otherwise, indicate No if the Purchase Order should not be re-encumbered when transactions are reversed.  
*Do not combine Yes and No answers on the same form or batch.*
  7. Calculate total of each page.
  8. Calculate total for multiple page request.
  9. Signature of responsible district employee.

# Appendix D: Lost Check Request Form

## LOST CHECK REQUEST FORM

Today's Date:

**TO:** *Disbursements, Business Services Division, Orange County Department of Education (OCDE)*

**From:** REQUESTOR: \_\_\_\_\_ PHONE NO. \_\_\_\_\_ DISTRICT NAME: \_\_\_\_\_

Please research the status of checks listed and provide copies of paid checks or an Affidavit if check was cashed by someone other than the payee.

CHECK NUMBER	VENDOR NAME	DISBURSEMENTS' ISSUE DATE	FUND	AMOUNT OF CHECK	SEND CHECK COPY	SEND AFFIDAVIT Yes / No	DISBURSEMENTS USE ONLY
							AFFIDAVIT / CHECK COPY SENT DATE(S)
					Yes		
					Yes		
					Yes		
					Yes		
					Yes		
					Yes		
					Yes		
					Yes		
					Yes		
					Yes		
					Yes		

\*\*\*\* Please request Affidavit only if a check was cashed by someone other than the payee.\*\*\*\*

To verify the status of a check, please log on to Fund Management System (FMS) and click on Check Status tab and follow the instructions on screen. Do not use this form to place a stop payment on a check. Any unpaid Checks may be cancelled by completing "Request To Cancel Unpaid Check Form". Please remember that the check cancellation process is irreversible, this means that once a check is cancelled the bank will not honor the check. However, you may process a replacement check for a vendor after you have cancelled the original check.

Send Lost Check Request form to -Disbursements, Business Services Division or fax to Disbursements (714) 557-2658. Attention: staff assigned to your District  
See Instructions sheet or call staff assigned to your district with questions.

### INSTRUCTIONS FOR COMPLETING THE LOST CHECK(S) REQUEST FORM

Fill in:

- 1 Today's Date
- 2 Requestor's Name and Phone number
- 4 District Name
- 5 Specific check information
  - a. Check Number
  - b. Vendor Name
  - c. Disbursements Issue Date is the date check was signed by Disbursements - OCDE.
  - d. Fund Number
  - d. Dollar Amount of Entire Check
- 6 If you would like affidavit sent to you, indicate Yes or No as applicable.  
Please request Affidavit only if a check was cashed by someone other than the intended payee.

**Send Completed form and attachments to:**

Disbursements, Business Services Division, OCDE.  
or Fax to 714-557-2658

# Appendix E: Authorization to Pick up Checks

## Orange County Department of Education

### Authorization To Receive Checks And Documents

The following employees are authorized to receive payroll checks, vendor checks and other documents from Disbursements, Payroll and Orange County Department of Education Courier Services for the \_\_\_\_\_ School District for the period of **July 1, 201\_ through June 30, and 201\_**. New Authorization forms will be submitted annually for periods beginning **July 1** of each year.

If there are changes on the interim, please send an amendment in the form of a letter or memo with the addition or deletion to address shown below.

Typed Name

Signature

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**Date and Signature of Superintendent,  
Assistant Superintendent, Director or Business Manager**

***Please complete and return to:***

*Disbursements Services  
Orange County Department of Education  
200 Kalmus Drive  
Costa Mesa, CA 92628*