

POLICY

It is the policy of the District to ensure funds are disbursed with proper authorization for only valid business purposes and in compliance with regulatory requirements, including generally accepted accounting principles.

Disbursements that do not follow this Policy and other applicable policies could make the District susceptible to fraud, have adverse publicity, and potentially be liable for fines and penalties.

SCOPE

This Policy is not intended to replace, but rather supplement any existing District policies for payroll, reimbursements, business travel, and programs for purchase cards and fleet fueling.

DEFINITIONS

Debit Card/Check Card—An electronic, unconditional order from the District using a plastic card with a unique set of numbers to direct the District's depository bank to immediately pay a definite sum of money to a payee.

De minimis fringe benefit—A benefit provided by the District that is excluded from an employee's gross income because the value of which, after taking into account the frequency with which smaller fringes are provided, is so small as to make accounting for it unreasonable or administratively impracticable according to the Internal Revenue Code (IRC).

By this Policy, the District establishes that a maximum value of \$50 is considered a de minimis fringe benefit; however, the IRC requires certain benefits are always taxable compensation regardless of the amount.

Disbursements—Payments, usually in the form of a check or purchase card transaction, used to facilitate the purchase of goods and services.

Encumber—Monies set aside by law or the Board of Directors for a specific purpose, e.g., Debt Service Fund, Emergency Fund, Contingency Fund, etc.

Check—A written, dated, and signed instrument that contains an unconditional order from the District that directs the District's depository bank to pay a definite sum of money to a payee.

Public Works— All fixed works constructed for public use or benefit or paid for wholly or in part out of public funds, including any work done directly by any public utility company when performed pursuant to the order of the District whether or not it be done under public supervision/direction.

Purchase Card (P-Card)—A commercial credit card for small dollar purchases of goods and/or services necessary for official District business.

Receiving report—Documentation that goods purchased on credit or with a Purchase Card have truly been received by the District in useable condition; thus, indicating disbursement should be made (see Purchasing Policy #824), e.g., packing list or **Receiving Detail Form 824-2**.

Substantiation—Documentation that establishes proof or competent and thorough evidence to substantiate a financial transaction, e.g., invoice, bill, charge slip, receipt, signed statement of work, contract, utility statement (other statements are usually not considered suitable for substantiation except for early payment discounts, rebates, finance charges, late payment fees, refunds, credits, payments on account, adjustments, etc.), etc.

Substantiation must include information relating to:

- The amount requested to be paid;
- The date on which the goods or services were delivered to the District;
- The place the goods or services were delivered to the District;
- Itemized description of the goods or services;
- The name and address to whom the payment is to be made;
- Signature of the individual or organization's authorized representative if the substantiation is handwritten; and
- If final disbursement to a contractor or subcontractor of public work, an affidavit in proper form and order from the contractor or subcontractor that the contractor or subcontractor has fully complied with the provisions and requirements of Missouri law on wages, hours, and dismissal rights (RSMo §290).

RESPONSIBILITIES

It is the responsibility of the **Board of Directors** to ensure an adequate internal control structure is in place for disbursements, including:

- Ensuring appropriate documentation and guidance exists in the form of policies and procedures; and
- Incorporation of business rules and controls to create a system of checks and balances (see the Control Activities Practices).

It is the responsibility of the **Treasurer** to administer this Policy.

It is the responsibility of **employees** making purchases of goods and services to know and understand this Policy as it relates to payments for those goods and services and to ensure any invoice for those goods and services is mailed or emailed to the Treasurer at the District's mailing address or using the Treasurer's email address treasurer@tightwadfpd.org.

It is the responsibility of all **employees** to provide hand delivered invoices to the Treasurer as soon as possible and to make a receiving report when taking delivery of goods or services on behalf of the District.

It is the responsibility of all **employees** to know and understand this Policy as it relates to compensation and withholding regarding employee awards, prizes, gifts, or recognition.

PRACTICES

Encumbrance

No one, except as authorized in writing by the Board of Directors, is empowered to incur any obligation or make any commitment on behalf of the District for the disbursement or procurement of goods or services.

No disbursement shall be made to a supplier of goods or services unless the name of the supplier contains indication of incorporation, or the supplier has provided the District with a tax identification number on Internal Revenue Service (IRS) Form W-9.

Because of the lack of Form W-9 information, limited fraud protection, the risk of insufficient funds, and transaction fees associated with debit cards, use of a purchase card is preferred over debit card.

Unless there are documented extenuating circumstances, there shall be no disbursements for sales and use taxes.

Disbursements shall only be made for purchases of goods and services to the benefit of the District. Disbursements for purchases of goods or services for personal use are prohibited.

Membership Dues and Subscriptions

Disbursements for District membership dues and subscriptions must derive benefits in the best interest of the District patrons. Disbursements for individual employee memberships or subscriptions must be job-related.

Disbursements to Charitable Organizations

Disbursements for gifts to charitable organizations shall not be allowed unless the District receives goods or services equal to or exceeding the amount of the disbursement.

Employee Recognition, Awards, Prizes, Bonuses, Parties, and Gifts

Disbursements for employee awards, prizes, gifts, or recognition shall be reasonable and consistent with the IRC for business-related gifts and justification must be documented to show that such gifts were in the best interest of the District patrons, meaning these disbursements are generally discouraged.

Disbursements shall not be made for gifts to an employee commemorating a personal event, such as a hospitalization, death of a spouse or dependent child, retirement, birthday, wedding, anniversary, or holiday. It would be better for such gifts to come from voluntary employee collections or ancillary organizations.

An employee award, prize, gift, or recognition that is cash or substantially convertible to cash must be reported as additional compensation. Except for de minimis fringe benefits, non-cash employee awards, prizes, gifts, or recognition shall be taxable compensation subject to withholding.

Bonuses and supplemental compensation for work after the fact is unconstitutional and shall not be disbursed.

Disbursements for employee parties shall be reasonable and justification must be documented to show that an event was in the best interest of the District patrons for the protection of lives and property, meaning these disbursements are generally discouraged.

Disbursement Control Activities

The District shall employ personnel that are competent and trustworthy, with clearly established lines of authority and responsibility documented in written job descriptions and procedures. Employees shall be provided with adequate training and ongoing development.

To the extent possible, there shall be segregation of duties to reduce the likelihood of errors and irregularities. Therefore, account reconciliations must follow the **Account Reconciliations** and **Purchase Cards** Policies.

The Treasurer shall thoroughly review of all substantiation to verify the propriety and validity of disbursements.

Invoices must be hand delivered or mailed to the Treasurer at the District's mailing address or emailed to the Treasurer at treasurer@tightwadfpd.org. Hand delivered invoices must be given to the Treasurer as soon as possible, preferably within the calendar month that the goods or services were received. Late invoices should be marked by the Treasurer when received and should have written justification as to the reason for the delay if the delay was caused by the District.

The Board of Directors shall determine by rule any spending limit and preauthorized disbursement. If necessary, under emergency circumstances, the Board may authorize a disbursement outside Board meetings by a majority of Directors signing an ***Emergency Authorization to Pay Bills Form 836-1***.

Board of Directors approval is required for disbursements for invoices more than sixty (60) days late or invoices for the prior fiscal year received more than thirty (30) days past the fiscal year's end.

Disbursements are not allowed for a prior fiscal year unless funds were encumbered by the Board of Directors for the specific purpose of the disbursement. Exceptions may be allowed if uncollected taxes from that fiscal year are collected in an amount that equals or exceeds the disbursement amount.

Prepayment

Unless there are documented extenuating circumstances, usually in the form of a contract, disbursements cannot legally be made until receipt of goods or services, i.e., no prepayments.

Proof of Receipt

To prove receipt of goods or services, a receiving report should be made, and the receiving report should be matched with the vendor's invoice and any purchase order.

Timely and Prompt Payments

To the extent of available funds and budget, the Treasurer shall ensure the timely disbursement for goods and services received by the District—taking advantage of early payment discounts offered by suppliers. Timely disbursement shall mean abiding by the payment terms in place when the goods or services were purchased, e.g., net 10 days, net 30 days, etc. Prompt disbursement shall mean abiding by the prompt payment laws for public works contracts, which carry substantial penalties for payments that are not prompt.

The Treasurer shall ensure the timely payment of any District debt obligations in accordance with applicable covenants and debt instructions.

Cash Disbursements

Although there may be a Petty Cash Fund, large disbursements over two hundred dollars (\$200.00) should not be made with cash. Withdrawals for disbursements over two hundred dollars (\$200.00) with cash are allowed only under extenuating circumstances and must be extraordinarily documented.

The District must receive a signed and dated cash receipt from the payee of any cash disbursement, including all disbursements from the Petty Cash Fund that do not have substantiation.

The Treasurer is authorized to execute agreements for electronic payments.

Disbursement Substantiation

For substantiation, all disbursements must have substantiation, such as an itemized invoice for goods or services.

Statements of account shall not be considered adequate substantiation except from utility-type suppliers, e.g., Osage Valley Electric Cooperative, Golden Valley Disposal Service, CenturyLink, Rocket Connect, etc.

To provide substantiation for early payment discounts, rebates, finance charges, late payment fees, refunds, credits, payments on account, adjustments, etc., disbursements for revolving charge accounts such as O'Reilly Auto Parts must be made in conjunction with reconciliations using statements of account; however, each charge must have an original substantiation such as the statement of account.

All goods shall be inspected at the time of receipt to ensure goods are in an acceptable condition and quantities, unit of measure, item numbers, item description, etc. are recorded, completing a **Receiving Detail Form 824-2** if a packing or shipping list is unavailable.

For reimbursement of wireless telephone or network services, a signed **Authorization for Allowances Form 840-1** or **Attestation of Wireless Data Service Form 840-2** shall be considered sufficient original substantiation.

For disbursement of any attendance fees, a signed **Certification of Attendance Form** shall be considered sufficient original substantiation.

For disbursement of any salaries, a signed **Authorization for Compensation Form 838-1** shall be considered sufficient original substantiation.

For final disbursement to a contractor or subcontractor of public work, substantiation must include an affidavit in proper form and order from the contractor or subcontractor that the contractor or subcontractor has fully complied with the provisions and requirements of the Missouri law on wages, hours, and dismissal rights Missouri State Law on wages, hours, and dismissal rights (RSMo §290).

If only copies of the original substantiation are available, there should be a notation as to why the original substantiation is not available. Faxed or scanned original substantiation shall be considered a copy.

A copy of original substantiation is acceptable if the original substantiation is retained by the payee and the disbursement is a reimbursement, e.g., copying or postage expenses by an attorney.

Original substantiation should not be marked or highlighted unless the marking or highlighting is critical to legitimize the substantiation, e.g., adding the name of the business if it's not printed; deleting goods or services not received; correcting quantity, price, or description; clarify details. *Note: highlighting some semi-glossy receipts erases the ink and leaves insufficient substantiation!*

Check Handling

The Treasurer approves disbursement requests after comparing to supporting documentation.

No checks must be written to "cash" or "bearer".

Blank checks shall be secured from misuse or theft. Blank checks shall never be signed in advance.

All checks shall be pre-numbered and accounted for monthly through Account Reconciliation Policy #860.

All voided checks must be defaced and retained.

One copy of each check or check stub should be filed numerically with substantiation. One copy of each check or check stub should be filed by the vendor.

Recordkeeping

Subject to access by the Custodian of Records, the Treasurer shall ultimately maintain and possess all disbursement records—whether in paper or electronic format. Disbursement records should allow for easy retrieval of information, especially the external auditor.

POLICY: **Disbursements**

#836

EFFECTIVE DATE: **04/03/04**

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For analysis, budgeting, reporting, and auditing purposes, the Treasurer shall use a computer accounting program to generate and track disbursements according to the District's **Chart of Accounts** established by Financial Reporting Policy #896.

Unclaimed Disbursements (Escheats)

Long unclaimed disbursements identified during many bank account reconciliations shall be forwarded to the State of Missouri following escheats laws and regulations.

RELATED POLICIES

Purchasing 824
Reimbursements 830
Attendance and Compensation Fees 838
Charge Accounts 842
Account Reconciliations 860
Business Travel 890
Purchase Cards 884
Fleet Fueling 886
Financial Reporting 896

RELATED STATUTES

RSMo §34.057
RSMo §290.210(9)
RSMo §290.290(2)
RSMo §447

REVISION HISTORY

| Revision Date | Author | Revision Details |
|------------------|-------------|---|
| October 10, 2021 | Monte Olsen | Initial version |
| April 3, 3022 | Monte Olsen | Changed debit card to purchase card in definition of a disbursement; corrected Accounts Reconciliations Policy name in the Disbursement Control Activities Practice; added the Treasurer is authorized to execute agreements for electronic payments; and a punctuation correction. |