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Cash Disbursement and Procurement Policy

A. PURPOSE

To establish Local Education Agency (LEA) policy and procedure governing the initiation, authorization, and review of all expenditures of Good Foundations Academy (the "LEA" or "GFA").

B. SCOPE

These policies, guidelines, and procedures are applicable without exception to all funds owned or administered by the LEA. All expenditures of the LEA are to be consistent with applicable state and federal laws and regulations; any restrictions, rules, or regulations placed on the use of the funds by donors and granting agencies; and prudent management practices. In addition, all expenditures must be reasonable and necessary for carrying out the programs and activities of the LEA, and are to be documented in a way which clearly substantiates such reasonableness and necessity. This policy applies to all LEA administration, licensed educators, staff, students, organizations, and individuals that initiate, authorize, or process cash disbursements on behalf of the LEA. The scope includes all activities at the LEA and in all locations where LEA activities and public funds are expended. It is expected that in all dealings, LEA employees will act in an ethical manner that is consistent with the LEA's code of ethics, the Utah Educators' Standards, the Public Officers' and Employees' Ethics Act, and Utah procurement law and rules.

C. SEGREGATION OF DUTIES

Wherever possible, duties such as custody of purchase cards and blank checks, initiating expenditures, approving expenditures, maintaining documentation, issuing checks and reconciling records should be segregated among different individuals. When segregation of duties is not possible due to the small size and limited staffing of the LEA, compensating controls such as management supervision and review of cash disbursement records by independent parties should be implemented.

D. DEFINITIONS

1. "Public funds" are defined as money, funds, and accounts, regardless of the source from which the funds are derived, that are owned, held, or administered by the state or any of its political subdivisions, including LEAs or other public bodies (Utah Code § 51-7-3(26)).
2. "Small purchase" includes the procurement of goods or services for which the total cost is less than $50,000.01 and for which the total cost of an individual procurement item costs less than $5,000.01. Small purchase also includes the procurement of professional services that cost less than $100,000.01 and the procurement of small construction projects that cost less than $100,000.01 (Utah Code § 63G-6a-506 and Utah Administrative Code R33-105).

E. GENERAL POLICIES

1. All checks or check stock, credit/purchase cards, access to bank accounts and statements, etc. shall be secured and controlled by the accounting office with limited access.
2. All disbursing of funds at the LEA should be done through the accounting office.

3. Expenditure transactions must be approved by an individual having sufficient knowledge and authority to evaluate the transaction for reasonableness and appropriateness. The LEA shall designate employees by title or job descriptions, which are authorized to approve various dollar amount levels of disbursements and instructed never to sign blank checks.
4. All expenditures made using cash, checks, credit/purchase cards, electronic fund transfers, etc. shall be recorded in the LEA's accounting records.
5. Passwords should be established on user access to the accounting system.
6. Checks should be made payable to specified payees and never to "cash" or "bearer."
7. All disbursement activity should be substantiated by supporting documents. Documents should be available and should demonstrate that proper disbursement controls are in place (signatures for approval, purchase orders, receipts, invoices, bids or quotes, reimbursement forms, travel forms, journal entries, reconciliations, etc.).
    a. Quotes shall contain the following information, where applicable:
        (1) Date received or dates that the quoted price is valid, delivery date;
        (2) Company name, address;
        (3) Each item, description or specifications, unit, total price, and quantity listed; and
        (4) Shipping and freight charges.
    b. Quotes may be obtained and documented by printing pages from a website; however, all of the quote elements must be documented. Better prices are usually obtained by contacting vendors directly. Telephone quotes must be documented and include all quote elements. Written quotes should be requested on the vendor's letterhead.
8. Bank and credit card statements should be reviewed and accounts reconciled in a timely manner. Activity accounts should be reviewed quarterly by the custodian of the activity.
9. The LEA must comply with applicable LEA and state purchasing laws.
10. Expenditures will follow the guidelines outlined in the Utah Procurement Code (Utah Code § 63G-6a) and federal purchasing laws, or in the alternative the LEA will adopt stricter policies.
11. When the LEA uses federal grant funds to procure goods or services, the LEA will comply with applicable federal law and regulations, including the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 C.F.R. Part 200. To the extent federal procurement requirements are more restrictive than Utah law or this policy, the more restrictive federal requirements shall govern the procurement of goods or services purchased with federal grant funds.
12. Contracts must follow the guidelines outlined in the Utah Procurement Code, specifically regarding the length of multi-year contracts (Utah Code § 63G-6a-1204(7)). Multi-year contracts must comply with Utah Code § 63G-6a-1204.
13. Construction and improvements must comply with the provisions of the Utah Procurement Code (Utah Code § 63G-6a), the Utah State Board of Education Administrative Rules, and Title IX.
14. Exclusive contracts must comply with the guidelines outlined in the Utah Procurement Code (Utah Code § 63G-6a), this policy, and the Utah Public Officers' and Employees' Ethics Act (Utah Code § 67-16).
15. Purchases of goods or services with LEA funds for personal use or personal gain are strictly prohibited; see the Utah Public Officers' and Employees' Ethics Act (Utah Code § 67-16).
16. All equipment purchased with IDEA and Title I funds will be inventoried and labeled in accordance with 2 CFR § 200.313.

F. LEA PROCUREMENT THRESHOLDS AND RULES OF ETHICS

This procurement policy shall be followed for all qualifying purchases of goods or services. This policy includes these basic items:

1. **Small Purchases**
    a. The "individual procurement threshold" for the LEA is $5,000. This is the maximum amount that the LEA can expend to obtain a single item/service from one vendor at one time without requiring competitive bids or quotes (Utah Code § 63G-6a-506, Utah Administrative Code R33-105-102).
    b. The "single procurement aggregate threshold" for the LEA is $10,000. This is the maximum amount that the LEA can expend to obtain multiple procurement items/services from one vendor at one time without obtaining competitive bids or quotes. This includes any combination of individual procurement items each costing less than $5,000.01 purchased from one vendor at one time, not to exceed in total $10,000 (Utah Code § 63G-6a-506, Utah Administrative Code R33-105-102).
    c. The "annual cumulative threshold" for the LEA is $50,000. This is the maximum total annual amount that the LEA can expend to obtain procurement item(s) costing less than $5,000.01 from the same vendor during the fiscal year (July 1— June 30) without obtaining competitive bids or quotes. If a purchase exceeds $50,000 and no exception applies, it is not considered a small purchase and shall be processed through a competitive bidding process or a request for proposal (RFP) process (Utah Code § 63G-6a-506 and Utah Administrative Code R33-105-103).
    d. For small purchases as defined in R33-105, which will typically include purchases of items between $5,000.01 and $50,000 other than professional services or construction projects, the LEA shall determine minimum specifications, provide the specifications to multiple vendors, obtain at least two competitive bids or quotes that include minimum specifications, and purchase from the responsible vendor offering the lowest bid or quote meeting the specifications. The LEA shall also record and maintain as a governmental record the names of the vendors offering bids or quotes and the date and amount of each bid or quote.
    e. Professional services, such as architectural, engineering, accounting, legal, information technology, or consulting services that cost less than $100,000.01 may be acquired by direct negotiation with the highest-ranked professional service provider after the LEA has reviewed the qualifications of at least three professional service providers and ranked them from highest to lowest. If an agreement cannot be reached with the highest-ranked professional service provider, the LEA shall move to the next highest-ranked provider, and so on, until an agreement is reached. Professional services that cost greater than $100,000 shall be acquired using a competitive bidding or RFP process, or by selecting a provider from an approved potential vendor list created using an invitation for bids or an RFP (Utah Code § 63G-6a, Utah Administrative Code R33-105-104, -R33-106, and R33-107).
    f. Small construction projects may be procured as follows:
        (1) Construction projects that cost less than $25,000.01 may be procured by direct award without seeking competitive bids or quotes after documenting that all applicable building code approvals, licensing requirements, permitting and other construction related requirements are met (Utah Administrative Code R33-105-106).
        (2) Construction projects that cost between $25,000.01 and $100,000 may be procured by obtaining a minimum of two (2) competitive bids or quotes that include minimum specifications and be awarded to the contractor with the lowest bid or quote that meets the specification after documenting that the requirements are met from subsection (1) above (Utah Administrative Code R33-105-106).
        (3) Construction projects that cost more than $100,000 are not considered small construction projects and must be procured through a competitive bidding or RFP process and follow the applicable requirements (Utah Code § 63G-6a-1302, Utah Administrative Code R33-106, R33-107, and R33-113).
2. **Formal Procurement**
    a. For purchases of items or services that cost more than $50,000 and where no exception applies (such as a small purchase of professional services or a small construction project purchase), the LEA shall use a competitive bidding process or an RFP process to make the purchase.

3. **Reoccurring Purchase Over Annual Cumulative Threshold**
    a. If purchases from the same vendor are ongoing, continuous, and regularly scheduled, and exceed the annual cumulative threshold of $50,000 during the fiscal year, a contract shall be utilized if feasible (Utah Code § 63G-6a-506(6)), and if no exception applies, the LEA shall use a competitive bidding or RFP process.
4. **Artificially Dividing a Purchase**
    a. Utah Code § 63G-6a-506 makes it unlawful to intentionally divide a procurement purchase into one or more smaller purchases, including to divide an invoice or purchase order into two or more invoices or purchase orders, if the intent or purpose is to avoid abiding by established procurement processes or purchase thresholds.
        (1) This means that intentionally splitting a purchase of similar items that would typically be purchased at the same time from the same vendor to avoid requiring competitive quotes is unlawful (e.g., uniforms, club or athletic equipment, textbook orders, etc.). This includes dividing the purchases or invoices over a period of time, or making separate purchases over a period of time. Purchase splitting often occurs when making purchases on a purchase card. Employees should not split invoices to stay under daily purchase limits on purchase cards or the established purchasing thresholds.
        (2) It may be determined after an order is placed or received that a large enough quantity was not ordered or the correct sizes were not obtained, and that additional items must be ordered. If this occurs, the employee initiating the purchase must include a written explanation of the purpose of the purchase and justification as to why it is not considered splitting a purchase. This should be retained with the vendor invoice.
        (3) Penalties for violating this statute are outlined in Utah Code § 63G-6a-2404.3. Penalties range from a class B misdemeanor to a second degree felony, depending on the total value of the divided procurements.
5. **Hospitality Gifts, Gratuities, Kickbacks, or Position and Influence**
    a. **"Contract administration professional"** means an individual who is directly under contract with an LEA or employed by a person under contract with an LEA and has responsibility in developing a solicitation or grant, or conducting the procurement process; or supervising or overseeing the administration or management of a contract or grant. This does not include an employee of an LEA. (Utah Code § 63G-6a-2402).
    b. **"Procurement professional"** means an individual who is an employee, and not an independent contractor, of an LEA, and who, by title or primary responsibility has procurement decision making authority and is assigned to be engaged in or is engaged in the procurement process or the process of administering a contract or grant, including enforcing contract or grant compliance, approving contract or grant payments, or approving contract or grant change orders or amendments. Procurement professional excludes:
        (1) Any individual who, by title or primary responsibility, does not have procurement decision making authority; and
        (2) The director, business administrator, or vice director of an LEA, or the chief assistant or deputy of the director, business administrator, or vice director. (Utah Code § 63G-6a-2402).
    c. **Hospitality Gift**

    "Hospitality gift" means a token gift of minimal value, including, a pen, pencil, stationery, toy, pin, trinket, snack, beverage, or appetizer, given for promotional or hospitality purposes. This does not include money, a meal, a ticket, admittance to an event or entertainment for which a charge is normally made, travel, or lodging (Utah Code § 63G-6a-2402).
        (1) Utah Code § 63G-6a-2404 provides that the total value of all hospitality gifts given, offered, or promised to, or received or accepted by the procurement professional or "contract

administration professional in relation to a particular procurement or contract must be less than $10; the total value of all hospitality gifts given, offered or promised to, or received or accepted by, the procurement professional or contract administration professional from any one person, vendor, bidder, responder, or contractor in a fiscal year must be less than $50.

(2) Any hospitality gift exceeding the $10 and $50 threshold is considered a gratuity, and the provisions below apply.

d. **Gratuities**

"Gratuity" means anything of value given without anything provided in exchange or in excess of the market value of that which is provided in exchange, including a gift or favor, money, a loan at an interest rate below the market value or with terms that are more advantageous to the borrower than terms offered generally on the market, anything of value provided with an award (other than a certificate, plaque, or trophy), employment, admission to an event, a meal, lodging, travel, entertainment for which a charge is normally made, and a raffle, drawing for a prize, or lottery (Utah Code § 63G-6a-2402).

(1) Utah Code § 63G-6a-2404 makes it unlawful:

(a) For a person who has or is seeking a contract with or a grant from a public entity knowingly to give, or offer, promise, or pledge to give, a gratuity to the LEA, a procurement professional or contract administration professional, or an individual who the person knows is a family member of an individual.

(b) For a procurement professional or contract administration professional, or a family member of either, knowingly to receive or accept, offer or agree to receive or accept, or ask for a promise or pledge of, a gratuity from a person who has or is seeking a contract with or a grant from a public entity

(2) Penalties for violating this statute are established in Utah Code § 63G-6a-2404. The LEA will adhere to these penalties and report violations to the attorney general's office as required by statute.

(a) Penalties range from a class B misdemeanor to a second degree felony and individuals are subject to disciplinary action up to and including dismissal from public employment or return the value of the unlawful gratuity.

e. **Kickback**

"Kickback" means a negotiated bribe in connection with a procurement or the administration of a contract or grant; and does not include items in Utah Code § 63G-6a-2402(5)(c) (Utah Code § 63G-6a-2402).

(1) Utah Code § 63G-6a-2404 makes it unlawful:

(a) For a person who has or is seeking a contract with or a grant from a public entity knowingly to give, or offer, promise, or pledge to give, a kickback to an LEA, a procurement professional or contract administration professional, or an individual who the person knows is a family member of an individual.

(b) For a procurement professional or contract administration professional, or a family member of either, knowingly to receive or accept, offer or agree to receive or accept, or ask for a promise or pledge of, a kickback from a person who has or is seeking a contract with or a grant from a public entity.

(2) Penalties for violating this statute are established in Utah Code § 63G-6a-2404. The LEA will adhere to these penalties and report violations to the attorney general's office, as required by statute.

(a) Penalties range from a class B misdemeanor to a second degree felony and individuals are subject to disciplinary action up to and including dismissal from public employment or return the value of the unlawful kickback.

f. **Position or Influence**

A procurement professional shall not use the procurement professional's position or influence to obtain a personal benefit for the procurement professional, or for a family member of the procurement professional.

6. **Ethics, Fraud and Abuse**

   GFA employees are required to conduct themselves in an ethical manner, and in compliance with the Utah Public Officers' and Employees' Ethics Act (Utah Code § 67-16). This Act requires the reporting of inappropriate actions or behavior in regard to these policies.

   a. GFA personnel should use appropriate names, dates, times, descriptions and effects of the reported offenses.
   b. Fraud and/or abuse should be reported to the Executive Director of the organization.
      (1) If the Executive Director is the reported offender, then the fraud and/or abuse should be reported to the President of the Board of Directors.
      (2) If a member of the Board is the reported offender, then the reporting person may contact the Utah Public Education Hotline at (801) 538-7813.