

*COMMONWEALTH OF PENNSYLVANIA*

*Agency  
Operated  
Advancement  
Accounts*

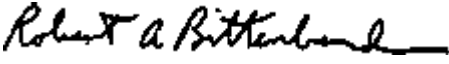
*Office of the Budget  
Bureau of Financial Management*

M310.1

# Commonwealth of Pennsylvania

## GOVERNOR'S OFFICE

# MANUAL

Subject:		Agency Operated Advancement Accounts		Number:	M310.1 Amended
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This amendment recognizes the implementation of the *Procurement Code*; the Purchasing Card Program; and the processing improvements resulting from automation.

Comptrollers, in conjunction with agency heads, may establish agency advancement accounts to expedite vendor payments not exceeding \$1,500 and for which the Purchasing Card cannot be used for the payment. For management reasons, most of these local advancement accounts are subsidiary accounts within a single statewide account.

This manual establishes general guidelines for the proper operation of agency advancement accounts. An agency advancement account is one operated outside a comptroller office.

Procedures contained in this manual may be modified and strengthened, as necessary, for use within an agency. All such modifications must be submitted to the Bureau of Financial Management for review and approval.

**This manual supersedes Manual M310.1 dated November 30, 1984, and Revisions 1 through 6 thereto.**

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## PART ONE. RESPONSIBILITIES

### A. AGENCY HEADS.

1. Approve the establishment of agency advancement accounts.
2. Determine, with the assistance of the agency comptroller, the optimum balance for each account through review of historical data.
3. Certify individuals as custodians, alternate custodians, and authorized check signers for agency advancement accounts established under the single statewide advancement account program.

**NOTE:** Separation of duties must be delineated so that no one person is responsible for all phases of a transaction.

4. Ascertain that agency nominees as custodians, alternate custodians, and authorized check signers have experience and/or training appropriate for the responsibilities assigned.
5. Request comptroller assistance in providing training, if required.
6. Review accounts to ensure maintenance of optimum balances for applicable accounts.
7. Review all instances of improper or illegal use of funds and exercise appropriate administrative action.
8. Review and respond within 60 days to the agency comptroller on all agency advancement account audit findings.

### B. FIELD PURCHASING OFFICERS.

1. Ensure that purchase is within agency budget (major object level).
2. Ensure that purchase is made from proper source in accordance with Commonwealth and agency policy and procedures.
3. Determine whether the vendor or service provider will accept the Commonwealth Purchasing Card. ●  
●
  - a. If yes, ensure that the invoice is paid using the Commonwealth Purchasing Card, subject to the limitations in *Management Directive 310.23, Commonwealth Purchasing Card Program*. ●  
●
  - b. If not, notify promptly the agency procurement office and by memo or fax to the Bureau of Financial Management, Office of the Budget, Special Accounting Division, providing the name, address, and telephone number of the vendor or service provider. ●  
●
4. Prepare proper documentation to make purchase and obtain required approvals.
5. Obtain cash discount for prompt payment of invoice, whenever possible.
6. Adhere to advancement account purchasing guidelines.

7. Assemble invoices for payment by advancement account custodians.
8. Make restitution to advancement account for any improper or illegal use of funds, if directed.

**NOTE:** Guidelines and references for purchasing and invoice preparation are presented in PART TWO of this manual.

### **C. ADVANCEMENT ACCOUNT CUSTODIANS.**

1. Verify and approve purchase documentation.
2. Issue checks for payment of approved invoices.
3. Prepare and maintain account files, reports, records, and bank accounts.
4. Make restitution to agency advancement account for any improper or illegal use of funds, if directed.
5. Provide the required bank signature card authorizations for all bonded officers to the Treasury Department.

**NOTE:** Guidelines for payment, replenishment, and advancement account control are presented in PARTS THREE, FOUR, and FIVE of this manual.

### **D. AGENCY COMPTROLLERS.**

1. Approve the establishment of agency advancement accounts and the optimum balances.
2. Prepare a manual of procedures governing the operation of an advancement account and submit a copy to the Bureau of Financial Management (BFM), Office of the Budget (OB), for review and approval.
3. Ascertain that agency nominees as custodians, alternate custodians, and authorized check signers have experience and/or training appropriate for the responsibilities assigned.
4. Provide appropriate training to advancement account custodians, alternate custodians, and authorized check signers.
5. Verify that different individuals are responsible for approving disbursements, writing checks, maintaining the checking/savings journal, and reconciling the account.
6. Post audit requests for replenishment of advancement account expenditures.
7. Process approved requests for replenishments to Treasury for payment and notify custodian of replenishment amount deposited to checking account, if applicable.
8. Review and approve requests for advancement account changes, ensuring that optimum balances are maintained when applicable.
9. Monitor agency advancement accounts through periodic audits in the field offices.

**10.** Document and refer all instances of improper or illegal use of funds to the appropriate deputy agency head for response and to the Deputy Secretary for Comptroller Operations, OB.

**NOTE:** Guidelines for comptroller post audits are presented in PART SEVEN of this manual and are for comptroller use only.

#### **E. BUREAU OF FINANCIAL MANAGEMENT.**

**1.** Review and approve or disapprove manuals of procedures governing the operation of advancement accounts submitted by comptrollers.

**2.** Review and approve requests for advancement account additions, changes, and deletions.

**3.** Maintain a file of advancement account operating manuals.

**4.** Maintain a central file of all advancement accounts.

## PART TWO. PURCHASING AND INVOICE PREPARATION

### A. GENERAL GUIDELINES.

1. Invoices paid from agency advancement accounts may not exceed \$1,500 except:
  - a. As required by a court-ordered settlement not pending appeal.
  - b. Following receipt of written waiver approval requested through the Bureau of Financial Management, Office of the Budget (OB).
2. Commodities may not be purchased if available from the Department of General Services, Bureau of Supplies and Surplus Operations, except as shown in Section B., PURCHASE CATEGORIES.
3. No payments may be made from agency advancement accounts for the following:
  - a. Personnel Services (Major Object 100) unless required by the terms of a labor contract and approved in advance by the comptroller.

**NOTE:** Payment may be made for in-service or out-service training after the required approvals are obtained (see *Management Directive 535.3, Out-Service Training*).

- b. Partial deliveries when the purpose is to circumvent purchasing policies or guidelines.
- c. Repairs and maintenance (excluding gasoline, oil, antifreeze, tires, and batteries) for vehicles leased through the Department of General Services by General Fund agencies. (This does not apply to the Department of General Services.)
- d. Federal Program Capital Items (Major Object 400). In addition, no payments may be made for any state-funded capital items until an agency rebudget is submitted (see paragraph 5.).
- e. Rental of real estate.
- f. Other state agency billings unless approved in advance by the comptroller.
- g. Forgery replacement checks.
- h. Purchases in violation of or not properly authorized in accordance with Manuals, Management Directives, Department of General Services' purchasing policies, and agency policies and procedures.
- i. Invoices payable to a vendor against whom an Internal Revenue Service (IRS) levy has been issued.
- j. Purchase documents encumbered in the Integrated Central Systems.
- k. Repairs to equipment while under warranty.

I. Federal excise taxes and Pennsylvania sales/use taxes, except when incurred by an employee paying sales tax out-of-pocket on a local purchase from a noncontract vendor.

**NOTES:** The Commonwealth is exempt from all excise taxes imposed by the IRS and is registered with the IRS to make tax-free purchases. No exemption certificates are required and none will be issued.

The Commonwealth is exempt from Pennsylvania sales and use taxes. No certificates are required for sales to government entities. Exemption certificates will not be issued.

Invoices for items in paragraphs a. through I., must be submitted to the comptroller office for payment processing, unless identified as an exception.

4. Multiple procurement of commodities or services with intention to circumvent dollar limitations, the competitive bidding process, or General Services involvement is prohibited.

5. Payments may be made for tort claims and administrative expenses directly associated with a claim.

6. Payments may be made for automated technology hardware or commercial software and telecommunications equipment when acquisitions are made in accordance with established policy and procedures and all required approvals were obtained. Payment must be made in accordance with the Department of General Services *Field Procurement Handbook* (to be distributed in the future) and related Management Directives. ●

7. Purchases must be chargeable to the same fund and department in which an advancement account is established.

8. Each comptroller office will establish its own policy and procedures regarding reimbursement of individual employees for local purchases they have made for the agency.

## **B. PURCHASE CATEGORIES.**

### **1. Commodity Purchases.**

a. Minor objects for the purchase of commodities are defined in *Manual M310.2, Definitions of Major and Minor Objects of Expenditures*.

b. Form STD-182, Field Purchase Order, is required to be submitted with vendor invoices for the Department of General Services' scheduled contract purchases.

**NOTE:** Noncontract commodity purchases \$1,500 or less require only a vendor invoice for payment.

### **2. Service Purchases.**

a. Payments may be made from agency advancement accounts for the following only when the contractor does not accept the Commonwealth Purchasing Card: ●

(1) Contracts for the purchase of services costing \$1,500 or less during a given fiscal year. This applies to multiple payment contracts when the total cost for any given fiscal year is \$1,500 or less.



(2) Contracts for services to be provided on an as-needed basis. No payment may exceed \$1,500.

**Example:** A plumbing or electrical service or maintenance contract where the service is of an emergency nature and is rendered on an as-needed basis as determined by the authorized local official.

(3) Documentation requirements are as follows:

- (a) **\$1,500 or less.** Services costing \$1,500 or less may be procured without bids. Agencies are to ensure that costs are reasonable. Documentation will be as prescribed by the agency and its comptroller. This provision shall not be used for multiple procurements with the total cost of the services exceeding \$1,500.

b. Payments may not be made from agency advancement accounts for the following types of service contracts:

(1) Contracts for the purchase of services in excess of \$1,500 during a given fiscal year.

(2) Confirmation (emergency) service contract documents without prior approval in accordance with existing Commonwealth and agency contracting policies.

- (3) Amendments to qualifying service contract documents, which cause the document total to exceed \$1,500.

(4) Service contract document invoices exceeding \$1,500.

**NOTE:** Invoices for all of the above should be submitted to the comptroller office for payment.

### 3. Utility Payments.

a. Minor objects for utility payments will be designated by each comptroller office.

- b. Utility payments should be made using the Commonwealth Purchasing Card in accordance with the limitations in *Management Directive 310.23*.
- c. Utility bills with the same vendor name and address may be grouped together for lump sum payment.

### 4. Motorized Equipment Supplies, Parts, and Repair Purchases.

a. Minor objects for motorized equipment payments will be designated by each comptroller office.

- b. Gasoline, motor oil, antifreeze, batteries, and tires for vehicles leased by either General or Special Fund agencies may be paid from agency advancement accounts, if the vendor does not accept the Commonwealth Purchasing Card.

- c. The cost of repairs and maintenance for vehicles leased by Special Fund agencies and for vehicles not under the General Services leased passenger car and station wagon program (such as trucks and other commercial vehicles) may be paid from agency advancement accounts, if the vendor does not accept the Commonwealth Purchasing Card.

d. All payments under this section must, however, be in compliance with:

(1) Current automotive requirements of the Department of General Services issued through the Directives Management System.

(2) Any other authority having jurisdiction over an agency's automotive policies.

(3) Comptroller office policies and procedures.

**5. Advertisements.**

a. Minor objects for advertising will be designated by each comptroller office.

b. Special advertisements or advertisements mandated by law may be paid from field advancement accounts, if the vendor does not accept the Commonwealth Purchasing Card.

**6. Other Purchases.** General Invoices will be prepared for the following purchases:

a. Postage stamps or postage meter usage, if the post office facility does not accept the Commonwealth Purchasing Card. ●

b. Reimbursement to individual employees for local purchases made for an agency.

c. Bank charges that may occur against accounts not yet converted to the single statewide account.

**NOTE:** Receipts will be attached to the General Invoices as applicable.

**7. Education and Training Programs.** Payment of expenses for participants in conferences or in Education and Training Programs will be made from advancement accounts, subject to policy established in *Management Directive 535.3*. ●

**C. PREPARATION OF INVOICES FOR PAYMENT.**

1. The purchaser follows established agency procedures, including agency comptroller requirements, for preparing an invoice for payment.

2. Generally, the purchaser proceeds as follows:

a. Receives commodity or service purchased.

b. Examines commodity or service to ensure purchase specifications were complied with and condition is satisfactory.

c. Obtains required invoice copies from vendor to be used as follows:

- Original invoice – Treasury
- Duplicate invoice – Comptroller
- Triplicate invoice – Custodian
- Additional copies as required – Purchaser (other than Custodian), Automotive Division, etc.

- d.** Places the following information on vendor invoices:
  - The notation: "Received – Correct – Approved"
  - By (signature of purchaser – no facsimile stamp) and date
  - Account code (complete accounting code)
  - Purchase document number, if applicable, purchase justification (fill in the document number preceded by document initial, i.e., FPO or SPC or the purchase justification if there is no document)
  - Service contract document number preceded by document initial (SPC) and purchase justification
  
- e.** Assembles purchase documents for each purchase.
  - Vendor invoices on top
  - Purchase documents and bids if required
  
- f.** Sends invoice and required documents to the custodian for review prior to payment.

## **PART THREE. PAYMENT GUIDELINES**

### **A. APPROVAL OF INVOICE BY CUSTODIAN PRIOR TO ISSUANCE OF CHECK.**

1. Purchaser's signature (Received – Correct – Approved) and date.
  - a. Account code, commodity code for contract item, and a brief description of the item purchased.
  - b. Purchase document number, if applicable, or purchase justification. ●
  - c. Purchase does not exceed \$1,500.
  - d. Purchase is in accordance with advancement account purchasing guidelines.
2. The custodian initials all three copies of the vendor invoice indicating approval and places them in a "Pending" file if payment is not immediately initiated.

### **B. PAYMENT OF APPROVED INVOICES BY CUSTODIAN.**

1. The custodian removes all approved purchase documentation from the pending file to initiate the payment process.
2. Payment should be made four to eight days prior to the due date, as applicable. In all cases, discounts shall be taken and payment initiated prior to late charge assessments.
3. Invoices payable to the same vendor or utility with the same address may be combined and included on one check. The check amount in this instance may not exceed \$1,500.
4. Prepare check for signature.
5. Record advancement account check number and date on all vendor invoices and attached purchase documents. A listing that cross-references the check number to an invoice number can be substituted for writing the check number and date on each invoice.
6. Examine check and supporting invoices to ensure payee and amount are correct.
7. Sign approved checks.
8. Record the check issued in the Checking or Checking/Savings Journal.
9. Separate the check set:
  - Original – send to vendor.
  - Duplicate – attach to invoices paid.
10. File check copies with invoices paid and other documentation in a "To Be Replenished" file.

**C. DISAPPROVAL OF INVOICE BY CUSTODIAN.**

1. The custodian returns to the purchaser any vendor invoices not in compliance with the requirements listed in PART THREE, Section A.

2. The purchaser must ensure that the invoice meets these requirements before it is resubmitted for payment.

## PART FOUR. REPLENISHMENT OF ADVANCEMENT ACCOUNTS

The following details the method for preparing replenishment documentation for field advancement accounts that are subsidiaries of the single statewide account. Replenishment for these accounts is automated with a magnetic tape being generated in CTC to facilitate timely and accurate direct deposit of replenishment funds. Vouchers for these accounts may be multicoded. Expenditures may be charged directly to proper agency appropriations.

Comptrollers will establish the method by which replenishment documentation will be prepared for accounts not yet affiliated with the single statewide account.

Comptrollers will assist custodians in establishing frequency of replenishment requests so as to utilize advancement accounts to the optimum.

### A. PURCHASE DOCUMENTATION PREPARATION.

1. All purchase documentation for the replenishment period is removed from the "To Be Replenished" file folder.

2. The purchase documentation is assembled as follows for advancement accounts operated by Department of Public Welfare County Assistance Offices:

a. Treasury – canceled check, original of vendor invoice and, when applicable, Copy 3 of Field Purchase Order or Miscellaneous Order (arrange in check number order).

b. Comptroller – copy of vendor invoice and, when applicable, Copy 2 of Field Purchase Order or Miscellaneous Order (arrange in alphabetical order).

c. Custodian – copy of vendor invoice and, when applicable, Copy 4 of Field Purchase Order or Miscellaneous Order (arrange in check number order).

d. Department Procurement Office – Copy 5 of Field Purchase Order (arrange in check number order).

e. Department of General Services – Copy 6 of Field Purchase Order (arrange in check number order).

3. The custodian prepares an adding machine tape of the comptroller batch (vendor invoices) and one of the Treasury batch (check copies). Both tapes must be in agreement. One tape must be attached to each batch.

**NOTE:** For all other accounts, check listings may be provided in lieu of copies of checks. The check listing must replicate the information contained on a check and the custodian must sign off on the check listing.

**B. FORM STD-119, VOUCHER TRANSMITTAL ACCOUNTING SHEET (not required for vouchers entered into the VIPS system).** The custodian prepares a Voucher Transmittal Accounting Sheet, STD-119, listing the expenditure information found on the Treasury batch of purchase documentation.

**C. FORM STD-130, ADVANCEMENT AND ACCOUNTING VOUCHER TRANSMITTAL.** The custodian prepares an STD-130, using the expenditure information on the Treasury copies of the purchase documentation, to request account replenishment from Treasury.

- **D. PREPARATION OF REPLENISHMENT REQUEST MEMO (optional).** The custodian completes two copies of an advancement account replenishment request memo.

**E. ASSEMBLY OF REPLENISHMENT DOCUMENTATION.** The replenishment request package is assembled as follows:

1. To be sent to the comptroller office under separate cover:
  - Original replenishment request memo.
  - STD-119.
  - STD-130 (Copies 1, 2, 3, and 4).
  - Comptroller, Treasury, Department Procurement Office, and Department of General Services' purchasing documentation packets assembled in accordance with PART FOUR, Section A.2.
  - Originals of voided checks.
2. To remain in the field office and placed in the "Pending Replenishments" file folder:
  - Copies of replenishment request memo.
  - STD-130 (Copy 5 or photocopy).
  - Purchasing documentation packet assembled for custodian in accordance with PART FOUR, Section A.2.

- F. RECEIPT OF ADVANCEMENT ACCOUNT REPLENISHMENT.** Custodians of advancement accounts which are subsidiaries of the single statewide account can receive notice of account replenishment from the ICS, XACE840 screen, or the comptroller office. Such notification may be by telephone, receipt of a replenishment notification document from the comptroller, or any other method established by the comptroller office. All replenishments posted to the subsidiary account will appear on the regular bank statement. If the advancement account is not part of the single statewide account, the comptroller office will return the advancement account replenishment request memo and a replenishment check to the custodian.
- 

1. The custodian removes the field office replenishment request package from the "Pending Replenishments" file folder.

2. The custodian verifies that the amount of the replenishment agrees with the amount requested.

3. The replenishment request memo is attached to the front of the request package and placed in the "Completed Replenishments" file folder.

4. The custodian verifies that replenishments posted to the bank statement agree with amounts referred by the comptroller office.

## **PART FIVE. CUSTODIAN ADVANCEMENT ACCOUNT CONTROL**

### **A. GUIDELINES FOR OPERATING AN ADVANCEMENT ACCOUNT THAT IS A SUBSIDIARY OF THE SINGLE STATEWIDE ACCOUNT.**

#### **1. CUSTODIAN RESPONSIBILITIES.**

**a.** The authorized advancement account amount is initially deposited into the "local payment" checking account by the Treasury Department via electronic funds transfer (EFT). The custodian is responsible for managing all advancement account monies in accordance with the following guidelines:

**(1)** Replenish the account as often as necessary to maintain a sufficient balance for payment purposes, as agreed upon with comptroller. (Increased or decreased use of the account may necessitate more or less frequent replenishment.)

**(2)** The maximum length of the replenishment period should not exceed 30 days. (Decreased or infrequent use of the account will require a reduction in the maximum balance required.)

**b.** When the amount of the advancement account is determined to be either greater or lesser than the amount needed, the custodian should submit a memorandum to the comptroller notifying him of the situation. The memo will serve as a basis for initiating corrective action.

#### **2. CHECK PREPARATION.**

**a.** The custodian, alternate custodian, or other designated officials whose names appear on the STD-133 are the only individuals authorized to sign advancement account checks.

**b.** An agency advancement account check may not be written for more than \$1,500.

### **B. RECONCILIATION OF ADVANCEMENT ACCOUNTS.**

**1.** Advancement account custodians are required to reconcile all accounts assigned to them on a monthly basis.

**NOTE:** Reconciliations may be performed on the AAA module of the VIPS system.

**2.** After the account has been reconciled, the custodian should place the reconciliation worksheet, bank statement, deposit slips, and cancelled checks in the "Reconciliation" file and retain these documents in accordance with records retention schedules.

### **C. GUIDELINES FOR VOIDING CHECKS.**

**1.** The custodian is responsible for the correct processing of voided checks and, if necessary, the issuance of replacement checks.

**2.** Situations requiring voiding of checks:

- Typographical error in check preparation.
- Check issued incorrectly.
- Check returned from vendor.
- Check lost or stolen.



3. Procedure for check voiding:

a. Check is in custodian's possession.

(1) Print the word "VOID" in bold print across the face of the check.

(2) Cut the signature block from the check.

• (3) Forward voided check to comptroller with STD-119.

(4) File copy of voided check.

b. Check is not in custodian's possession.

• (1) Request the bank to place a stop payment order on the check.

• **NOTE:** Voiding checks may be processed on the AAA module of the VIPS system.

• (2) If it is necessary to place a stop payment order on a check, contact the bank using  
• the telephone number on the monthly bank statement. Follow the phone call with a letter confirming the  
• stop payment request, listing the check details, to the mailing address on the bank statement –  
• ATTN: Stop Payments.

c. Reissue corrected check to vendor if required.

4. Procedures for processing replenishment documents for voided checks:

a. If the voided check has not been replenished and a replacement check is issued, replenish the replacement check. The voided check should be listed as void in the CHECKS ISSUED section on Form STD-130, Advancement and Accounting Voucher Transmittal.

b. If the voided check has been replenished and a replacement check is issued, do not replenish the replacement check. The replacement check should be listed as replacement in the CHECKS ISSUED section on Form STD-130.

c. If the voided check has been replenished and a replacement check is not required, issue a check payable to the Commonwealth of Pennsylvania in the amount of the voided check. This is a refund of expenditures to the state and will maintain the advancement account balance. Forward this check with a cover memo to the comptroller office. The cover memo should contain the following information:

- Reason for refund of expenditure.
- Account code charged by voided check.
- VT Number replenishing voided check.
- Payee and date of voided check.
- Treasury Advancement Account Control Number.

**NOTE:** Do not replenish the refund check.

**D. GUIDELINES FOR CANCELLING OUTSTANDING CHECKS.** The custodian is responsible for the purging of outstanding checks. This action should be performed at six-month intervals. The intent of this purge is to write off checks which have been outstanding for one year. This process should be performed each year in January and July. •

1. Examine the most recently reconciled bank statement (December, June) for checks outstanding **over one year from the date of the check.**

2. Checks outstanding for over one year will be processed as follows:

**NOTE:** Cancellations may be processed on the AAA module of the VIPS system.

a. Record the check as "Cancelled" in the checkbook and add the amount of the check to the current checking balance. •

b. Prepare a refund check payable to the Commonwealth of Pennsylvania.

c. Prepare a cover memo for the cancelled check with the following information:

(1) Reason for refund.

(2) Date, number, and payee of cancelled check.

(3) Account code charged by cancelled check.

(4) Treasury Advancement Account Control Number.

(5) Date and number of refund check.

3. Submit the cover memorandum and refund check to the comptroller office.

4. Retain a copy of the refund/cancelled check memorandum for the advancement account file.

#### **E. GUIDELINES FOR SECURING FRAUD INVESTIGATIONS.**

1. The custodian is responsible for referring all instances of fraudulent activities on advancement accounts to the comptroller office.

2. Fraudulent activities to be referred include:

- Alteration of check amount or payee name
- Forgery

3. The procedure will be as follows:

a. Alteration of check amount or payee name: •

(1) Inform the comptroller office via telephone of the incident.

(2) Obtain the original check or a copy of the front and back of the check.

(3) Submit the check, a copy of the payee's invoice, and a letter detailing the following to the comptroller office.

- Check number and date
- Payee name
- Original and altered amount
- Name of bank cashing check
- Date cashed
- Other pertinent information

- (4) The comptroller office will forward this information to PNC Bank for appropriate action.

**b. Forgery.**

(1) A forgery is considered to have taken place when a stolen check has been cashed.

(2) Inform the comptroller office of the incident.

(3) Obtain the original check or a copy of the front and back of the check.

- (4) Obtain an affidavit (sworn and certified statement) from the payee stating that they did not cash the check or receive benefit of payment.

(5) Submit the check, copy of payee's invoice, affidavit, and a letter detailing the following to the comptroller office:

- Check number and date
- Payee name
- Name of individual who cashed the check, if known
- Amount of check
- Name of bank that cashed the check and date cashed
- Other pertinent information

(6) The comptroller office will forward this information to the Treasury Department, Bureau of Investigation, for appropriate action.

**NOTE:** DO NOT ISSUE FROM THE AGENCY ADVANCEMENT ACCOUNT A FORGERY REPLACEMENT CHECK TO THE ORIGINAL PAYEE.

**F. GUIDELINES FOR FILING.** The following is a description of the five files referenced throughout the advancement account payment and replenishment process:

**1. Pending.** This file will contain outstanding purchase documents (Field Purchase Orders), and invoices for which payment has not yet been initiated. The documents will remain in the file until the item(s) or service(s) is/are obtained from the vendor and an original and copies of the invoice are received. Miscellaneous Orders will be placed in this file only if they are prepared and approved in advance, i.e., all information such as items and cost are known ahead of time.

- **2. To Be Replenished.** This file contains all documents and invoices after the items have been paid for and received.

**3. Pending Replenishments.** This file contains the custodian's copy of the entire VT package after the VT has been submitted to the comptroller office. The VT package will remain in this file until the replenishment check is received.

**4. Completed Replenishments.** This file contains the custodian's copy of the entire VT package after the electronic funds transfer (EFT) has been made to the checking account, or the replenishment check has been received and deposited into the savings account.

**5. Reconciliation File.** This file contains the reconciliation worksheets, bank statements with depository attachments, and cancelled checks.

## PART SIX. INTERNAL CONTROL GUIDELINES

The general objective of an internal control system is to provide positive assistance to management in carrying out all duties and responsibilities as accurately, effectively, efficiently, and economically as possible, considering the requirements and restrictions of all applicable laws and regulations. Specific objectives of a satisfactory control system consist of all measures employed by organizations for the purposes of:

- Safeguarding assets against waste, fraud, loss, or inefficient use.
- Promoting accurate and reliable accounting and operating data.
- Encouraging and measuring compliance with Commonwealth policy and agency objectives.
- Judging the efficiency and effectiveness of operations.

In addition, it should be noted that internal control is the responsibility of management within agencies.

Procedures relative to the internal guidelines are detailed in various parts of the manual.

The following controls are not intended to be all-inclusive and may vary depending on the size and responsibilities of organizations involved. Where certain internal controls cannot be implemented, due care should be taken to ensure that counterbalancing substitute controls are adopted.

### A. BANK ACCOUNTS.

#### 1. Establishment of Account.

- a. Bank accounts for agency operated advancement accounts should be in the name of the Commonwealth with the facility and/or agency name included (reference *Management Directive 305, Commonwealth Bank Accounts and Special Banking Services*). •
- b. Individuals should be properly authorized to sign checks. •

#### 2. Checks.

- a. One individual should not handle a transaction from beginning to end. Separate individuals should approve the disbursements, prepare the checks, sign the checks, and record the transaction (if possible).
- b. Checks may not be signed without substantiating invoices and other necessary documentation, which has been properly reviewed.
- c. Voided checks must be appropriately mutilated to avoid reuse.

### **3. Reconciliations.**

**a.** Bank accounts and authorized advancement account (fund) amount should be reconciled at least once each month by someone not having access to cash, the approval of disbursements, the signing of checks, or the recording of transactions (if possible). Reconciliation cutoff dates should be clearly documented for audit purposes.

**(1)** Bank statements and paid checks should be delivered in unopened envelopes with voided checks directly to the individual or unit who prepares the reconciliations.

**(2)** The individual or unit preparing the reconciliations should:

**(a)** Account for all check numbers.

**(b)** Compare paid checks with check register for dates, payees, and amounts.

**(c)** Examine signatures and endorsements.

**(d)** Compare deposits listed on bank statement with deposits in cash book by date and amount.

**(3)** Bank and fund reconciliations should be reviewed by supervisory personnel each month.

**b.** Outstanding checks should be properly monitored and controlled.

**4. Internal Audits.** Internal auditing of advancement account activity shall be directly related to the degree of internal control in effect.

**a.** The greater the degree of internal controls in effect and the larger the organization, resulting in a proper segregation of duties, the lesser the amount of detailed auditing that must be performed.

**b.** Conversely, the lesser the degree of internal controls in effect and the smaller the organization, resulting in less than proper segregation of duties, the greater the amount of detailed auditing that must be performed.

## **B. DISBURSEMENTS.**

### **1. Documents.**

**a.** Invoices should be date stamped upon receipt and properly verified for quantities, prices, discounts, extensions, and footings.

**b.** Invoices and other supporting documents should be stamped, perforated, or effectively marked to prevent reuse.

**c.** All disbursements (authorized business purposes only) should be supported by adequate documentation: purchasing documents, receiving reports, and/or invoices.

## **2. Purchases.**

- a.** Purchasing should be separate from accounting, receipt of materials, and check signing.
- b.** All purchasing responsibility should be assigned to one individual and performed in accordance with established guidelines.
- c.** Invoices should be approved by someone other than the individual incurring the obligation, ensuring that discounts (if applicable) are taken.
- d.** All materials received should be checked against purchasing documents.

## **3. Checks.**

- a.** All checks should be prenumbered.
- b.** Blank checks should never be signed in advance.
- c.** All disbursements should be made by check and recorded immediately in the appropriate journal.
- d.** If a check-signing machine is used, access to the signature plate should be limited to designated individuals. It should be removed from the machine at the end of each workday and locked in a cabinet or safe.
- e.** The practice of drawing checks to cash or bearer is prohibited.
- f.** Unused checks should be adequately safeguarded in a lockable file cabinet or safe.

## **4. Transfers.**

- a.** All transfers between banks should be properly recorded.
- b.** Loans between advancement accounts are not permitted.
- c.** Satellite accounts are not permitted without prior written approval.

## **PART SEVEN. COMPTROLLER POST AUDIT OF FIELD ADVANCEMENT ACCOUNTS**

Each comptroller office may establish its own policy regarding the percentage of post audit reviews exercised, i.e., reviews need not be made on a 100 percent post audit basis.

### **A. POST AUDIT OF ADVANCEMENT ACCOUNT REPLENISHMENTS.**

#### **1. Vendor Invoice.**

**a.** The post auditor examines the Comptroller copy of each vendor invoice and general invoice for verification of the following information: (Payments may be made only on invoices.)

- (1)** Ensures that the agency advancement account check does not exceed \$1,500.
- (2)** Verifies that the invoice is for commodities or services delivered to the department or a subdivision of the department.
- (3)** Scans all cost extensions. Any cost extension over \$50 is verified and the invoice is retotaled.
- (4)** Reviews minor object codes for validity and correctness of use.
- (5)** Ensures that the appropriate advancement account payment detail is recorded on the invoices, i.e., received – correct – approved, signatures, check number, date, and document number, if applicable.
- (6)** Reviews the purchase justification found on either the invoice or its attachments for reasonableness.

**NOTE:** Utility bills do not require a purchase justification.

**(7)** Determines whether the purchase is for a commodity or a service. The post auditor then reviews the vendor invoice for compliance with Commonwealth and agency purchasing guidelines.

**b.** The post auditor reviews replenishments to ascertain that requests are made in accordance with established frequency and to verify that the maximum balance in the account is consistent with historical use and need.

#### **2. STD-119, Voucher Transmittal Accounting Sheet, if applicable.**

**a.** The post auditor, after completing the examination of the vendor invoices, reviews the STD-119 for verification of the following information:

- (1)** Ensures, if the account is a subsidiary of the single statewide account, that the last three digits of the advancement account number are entered in the upper left corner.
- (2)** Ensures that purchases were made from and charged to the same fund and department in which the advancement account is established.
- (3)** Ensures that the account codes are valid and the expenditure amounts are correctly recorded.



- (4) Ensures that the expenditure transaction code is 424.
- (5) Prepares an adding machine tape to verify the STD-119 total.

**3. STD-130, Advancement and Accounting Voucher Transmittal.** The post auditor examines the STD-130 for verification of the following information:

- a. Ensures that the AUTO DEBIT notation has been inserted at the top of the form and the TAPE PROVIDED block is marked for all replenishments to an account that is a subsidiary of the single statewide account.
- b. Ensures that the correct advancement account number was used.
- c. Verifies that the proper legal reference was used, i.e., act number and fiscal year.
- d. Ensures that the advancement account disbursement symbol is valid and in agreement with the symbol for which the account was established.
- e. Ensures that the STD-130 is signed by the authorized disbursing officer.
- f. Prepares an adding machine tape on the invoices to verify the STD-130 total. This total must agree with the STD-119 total.

## **B. GUIDELINES FOR REVIEW OF PURCHASING PRACTICES.**

1. The post auditor in the comptroller office conducts an overall review and examination of the documents and invoices for compliance with purchasing guidelines and correct purchasing practices.

2. The post auditor reviews the following points:

### **a. General Purchasing Practices.**

(1) Purchases of commodities readily available from the Department of General Services' warehouse or central stores.

(2) Purchases of contract commodities from a noncontract vendor when the contract schedule minimum quantity is not required or when contract vendor cannot deliver.

(3) Continual purchasing of frequently used supplies, whereas an initial large purchase to establish an inventory might be more cost efficient.

(4) A large percentage of all purchases or one type of purchase being obtained from only one or two vendors. This could result in paying higher prices than would otherwise be necessary.

### **b. Multiple Purchases.**

- (1) Multiple purchases of noncontract commodities with the sole intention of circumventing the advancement account \$1,500 maximum limit or circumventing Commonwealth competitive bidding requirements.

(2) Frequent purchases, because of poor planning, from the same vendor(s) for sufficient supplies to accomplish a particular task could result in unintentional circumvention of the competitive bidding process.

(3) Certain purchases might have the appearance of multiple purchasing but will, in actuality, be legitimate forms of purchasing. This would most likely occur when a custodian is servicing several satellite units and each of these units purchases like items from the same vendor on the same day. The custodian would, in this instance, lump the invoices together and write one check to pay the vendor.

**C. PREPARATION OF VOUCHER TRANSMITTAL.** The post auditor completes all preestablished final post audit steps necessary to forward the replenishment request for further processing and eventual Treasury Department replenishment action.

- Assignment of voucher transmittal number and necessary internal recording.
- Assembly of replenishment request package.
- Distribution of the approved post audited replenishment request package for further processing in accordance with office procedure.

**D. GUIDELINES FOR REPORTING IMPROPRIETIES IN THE OPERATION OF ACCOUNTS.**

1. The comptroller is responsible for documenting and referring all instances of improper or illegal use of funds to the appropriate deputy agency head and to the Deputy Secretary for Comptroller Operations.

2. Improperities to be referred include:

a. Circumvention of Commonwealth and Advancement Account purchasing policies and procedures.

b. Purchase of goods or services not relevant to the mission of the agency.

c. Use of funds for other than Commonwealth business.

d. Failure to properly administer and control advancement account funds.

3. In each instance, whether discovered during post audit or as a result of an on-site audit, the impropriety shall be documented and referred for review and corrective action to the appropriate deputy agency head, with an information copy forwarded to the Deputy Secretary for Comptroller Operations. The referred notice should detail interim corrective measures taken for the account. As applicable, supporting documentation or the audit report should accompany the notice so the agency official can adequately evaluate the situation and determine appropriate administrative action.

4. The deputy agency head should respond to the agency comptroller and state any action taken to preclude recurrences or other corrective action to be taken for the account.