

SECTION IV--ACCOUNTING RECORDS

PURCHASING PROCEDURES (OPTIONAL)

A conscious effort should be made by the board of county commissioners to establish policies and procedures to be used by the entire county for the purchase of supplies and materials. These policies should provide adequate internal control procedures to safeguard the assets of the county and to provide budgetary control within the accounting system. This would mean that the purchasing function should be centralized, at least with respect to purchase authority and accounting. Before any purchase of supplies or materials is made by any department, authority should be given through the county auditor's office to make sure these items have been included in the budget. Authority should also be given by a designated person (commissioner) to approve the purchase of items so that duplication does not occur and that the items purchased are actually of use to the county.

The purchasing and related accounting procedures should consist of the following steps: (1) preparing the requisition, (2) securing prices and bid specifications, (3) receiving purchase authority, (4) placing orders, (5) receiving the merchandise, (6) receiving the invoice, and (7) paying for the merchandise.

These steps require a systematic approach and may be accomplished as outlined in the following paragraphs.

The department that is requesting the supplies and materials should issue a purchase order in triplicate showing the items requested and the estimated cost thereof. If the costs exceed the bid requirements, bid specifications should also be drawn up. The order is then taken to the county auditor for approval to insure that budget authority exists for these items. In this manner the person authorizing the purchase is aware that the items have been provided for in the budget and will avoid any overexpenditure of the budget.

After the purchase authorization is granted, and bids are accepted, the third copy of the purchase order is returned to the county auditor for encumbrance of the budget, numbering and filing. The budget is encumbered through the use of a "Purchase Order Journal" in which purchase orders are numerically listed and appropriations for the fund, activity and object are encumbered for the estimated costs. This is done by a debit to "Encumbrances" and a credit to "Reserve for Encumbrances."

The second copy of the purchase order is retained in the department requesting the purchase and is filed until the goods are received. The original copy is sent to the vendor as his authorization to sell and/or ship merchandise to the county. Along with the original copy of the purchase order, a voucher should be sent to the vendor to be filled in, signed and returned with the invoice.

When the merchandise is received by the department, the second copy of the purchase order is documented as to the receipt of the merchandise and is returned to the county auditor who compares it with the third copy on file in the auditor's office. If they are in agreement they are filed in an unpaid purchase order file.

Upon receipt of the vendor's invoice and a signed voucher, a comparison is made against the unpaid purchase order. If all agree in items, quantities and prices, the voucher is numbered, coded, and recorded in the "Voucher Register" as an expenditure and the accrual of a liability.

Simultaneously an entry is made in the general journal to debit the "Reserve for Encumbrances" and credit "Encumbrances."

(04/02)

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These documents can then be forwarded to the governing body for approval and payment.

The triplicate purchase order serves as a requisition, a purchase authorization, a budget control document and a receiving document. The voucher serves as a payment authorization. This procedure assures that no merchandise is paid for unless actually budgeted, ordered and received.

A sample purchase order is shown as Illustration No. 2.