



ALABAMA ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

School Business Operations I

September 2023

Disclaimer

- This information is presented to the Alabama Association of School Business Officials (AASBO) on September 21, 2023.
- The information contained herein has been prepared in good faith on behalf of AASBO and is for the sole purpose of information and education. Every effort has been made to ensure the accuracy of the information presented as factual. Users are directed to countercheck facts when considering their use of the information.

Topics

- School Board and Administrative Functions
- Record Retention
- Worker Classification

School Board Administrative Functions

- Duties and Authority of the Board
 - The Board of Education acts as a legislative body in determining general policies for control, operation and maintenance of schools.
 - Set the vision and the goals for the district.
 - Adopt policies and set priorities that give the district direction to achieve its goals.
 - Approves the annual school budget.
 - Hiring/Evaluating Superintendent and CSFO

School Board Administrative Functions

Role of the Superintendent

- Identify needs and policies
- Develops administrative procedures and provides leadership
- Manages the day-to-day operations of the district

<u>Roles/Responsibilities</u>	<u>School Board</u>	<u>Superintendent</u>
1. General	Governs the District	Advises the Board – Manages the District
2. Policy	Adopts	Suggests and Implements
3. Board Meetings	In charge of	Serves as resource
4. Budget/Finance/Audits	Adopts and monitors	Prepares, administers, monitors, details
5. Instruction/Curriculum	Establishes criteria, approves, and monitors	Recommends, oversees staffs' efforts
6. Personnel	Establishes criteria, approves, or rejects	Interviews, recommends, hires, evaluates, promotes, trains
7. Community Relations	Creates a positive image for district	Creates a positive image for district, directs communications
8. Labor Relations	Provides guidelines, ratifies contracts	Monitors process within guidelines
9. Student Services	Adopts policies for care and control	Recommends, implements, directs
10. Facilities/Food Service /Transportation	Develops policy on use of	Implements policy, writes procedures, makes recommendations

Policies and Procedures

- Policies and procedures make the schools and school system a more effective and efficient organization.

Board Policies

- **Board Policies:**
 - Governing Principles
 - School Board Operations
 - Business Services/Fiscal Management
 - General Administration
 - Personnel
 - Students
 - Instructional Program

Board Policies

- **Board Policies: Board Operations**
- Board Operations
 - Qualifications
 - Method of Elections/Appointments
 - Duties
 - Regular Meetings
 - Compensation
 - Policy Review

Board Policies

- **Board Policies: Business Services/Fiscal Management**
- Purchasing and Procurement
 - Financial Procedural Manual
 - Budgeting
 - Purchase Orders
 - Purchasing and Bidding
 - Cooperative Purchasing
 - Procurement Policy
 - Expenditures
 - Inventories

Board Policies

- **Board Policies: Business Services/Fiscal Management**
- Purchasing and Procurement
 - Acquisition, Use and Exchange of School Property
 - Sale, Transfer or Disposal of Property
 - Inventory Control and Property Management
 - Records Management and Retention

Procedural Manuals

- Finance Manual
- Purchasing/Procurement Manual

Connecting the Dots

- Cost Variable
- Student Outcome

Connecting the Dots

- Strategic Plan
- Board and Superintendent Priorities
- School Improvement Plan
- Capital Plan

Records Retention

Alabama Records Law

- Alabama law requires public officials to create and maintain records that document the business of their offices.
- These records must be protected from “mutilation, loss, or destruction,” so that they may be transferred to an official’s successor in office and made available to members of the public.
- Records must also be kept in accordance with auditing standards approved by the Examiners of Public Accounts.

(Code of Alabama 1975, Sections 36-12-2, 36-12-4, and 41-5-23).

Definition of Public Records

- All records, written, typed, or printed books, papers, letters, documents and maps made or received by the school district in the transaction of public business.
- The Uniform Electronic Transactions Act of 2001 (Code of Alabama Sections 8-1A-1 through 8-1-A-20) established the terms under which electronic records are legally acceptable, provided that both parties to a transaction agree to their use
- The acts states that if a law requires a record to be “in writing,” an electronic record under certain specified conditions satisfies that law. Electronic records may not be denied legal authority simply because they are electronic.

Custodian of Records

- The board of education superintendent should establish a records manager position at the central office and a records liaison in each board department and each school.
- The records manager and liaisons should be responsible for ensuring the regular implementation of this RDA, maintaining records in compliance with national and state standards, and coordinating the destruction of disposable records.

School District's Responsibility for Records

- Incorporate efficient and effective systems for classifying and retaining records.
- Provide for the recovery of records in the event of a disaster or emergency
- Provide for the prompt destruction of records that are no longer of significant value for administrative, legal, fiscal, historical, or research purposes upon expiration of the appropriate retention period and that are not legally required to be kept.
- Ensure the continuing accuracy, availability, security, and preservation of records with long-term or permanent value as required by law.
- Ensure confidentiality and security of public records exempt from disclosure.
- Comply with all state and federal laws regarding security of records, record retention and destruction, and response to record requests.

Records: What Required

- Retain and dispose of records in compliance with the law
- Secure records properly
- Make records available upon request
- Know where and how records are stored
- Know who is responsible for records

Records Disposition

No county, municipal, or other local government official shall cause any county, municipal, or other local government record to be destroyed or otherwise disposed of without first obtaining the approval of the Local Government Records Commission

Code of Alabama 1975, 41-13-23

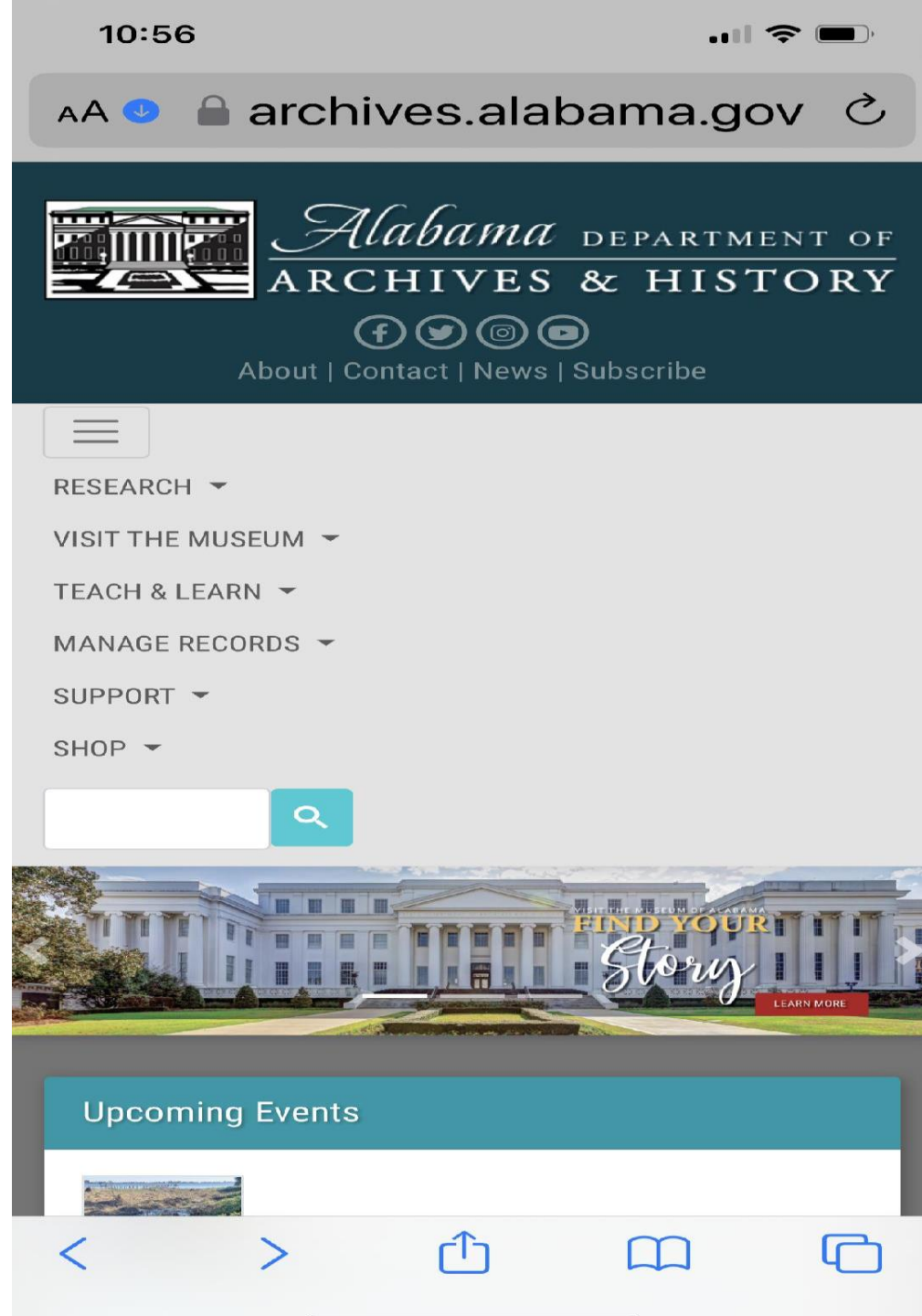
Records Disposition Authorities

- The Records Disposition Authorities (RDAs) lists records created and maintained by the local boards of education in carrying out their mandated function and subfunctions. It establishes retention periods and disposition instructions for those records and provides the legal authority for the local boards of education to implement records destruction.
- RDAs or retention schedules constitute authorization for the disposition of agency records as stipulated in the document.
- These RDAs also identify the permanent records that a Board of Education must preserve.

Alabama Department of Archives

- archives.alabama.gov

Click on
"Manage
Records"




Agency Search: "Boards of Education"





10:55

AA

archives.alabama.gov



Alabama DEPARTMENT OF
ARCHIVES & HISTORY



About | Contact | News | Subscribe

MANAGE PUBLIC RECORDS

Search for Local Records
Disposition Authorities (RDAs)

This page includes retention schedules/RDAs for local governments subdivided by type, including boards of education, county commissions, and municipalities.

Click "View All" to see all local government RDAs.

Agency Search:

Boards of education

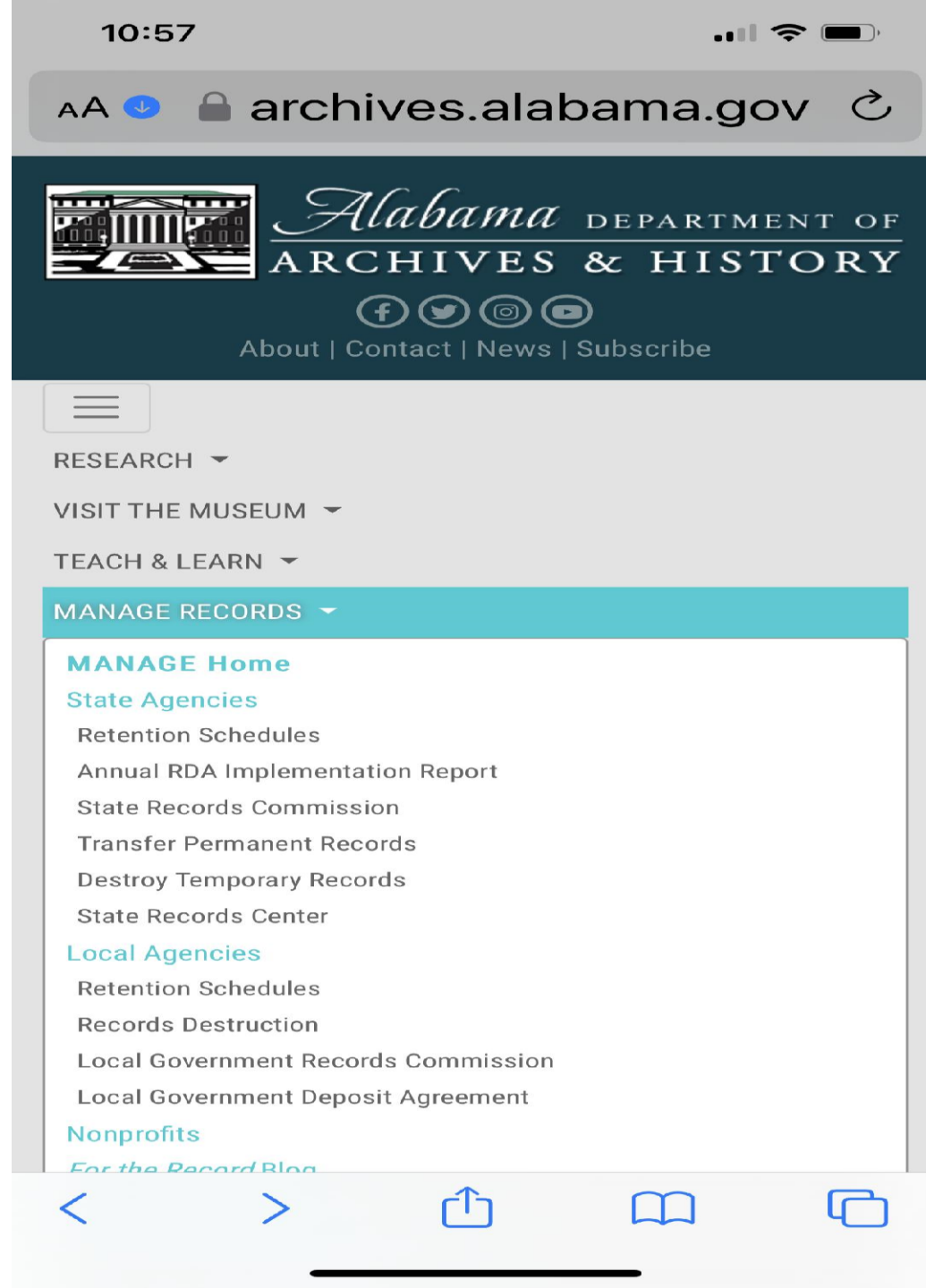
Search RDAs

View All

Reset

Title	Approval Date	Document
Boards of Education	4/19/2023	PDF Word

Under Local
Agencies, Click
on “Retention
Schedules”



Local Boards of Education RDA

Local Boards of Education



Functional Analysis & Records Disposition Authority

Revision
Approved by the
Local Government
Records Commission
April 19, 2023

Table of Contents

Table of Contents

Functional and Organizational Analysis of Local Boards of Education	3
Sources of Information	3
Historical Context	3
Agency Organization	5
Agency Function and Subfunctions	7
Records Appraisal of Local Boards of Education.....	12
Temporary Records.....	12
Permanent Records	13
Permanent Records List	20
Local Boards of Education Records Disposition Authority.....	22
Explanation of Records Requirements.....	22
Records Disposition Requirements.....	23
Making and Implementing Policy.....	23
Promoting Child Nutrition	24
Providing Student Transportation	25
Documenting Student Attendance	27
Promoting School/Student Safety, Health, and Discipline	29
Conveying Knowledge.....	32
Evaluating Performance and Conferring Credentials	35
Sponsoring Student Activities.....	38
Administering Internal Operations: Managing the Agency.....	38
Administering Internal Operations: Managing Finances	42
Administering Internal Operations: Managing Human Resources	46
Administering Internal Operations: Managing Properties, Facilities, and Resources	52
Records No Longer Created.....	54
Requirement and Recommendations for Implementing the Records Disposition Authority (RDA)	56
Index of Records Series	58

Records Disposition Types

- Temporary
- Permanent
- Records No Longer Created

Retention Schedule

ACCOUNTING RECORDS

- **Routine Accounting Records**

- These are records of original entry, such as journals, registers, and subsidiary ledgers; and records of deposits of funds, including cancelled checks, check stubs, deposit slips, and other banking records, receipts books and reports of the Child Nutrition Program, as well as student fundraisers for the school and the school district.

Temporary Record - Retain 2 years following audit.

- **General Ledgers and Detailed Year-End Trial Balance**

Records Created prior to 1975: PERMANENT RECORD

Records Created in or after 1975: Temporary Record – Retain 10 years after the fiscal year in which the records were created.

- **Local School Copies of General Ledger and Trail Balances**

Temporary Record - Retain 2 years if identical to copy submitted to board of education.

Retention Schedule

- **Purchasing Records**
- These records document the requisitioning and purchasing of supplies and equipment, receipting and invoicing for goods, and authorizing payment for products. They may include purchase orders, invoices, purchasing card receipts, and receiving reports. These records also include purchasing records for the Child Nutrition Program.

Temporary Record - Retain 2 years following audit.

Retention Schedule

- **Records of Formal Bids**
- These records document the bid process, including requests for proposals and unsuccessful responses.
 - Records documenting bids or services obtained by local boards of education. These records include requests for bid proposals, successful and unsuccessful bids by product or service vendors, and related correspondence.

Temporary Record: Retain 7 years after the date bids were opened (Code of Alabama 1975, Section 16-13B-4[d]).

- Lists of eligible bidders. Boards of education may compile lists of eligible bidders or businesses who have filed requests to be notified of bids on projects, products, or services required by the school system. Note: Requests from bidders to be included in the list may be treated as Routine Correspondence (RDA item 9.09).

Temporary Record: Retain 3 years after last contact with listed vendors.

Retention Schedule

- **Correspondence with vendors slated for removal from the list of eligible bidders.**
- Under Section 16-13B-4(a) of the Code of Alabama, any listed bidder who fails to respond after receiving three solicitations for bids may be stricken from the eligible list. This correspondence documents the school board's efforts to warn unresponsive vendors that they will be dropped from the list unless they ask to remain eligible. It includes forms or letters sent by the board and any responses from the vendors.

Temporary Record: Retain 2 years after the audit period in which the bidder is removed from the list

Retention Schedule

- **Contracts, Leases, Franchises and Agreements**
- These records document the negotiation, fulfillment, and termination of all contracts, leases, franchises and agreements entered into by the board of education, including final contract that are subject to the bid process.

Temporary Record: Retain 10 after termination or expiration of contract.

Retention Schedule

- **Grants Projects Files**
- **Financial reports, interim narrative reports, and correspondence.**
 - These records include financial reports, interim narrative reports, background materials, and other non-financial supporting documentation for grants awarded. Also included are records related to unsuccessful applications.

Temporary Record: Retain 6 years after submission of final report or denial application.
- **Subsidiary financial records.** These records include accounting or purchasing records and any other subsidiary financial documentation of federal grants, including financial reports. (See federal Rule 1354).

Temporary Record: Retain 3 years after submission of final financial report

Retention Schedule

- **Grants Projects Files**
- **Final narrative reports.** Final narrative summaries are submitted according to the requirements of the funding agency. They summarize the goals of the grant, how the money was used and what was accomplished.

PERMANENT RECORD

Retention Schedule

- **Annual Inventory Records**

- These records document all personal property , equipment, or capital outlay by the board on an annual basis; they also include inventories of textbooks.

Temporary Record: Retain 2 years following audit.

- **Receipts of Responsibility for Property**

- These records document school board property that is temporarily in use or possession of an employee or student. They include textbooks issued to students.

Temporary Record: Retain until return of item to the property manager.

Retention Schedule

- **School Construction Project Files**
 - These records document all activities pertaining to the planning and construction of educational facilities.
 - **As-built plans, specifications, and blueprints of buildings of significant historical interest**
PERMANENT RECORD
 - **As-built plans, specifications, and blueprints of building of building lacking significant historical interest**
Temporary Record: Retain for life of the facility
 - **Preliminary plans, specifications, and blueprints**
Temporary Record: Retain for useful life.

Process for Disposing of Records

- The responsible official must use the approved RDA to submit a Local Government Records Destruction Notice to the Alabama Department of Archives and History (ADAH) to receive a letter of eligibility for authorization to dispose of records.

Process for Disposition of Records

- Access the Local Government Records Destruction Notice
- Identify the Appropriate RDA /Retention Schedule
- Complete the Destruction Notice
- Submit for Approval



Worker Classification

Employee or Independent Contractor

Worker Classification

- What classification criteria is used to identify an individual/worker as an independent contractor or an employee
- IRS provides classification guidelines to determine whether an individual should be paid as an
 - Independent Contract (Accounts Payable)
 - Employee (Payroll)
- There are some major issues school districts need to be aware of in order to avoid costly IRS penalties.

Worker Classification

- School districts must be aware that when paying an individual, the IRS requires Boards to make the correct worker classification prior to the services being performed.
- If in doubt, payment as employee reduces the risk of future tax problems for the individual and school district.
- The IRS and Department of Labor are teaming up and sharing information.

Issues with Misclassifications

- School districts increased use of independent contractors is being scrutinized by the federal and state government agencies.
- Misclassifications cost the federal government lost revenue.
- Misclassifications may cost employees substantial sums in lost benefits, overtime and extra payroll tax liability
- State and federal agencies are increasingly auditing employers for compliance with the classification laws, and impose penalties on employers and employees in cases where misclassification is found.

Legal Considerations

- Various governmental agencies may audit school districts to make sure they do not classify employees as independent contractor
 - IRS
 - Federal Payroll Taxes
 - ACA requirements-Insurance
 - State Government
 - State payroll Taxes, unemployment insurance premiums
 - U.S. Department of Labor
 - (Employees rights, Minimum wage, overtime, etc.)
- Consequences of misclassification may include back taxes, interest, penalties and fines

Independent Contractors

- A worker who individually contracts with an employer to provide specialized or requested services on an as-needed or project basis.
- This individual is free from the control and direction of the performance of their work, and the individual is customarily engaged in an independent trade, occupation, profession, or business.
- Independent Contractors are generally not covered by laws that apply to the employer-employee relationship.

Independent Contractors or Employee

- Independent contractor is responsible for delivering a certain result, and he or she decides how to achieve that result
- That level of control is what distinguishes a contractor from an employee.
- Employees are workers who do **what you tell them, when you tell them** and **how you tell them** to do it.

Classifying Independent Contractors

- Independent contractor determination is required for:
 - Individual
 - Sole Proprietor
 - DBA's
 - Disregarded single member LLC's
- The use of an employer identification number DOES NOT prove independent contractor status
- School system must request a W-9
- Contract and W-9 determines who the payee is, not what is on the invoice

Classifying Independent Contractors

- Independent contractor determination is not required for:
 - Corporations
 - Partnerships
 - Multimember LLC's
 - Single member LLC's electing to be treated as a corporation for tax purposes

Classifying Independent Contractors

- If the individual is deemed to be an Independent Contractor, they should be set up in the Accounts Payable vendor master file.
- Payment should not be made without ALL required documentation including a certified FORM W-9.
- Accounts Payable should not withhold taxes from payments made. All amounts exceeding \$600 for a given calendar year will be reported to the IRS as Non-Employee Compensation Box of Form 1099-MISC.
- Independent Contractors are responsible for paying their own income and self-employment taxes and may deduct business related expenses on Schedule C of their income tax return.

Determining Worker Classification

- One factor that distinguishes an independent contractor from an employer-employee relationship is the degree of control the school system has and the right to exert over the individual performing the services.
- An employer-employee relationship exists when the school system has the right to:
 - Control and direct the individual performing the service
 - The results to be accomplished by the work
 - The means by which the result is accomplished
 - Whether or the rights are exercised

IRS 3 Factor Control Test for Independent Contractors

**Behavioral
control**

**Financial
control**

**Type of
relationship**

IRS Control Test for Independent Contractors

- **Behavior Control:**

Behavior Control addresses the issue of the school district to direct and control/instruct how the individual performs the services for which they are hired.

- The individual/worker is an employee if the school system has the right to control/instruct:
 - What will be done?
 - How it will be done?
 - When it will take place?
 - Who provides materials, tools, equipment?

This is true even if the employee is allowed to exercise a great deal of freedom of action.

IRS Control Test for Independent Contractors

- **Behavior Control:**
- Factors to consider when looking at behavioral control include:
 - the type and degree of instruction given
 - the presence of a formal and regular evaluation process
 - the type and amount of training provided
- Precise instructions, formal evaluations and regular training are standard tools used to exercise control over not just the end product, but also the process involved in achieving that product.

IRS Control Test for Independent Contractors

- **Financial Control:**

To determine that the employer does not control the business aspects of the job

- Does the individual possess a significant investment in assets or tools required to operate his/her own business?
- Are there expenses related to the performance of the services that the individual is responsible for paying and will not be paid or reimbursed by the school system?
- Does the individual advertise his/her services to the public?
- Will the school system be responsible for paying the individual whether or the work is done properly, or will he/she be paid only if the work is completed according to the specification?
-
- Will the individual be paid upon completion of services or upon completion of specific milestone or are structured payments required?
- Does the individual/worker have the opportunity to realize profit or loss?

IRS Control Test for Independent Contractors

- Type of Relationship:

The employer does not control the business aspects of the job

- A written contract describes the relationship that the parties intended to create.
- Employer does not provide the worker with benefits, such as insurance, retirement, vacation or sick pay.
- The relationship's duration is finite and not long-term.
- The services performed by the worker are not part of the school system's regular business/mission.

Determining Worker Classifications

- There is a common law test for determining whether an individual is an employee for federal tax purposes.
- The common law test to see if an employer-employee relationship exists.

Common Law Test for Determining Whether a Worker Is an Employee

Employee	Independent Contractor
<ul style="list-style-type: none">• Required to comply with employer's instructions about when, where, and how to work	<ul style="list-style-type: none">• Sets own hours; determines own sequence of work
<ul style="list-style-type: none">• Works exclusively for the employer	<ul style="list-style-type: none">• Can work for multiple employers; services available to the public
<ul style="list-style-type: none">• Hired by the employer	<ul style="list-style-type: none">• Is self-employed
<ul style="list-style-type: none">• Subject to dismissal; can quit without liability	<ul style="list-style-type: none">• A contract governs how the relationship can be severed
<ul style="list-style-type: none">• Has a continuing relationship with the employer	<ul style="list-style-type: none">• Works by the job
<ul style="list-style-type: none">• Work done personally	<ul style="list-style-type: none">• Permitted to employ assistants
<ul style="list-style-type: none">• Performs services under the company's name	<ul style="list-style-type: none">• Performs services under the worker's business name
<ul style="list-style-type: none">• Paid a salary; reimbursed for expenses; participates in company's fringe benefits programs	<ul style="list-style-type: none">• Payment by the job; opportunity for profit and loss
<ul style="list-style-type: none">• Furnished tools, equipment, materials, and training	<ul style="list-style-type: none">• Furnishes own tools, equipment, and training; substantial investment by worker
<ul style="list-style-type: none">• If an outside salesperson: company provides leads, sets terms and conditions of the sale, assigns a territory, and controls the sales process	<ul style="list-style-type: none">• Controls the sales process and terms

IRS Control Test for Independent Contractors

	Most likely considered an IC if you:	Most Likely considered an employee if you:
BEHAVIORAL CONTROL		
Factors that show whether a hiring firm has the right to control how a worker performs the specific tasks he or she has been hired to do	<ul style="list-style-type: none"> Do not give him or her instructions on how to perform the work Do not provide training Do not evaluate how the worker performs 	<ul style="list-style-type: none"> Provide instructions that the worker must follow about how to work Give the worker detailed training Evaluate how the worker does the job
FINANCIAL CONTROL		
Factors showing whether a hiring firm has the right to control a worker's financial life	<ul style="list-style-type: none"> Has a significant investment in equipment and facilities Pays business or travel expenses him or herself Makes his or her services available to the public Is paid by the job Has an opportunity for profit and loss 	<ul style="list-style-type: none"> You provide equipment and facilities free of charge You reimburse the worker's business or traveling expenses The worker makes no effort to market his or her services to the public You pay the worker by the hour or other unit of time The worker has no opportunity for profit or loss – for example, because you pay by the hour and reimburse all expenses.
RELATIONSHIP OF THE WORKER AND HIRING FIRM		
Factors showing whether you and the worker believe he or she is an IC or Employee	<ul style="list-style-type: none"> You do not provide employee benefits such as health insurance You sign an IC agreement with the worker The worker performs the services that are not part of your regular business activities 	<ul style="list-style-type: none"> You provide employee benefits You have no written agreement The worker performs services that are part of your core business

Reasonable Basis Test

- When applying the IRS guidelines to the scope of work to be performed:
 - Does the person own and operate a business selling his/her services to the general public?
 - While the person performing the services for the school system, will he/she continue to perform similar services for other customers or would they have the right and ability to do so?
 - Does the school system expect the individual to work full time or virtually full time, or be available when needed by the school system?

Employee or Independent Contractor?

- The individual is an *employee* if the Board has the right to control the result of the services, the means and the methods of providing it.
- An *employee* is subject to the will and control of the employer not only as to what shall be done but how it shall be done.
- The factor is whether the Board has the right to control, not whether it actually did.
- *Independent contractor* decides the means and methods to get the results. The Board defines the result or outcome expected.

Warning Signs that your Worker may be an Employee

- The school system defines the work hours
- The school system provides the equipment or supplies
- The relationship is indefinite
- The system does not receive invoices from the worker
- The worker only works for the school system
- The worker provides core business services to the school system

Employee or Independent Contractor?

- Based upon the finding of the review, an individual classified as an employee will be set up as such in Human Resources.
- The employee will track his or her hours in the employer's time keeping system, receive payments, including proper tax withholdings, through Payroll Services and they will receive a W-2 for their earnings.
- Under an employer and employee relationship, the employer must withhold all applicable income tax and the employer's portion of social security and Medicare taxes. The employer is also required to pay a portion of the Social security, Medicare and unemployment taxes on these wages.
- Employees are issued W-2, Wage and Tax Statements, detailing all taxes withheld from wages.

Services that **may** be treated as Independent Contractors

- Sporting officials for athletic events
- Academic program review consultants (including accreditation team members)
- Performers, entertainers, guest speakers (Examples: DJs, singers, bands, magicians, motivational speakers)
- Trainers and consultants contracted to present professional development seminars/training

Services that **should** be treated as an employee

- Individuals providing instruction or teaching services
- Individuals providing administrative, accounting, secretarial, clerical, custodial, maintenance, seasonal and event workers (cashiers, ticket sellers and takers, etc.)

School Districts IRS Audits

What may trigger an audit?

- The issuance of a W-2 and 1099 for an individual in the same calendar year.
- 1099 for only one business
- Hiring a retiree as an independent contractor
- Unemployment request from a worker who received a 1099
- The IRS compliance efforts are generally focused on employment tax and information return reporting because school district are generally exempt from federal income tax

Things to Consider

- Are you giving 1099's to people whose work the school district really do direct and should be considered employees?
- Do you have individuals who receive a 1099 and a W-2 in the same calendar year?
- Are you paying stipends or incentives to “volunteer” coaches from student account funds via accounts payable?
- Are you verifying vendors' classifications in NextGen to ensure accurate classification in the vendor file set-up?

IRS Publication 15

- IRS Publication 15, the Employer's Tax Guide, explains your responsibilities as an employer.
- The IRS updates this publication annually. You should download a current version at the beginning of each year and review "What's New" for any changes.



linda@aasbo.com