The steps in the accounts payable (AP) process are as follows:
- (1) Issuance of a purchase order to buy goods or services
- (2) Invoice receipt from the vendor
- (3) Invoice processing
- (4) Payment processing

Various departmental staff interact with accounts payable staff to process invoices in order to pay vendors. This section describes the process through which the individual documents verifying purchases, and the receipt of goods or services are brought together, reviewed and approved to assure valid processing of vendor invoices. These procedures reduce the risk that no unauthorized payments are made, that complete and accurate records are kept, and that payments are recorded for the correct amounts and in the appropriate general ledger accounts and accounting periods.

Policy

Invoices are paid in compliance with vendor terms and the Florida Prompt Payment Act, Sec. 218.70-218.79, and Florida Statutes.

Procedures

The following are the procedures to process invoices. There may be exceptions to these procedures that will be addressed on a case-by-case basis by the Finance Director.

5.1 Issuance of a Purchase Order (PO)

The City-wide purchasing process is executed by the Senior Buyer; Junior Buyer; and Purchasing and Contracts Manager and is separate from the AP and PO receiving functions. Purchasing is responsible for ensuring compliance with the City of Cocoa's Purchasing Policy and procurement requirements. The PO is the standard legal instrument used to procure goods and services.

A. Overview

A PO is issued once all approvals of a purchase requisition are completed. (See the Purchasing Manual for detailed procedures regarding issuance of purchase orders and purchase requisition requirements.)
Purchase requisitions are entered by appropriate staff upon request by other department members.
Purchases are supported by approvals and authorizations on pay applications, invoices or other documentation.

1. All purchasing transactions require a PO to be issued prior to committing to purchase goods or services, except in cases where an alternative purchasing method has been specifically identified and approved by the Finance Director.
2. All vendors receive copies of issued purchase orders from purchasing even if there is an overriding contract with the vendor.
3. An issued purchase order to the vendor is a legally binding contract and should be treated accordingly. If a contract is executed between a vendor and the City, the contract becomes the overriding document.
4. All departments receive copies of their purchase orders from the purchasing department.
5. It is the department's responsibility to maintain their purchase orders and match the purchase order to the receipt of goods and/or services prior to processing an invoice for payment.
6. Refer to the Purchasing Manual for more information regarding the Purchase Order Policy and purchasing procedures.

After issuance of a PO, departmental staff will take receipt of the goods or services purchased. The following are the procedures that departmental staff must follow upon receipt:

a) Each person approving receipt of a shipment of goods must ensure that the items listed on the packing slip or invoice were physically received.
b) The employee who physically received the goods must inspect for condition and count, then sign the packing slip and provide the signed packing slip to administrative staff for processing.
c) The signed approved packing slip must be provided to AP with the signed approved invoice, scanned together as a single pdf file.

The employee who oversees the *services* provided must signoff on the invoice certifying the service was provided satisfactorily and in full. Only invoices first stamped by AP will be processed.

The next step in the accounts payable process is receipt of an invoice from a vendor.

5.2 Invoice Processing

An invoice is the standard, legal instrument used to process a payment against a purchase order, or RDP, that clearly identifies who is requesting payment, what is being purchased (itemized), when it was purchased, how much it costed, where to remit the payment, and when the payment is due.

The City does not issue payments from quotes, estimates, statements, emails, etc.

Invoices resulting from issuance of a purchase order must include the correct purchase order number on the invoice. In certain circumstances, such as employee reimbursements, insurance payments, permits, etc., the invoice may not be paid on a purchase order, but rather on a Request for Direct Payment (RDP), Wire, or City-issued

Pcard, and therefore would not have a PO #. See instructions for these methods of payments in the following sections.

a) All invoices must be either mailed through the post office to the attention of Accounts Payable or emailed to accountspayable@cocoafl.gov, with the exception of construction invoices.
b) The invoice will be reviewed by the AP Clerk to ensure it is an acceptable, outstanding invoice, with a valid PO number.
    i. AP will deem all invoices without an open PO number as unacceptable, as it relates to the Florida Prompt Payment Act,
    ii. It is the department's responsibility to ensure the PO number on the invoice is correct.
    iii. Common PO errors on invoices include, but are not limited to: no PO provided, providing a closed PO #, and providing the same PO # for all invoices when there are multiple active POs open.
c) Any invoice deemed as unacceptable, as it relates to the Florida Prompt Payment Act, will be returned to the vendor for correction.
d) AP Clerk will stamp the invoice with a "Received" stamp, indicating the date and time the valid invoice was received by AP from the vendor.
e) The AP Clerk will then upload the invoice to the receiving department's shared invoice folder to be reviewed and processed within 2 business days of receipt.

Invoice Receiving Procedures

a) The receiving department (administrative staff or otherwise) will verify:

- Purchase Order # on the invoice is accurate
- Items on the invoice were authorized
- Items on the invoice were received by matching the invoice to a packing slip signed by the receiver or other proof of physical receipt
- Services on the invoice were performed by obtaining the signed approval of the project manager or designee on the invoice certifying the services were performed to the City's satisfaction
- Items/Services on the invoice match the purchase order
- The quantity and unit price on the invoice match the purchase order

b) Once verified, departmental staff will "receive" the invoice in the ERP system on the appropriate lines of the purchase order. Departmental staff will not receive items against a purchase order until the packing slip is matched to an invoice, or the invoice has been approved by the receiving person (for service performed invoices i.e. consultants/construction invoices) as evidenced by signature on the invoice.
    i) Do not "receive" invoices in the ERP system until an invoice with the AP stamp and packing slip/department approval signature are provided.

      ii)   Do not change the receiving date in the ERP system. The receipt date is the actual date the invoice is being received in the system, not the date the item was physically received, or the service was performed.

      iii)   Do not backdate receipts at year end. AP will determine the fiscal year in which the invoice belongs based on the date on the packing slip or the date the service was performed.

c) The invoice will then be stamped "received" by the receiving department personnel indicating the invoice has been "received" in the ERP system.

d) The receiving department will then return the approved, received invoice to AP, with the packing slip, if goods were received, via the shared invoice folder.

e) AP will retrieve signed approved invoices from the share invoice folder daily at 11am. Any invoices put into the shared invoice folder after 11am will be processed the following business day.

f) Invoices without the proper approval signatures will be returned to the receiving department.

g) Receiving reports for invoices "received" by departmental staff are processed in the ERP system overnight and printed by AP the following day.

h) AP will match the fully approved invoices to the receiving reports daily.

i) AP will determine when the payment to the vendor will be recorded based on the date on the packing slip or the date the services were performed.

j) The **only** invoices that will be processed by AP are those that have been stamped "Received" by AP. Invoices without the AP "Received" stamp will not be accepted from the departments.

k) The date the accepted invoice is stamped by AP is the date used to ensure compliance with the Florida Prompt Payment Act, unless the invoice is later deemed to be unacceptable upon review by the receiving department.

Construction Invoices

a) Construction invoices/pay applications must be sent directly to the project manager for review and acceptance before being sent to AP for processing to ensure complete and accurate billing.

b) Once the project manager has accepted the construction pay application as complete and accurate, it must be approved/signed by the project manager and forwarded to AP promptly.

c) The date the acceptable invoice/pay application is signed off by the engineer/project manager is the date used to ensure compliance with the Florida Prompt Payment Act.

d) AP will stamp the invoice/pay application as "Received" and return the invoice/pay application to the receiving department for processing, via the shared invoice folder.

e) The department that is managing the construction project will "receive" the pay application in the ERP software the same as in the invoice process, described in the section above.

Invoice Variances

Invoices cannot be processed against a PO when billing has the quantity and unit price switched (45 @ $1ea vs 45 @ $1ea). The PO must be corrected before the invoice can be processed.

a. Overcharge - If an item is overcharged according to the negotiated pricing as reflected on the purchase order, the receiving department must contact the vendor informing the vendor of the incorrect pricing. This type of variance will occur if the cost of the item is overcharged (invoice cost is higher than the PO cost).

The receiving department will process the invoice for the purchase order amount and "short-pay" the invoice, making a notation for the reason for the short-pay on the invoice.

Adjustments to invoices are limited to 10% of the invoice, not to exceed $25.
   i. If the invoice is $250, 10% of the invoice is $25; therefore, the invoice can be adjusted up to 10% or $25.
   ii. If the invoice is less than $250, 10% would be less than $25; therefore, the invoice can only be adjusted up to 10% of the invoice amount.
   iii. If the invoice is more than $250, 10% would be more than $25; therefore, the invoice can only be adjusted up to $25.

Adjustments that exceed these limits cannot be processed by AP and will require a change order to the PO.

The receiving department will notify AP that they have contacted the vendor about the variance.

b. Quantity Variance - If the quantity differs from the PO, a PO modification to the purchase order will need to be generated by the requesting department, before the invoice can be processed.

c. Back Order / Short Pay – If there is quantity variance between the invoice and the receiving report due to a variance in the quantity received, for example 12 were ordered but 2 were on back order so the vendor shipped 10 but invoiced

for all 12, the invoice can be short paid. In this event, the department will mark thru the incorrect quantity on the invoice, write the correct quantity received, correct the math on the invoice, add a notation as to the reason for the correction, and initial all changes.

d. Returned Goods - If an item is received and then later returned, the original invoice must be paid in full. The vendor should process a credit memo for a returned item.
- Credit memos will be processed on an RDP by the receiving department if the purchase order is completed.
- If the purchase order is open, a PO modification will need to be generated to add a line item for the negative amount.

AP Invoice Procedures

The AP Clerk will print receiving reports from the ERP software daily and match to open invoices

If a receiving report prints from the ERP system and AP does not have the corresponding invoice, it means the department received the invoice directly from the vendor, which is prohibited, or received in the ERP system based on getting the goods/services without an invoice, and the department did not follow the procedures detailed in Section 5.2, Invoice Processing

The AP Clerk will inform the requesting department of invoices that are pending receiving reports ("Receipts") routinely.

The AP Clerk will inform the requesting department of any discrepancies with the purchase order or invoice to avoid incorrect charges.

The AP Clerk will verify the following:
a. Remittance address
b. Receiving report matches the purchase order and the invoice
c. Review all documentation for correctness and completeness

On rare occasions, the City Manager or the City Council (when over the City Manager's purchasing authority) may authorize a prepayment of a good or service in writing that may require the department to receive the goods/service in the system without actual receipt of goods/service. A copy of the authorization for prepayment must be attached in the document imaging software with the creation of the requisition.

If there is a variance and the invoice needs an adjustment, the AP Clerk will enter the correct amount of the invoice when processing it in the ERP software and may adjust the receipt amount to match the invoice for an amount up to 10% of the invoice, not to exceed $25.00, in order to ensure that the correct amount is paid on an invoice. See invoice variance section.

The receiving department may also approve the invoice for payment with minor differences of 10% of the invoice, not to exceed $25. See invoice variance section.

The AP Clerk will match the invoice to the receiving information in the ERP software and scan the receiving report into the document imaging software.

The AP staff will batch process invoices through data entry in the ERP software. Each accounts payable invoice batch is reviewed by a Finance staff member other than the person who created the batch; an Accountant or designee will update the batch. AP batches are updated after all information has been reviewed and verified for completeness and correctness.

Invoices are filed pending payment due date.

The internal AP cut-off for the Friday check run is Tuesday afternoon at 5PM. Any invoice due to be paid that week must be "received" in the ERP software by the receiving department on Monday in order for the receiving report to be processed overnight and printed, matched, and processed by AP on Tuesday morning. Any invoices processed by AP after Tuesday will not be included in that Friday's check run.

Internal Controls

1. Purchase requisitions are generated by the individual departments and submitted electronically for approval.
2. The Purchasing Division is responsible for approving a requisition into a purchase order and sending the purchase order to vendors.
3. Approval levels are set in the ERP software by IT staff upon the request of the Purchasing Manager.
4. Purchase order issuance is performed by staff other than those who perform receipts processing or process invoices.
5. AP staff does not have authority to process receipts in the ERP software.
6. Departments must obtain internal approval of the receipt of goods or services prior to receiving the item in the ERP software.
7. Receipt of goods or services is evidenced by physical signature of the person who received the goods or services in the department
8. Invoices are mailed to AP by the vendor.
9. Invoices are matched to the purchase order prior to processing for payment.
10. All invoices are date stamped as received by AP. Purchase of goods or services require issuance of a purchase order with few exceptions.

11. Purchasing documents (requisitions and purchase orders) are pre-numbered by the ERP system.

12. Departments must date stamp "Received" when invoice is received in the ERP system to document timely processing of invoices.

13. Individuals with the authority to approve and authorize purchase requisitions/orders other than purchasing staff are supervisors, managers, deputy directors, directors, and City Manager, per User ID authority in the ERP system.

5.3 Request for Direct Payment (RDP) Payment Procedures

A. Overview

A Request for Direct Payment (RDP) is to be used <u>ONLY</u> for items that cannot be placed on a purchase order and are meant to be an exception to the rule. Items normally requiring the use of an RDP would include:

- Monthly Insurance Payments
- Monthly Municipal Payments
- Leisure Service Refunds
- Building Permit Refunds
- County Utility Permits
- Voided Water Refund Checks
- Overpayments for New Meters
- Employee/Retiree Reimbursements
- Travel Reimbursements
- Any item paid directly from a liability or revenue account including prepayments for the next fiscal year
- Credit invoices

An RDP other than for the items listed above requires prior approval from the Finance Director. An RDP without the proper supporting documentation and approval will be returned to the requestor.

B. Procedures

1. Payment through an RDP requires completion of an RDP Form. All RDP forms are assigned numbers for tracking purposes.
   a. Persons completing the RDP form must email accountspayable@cocoafl.gov with the vendor number and vendor name to request an RDP #.

2. The person preparing the form should approve as the Requestor. The Department Director, AP Clerk, and the Finance Director must also approve the form.

3. An RDP over the Finance Director's approval level (see Purchasing Policy Sec. 3.2) requires the City Manager's signature for approval.

4. All RDPs received completely, correctly, and accurately by 5 PM Monday will be processed for payment that Friday. Any RDP received after 5 PM on Monday, or that are not complete, correct, & accurate will be processed for payment the following Friday.

   - The completed and signed form with all necessary supporting documentation should be sent to accountspayable@cocoafl.gov.
   - AP will verify the vendor name and number, amounts, account numbers, signatures and that proper documentation is attached.
   - AP staff will sign the RDP form.
   - AP will send all of the current week's RDPs to the Finance Director for approval on Tuesdays.
   - The Finance Director will review and return all RDPs to AP no later than Thursday morning for payment processing.

5. Invoices paid via RDPs go through a similar entry and approval process as invoices, with the exception that the receipts are not matched to the invoice in the ERP software.

6. RDPs are matched to the checks and included in the entire group of checks generated for the week and go through the same review process prior to check distribution.

7. See the Request for Direct Payment (RDP) Instructions for more information.

C. Internal Controls

   1. RDPs are processed by each division and require Department Director approval
   2. RDPs require department director and Finance Director approvals prior to processing for payment.
   3. An accountant must match the batch entries from the ERP software to the Direct Pay Requests.

4. The Finance Director must approve any RDPs that are outside of the routine RDP payments.
5. The AP Clerk who processes the Direct Pay Request is not responsible for the ERP batch update.
6. RDP check copies are reviewed for matching and approved by an accountant prior to check distribution, as part of check processing.

5.4. Payment Procedures

- The City makes payments for amounts due through various methods such as, but not limited to: check, wire, ACH, epayable, and pcard. In addition, the City maintains several bank accounts for various purposes. Each bank account may use one or more of the above payment methods.

5.4a. Accounts Payable Check Payment Procedures

- Invoices that are due in the current week will be processed by AP by Tuesday afternoon by 5PM. RDPs, complete with all necessary and accurate backup documentation, received before 5 PM. Monday will be processed for payment that Friday. Those received after that deadline will be processed for payment the following Friday.
- AP staff will enter invoices daily. The invoices will be matched against what is received in the ERP system and entered through batch processing. The AP staff will verify their data entry when the batch is complete.
- An Accountant or designee will review and update all batches related to the accounts payable batches processed.

When all the AP batches are updated for the week, the checks are ready to be processed.

a) The AP staff will run an Expenditure Approval List (EAL) listing and review it to determine if invoices presented as due for the current week are correct.
b) If invoices need to have their due date adjusted in order to pay outside of the vendor terms or Florida Prompt Payment Act, the AP Clerk will review the desired changes with the Senior Staff Accountant or designee.
c) Once a final EAL is prepared for the check run, the Senior Staff Accountant, Accounting Manager or designee will review and approve the EAL. After approval of the EAL, checks are generated.
d) The City uses Acom software in the check printer to put signatures on checks that can only be accomplished when a secure key is inserted into the check printer.

e) Each check is assigned a sequential number as it is printed.
f) All checks require two signatures – the City Manager and the Finance Director.
g) Checks are stale-dated after 90 days.
h) Tracking of all checks is maintained through a check log for each bank account.
i) The signature key for the check printer is kept in a secure drawer by the Accounting Manager.
j) Check stock is maintained in a locked cabinet. The key for the cabinet is kept in a secure drawer by the Accounting Manager.
k) After checks are generated, the AP Clerk will match the invoices to the check copies.
l) The Accounts Payable Check Register will be presented to the Senior Staff Accountant, Accounting Manager or designee for review and approval.
m) The Finance Director then reviews and approves the AP Check Registers. Order of approval authority is: Accounting Manager or Finance Director may approve in place of the Senior Staff Accountant, in their absence. Deputy Finance Director (1st) or Accounting Manager (2nd) may approve for the Finance Director, in their absence.
n) All check run documentation must be reviewed and approved, by an Accountant or designee, prior to check distribution or ePayables upload.
o) Checks are printed Thursday afternoon with a Friday check date.
p) All invoices and checks are scanned with all backup documentation by an AP Clerk and uploaded into the document imaging software by an Accountant.
q) Checks are not released for distribution until the check registers have been approved by the Finance Director and the check copies, with backup, are uploaded to the document imaging software.
r) The checks are taken to the City Clerk's office by 3 PM Friday for stamping and drop off at the US post office prior to 4 PM (to meet the mail cutoff time) or, in rare circumstances, held for pickup by the vendor.

Off-Cycle (manual) payment requests should only be done in rare instances and require the approval of the Finance Director, or designee, with the appropriate documentation.

5.4b. Electronic Payments (EPayables)

Electronic payments are processed through the banking service provider.

- The accounting staff will determine whether the vendor is paid via check or epayable.
- The Invoicing Process and RDP process are the same for EPayables as they are for physical check payments, detailed in the sections above.

- An EPayable Register is created after the weekly EAL is reviewed and approved by an Accountant.
- The EPayable Register is given to the Finance Director with the check registers for review and approval.
- Once the Finance Director has approved the EPayable Regiser, an epayable transfer file is created in the ERP software by an Accountant.
- The epayable transfer file is then uploaded to the banking service provider.
- An epayable confirmation is emailed to accountspayable@cocoafl.gov and matched to the corresponding invoices by the AP Clerk.
- All invoices and epayable confirmations are scanned with all backup documentation by an AP Clerk and uploaded into the document imaging software by an Accountant.

Internal Controls

1. Senior Staff Accountant, Accounting Manager or designee review EAL prior to checks being printed.
2. EAL is updated by the Senior Staff Accountant, Accounting Manager or designee.
3. Invoices are matched to check copies and reviewed for accuracy, completeness and validity by an individual other than the person who matched the checks.
4. Finance Director (or Deputy Finance Director when designated) reviews and approves the check registers.
5. AP batches are updated by an individual other than the person who enters the invoices.
6. Check signing instruments and check stock are kept in a secured area.
7. A check log is maintained for each type of check to record the check number range for each check run or to record off-cycle (manual) checks.
8. The Finance Director reviews the check register for any improprieties and the Senior Staff Accountant or designee updates all AP batches.
9. Employees that are authorized to process payments do not have access to the signature encoded check printer, signature stamp and a key that is kept in a secured place.

5.4c. Wire/ACH Transfer Payments

A. Overview

Wire transfers are used to pay debt service, municipal utility payments, retirement contributions and other miscellaneous payments. The Accounting Manager and the Finance Director or Deputy Finance Director (in the Finance Director's absence) process all wire transfers. Accounting staff is responsible for recording the transactions in the general ledger through a journal entry.

B. Procedures

1. Invoices for wire transfer payment are sent to the Accounting Manager or are available online.

2. A Wire Transfer Approval form is prepared prior to the disbursement of funds.

   - An Electronic Funds Transfer (EFT) # is assigned to the wire and recorded on the EFT log.

3. The Accounting Manager manages templates in the banking software for recurring wires or ACH payments and enters the individual wire information in the banking software for non-recurring wires or ACH payments

   - The Finance Director reviews the Wire Transfer Approval form and supporting documentation, verifying accuracy, completeness and correctness.
     - Upon verification, the wire is released.
     - Wires can only be released by entry of a security code using banking software as a dual authentication method.
     - A confirmation of the wires from the banking software being released for the day is printed and included in the wire folder that is returned to them.
     - The Finance Director approves the wire transfer form.
   - The Accounting Manager provides the fully approved documentation to accounting staff to enter into the ERP software as an EFT group.
   - An edit of the EFT group is provided to the Accounting Manager along with all supporting documentation.
   - The Accounting Manager verifies that the entry is correct and timely updates the group, booking the entry into the general ledger.
   - Documentation is then returned to the accounting staff for filing into the document imaging software and physical filing into the appropriate monthly folder.

5.4d. Debt Payments

- An invoice is received by AP prior to the due date. The invoice is processed according to AP procedures and is provided to the Accounting Manager, who assigns processing to Staff. Accounting staff prepares a Wire Transfer Approval (WTA) Form and assigns it an EFT number.
- The interest and principal amounts shown on the invoice are matched to the amortization schedule.
- The general ledger account numbers are recorded on the WTA form and the documentation is submitted to the Accounting Manager for entry into the banking software.
- The Accounting Manager provides the fully-approved documentation to accounting staff to enter into the ERP software as an EFT group.
- An edit of the EFT group is provided to the Accounting Manager along with all supporting documentation.
- The Accounting Manager verifies that the entry is correct and timely updates the group, booking the entry into the general ledger.
- Documentation is then returned to the accounting staff for filing into the document imaging software and physical filing into the appropriate monthly folder.

5.4e. Payroll Wire Payments

a. Payroll-related wires can be for retirement contributions, child support or other necessary payroll payments.
b. Supporting documentation is provided by payroll for each payroll-related wire, after completing the WTA form & assigning an EFT number,
c. Payroll Staff prepares a WTA form with supporting documentation and gives it an Accountant to review.
d. The WTA and supporting documentation are then provided to the Accounting Manager for entry into the banking software, creating a wire payment pending.
e. The Finance Director reviews the Wire Transfer Approval form and supporting documentation, verifying accuracy, completeness and correctness.
   i. Upon verification, the wire is released.
   ii. Wires can only be released by entry of a security code using banking software as a dual authentication method.
   iii. A confirmation of the wires from the banking software being released for the day is printed and included in the wire folder that is returned to them.

      iv. The Finance Director approves the wire transfer form.

   f. The WTA, supporting documentation, and wire confirmation are given back to the Payroll Staff for entry in the ERP software as an EFT group.

   g. Payroll Staff prints the group edit and provides the edit, WTA, supporting documentation, and wire confirmation to an Accountant for review and updating.

   h. Documentation is then returned to the Payroll Staff for filing into the document imaging software and physical filing into the appropriate monthly folder.

5.4f. Insurance Wire Payments

   a. The City's health and other insurances are paid via wire.

   b. Human Resources reconciles the insurance bill to personnel records.

   c. Human Resources completes the WTA form and provides to accounting with supporting documentation.

   d. A Senior Staff Accountant reviews the bill reconciliation, assigns and EFT number, and provides to the Accounting Manager for payment processing once reviewed.

   e. The WTA and supporting documentation are then provided to the Accounting Manager for entry into the banking software, creating a wire payment pending.

   f. The Finance Director reviews the Wire Transfer Approval form and supporting documentation, verifying accuracy, completeness and correctness.

      i. Upon verification, the wire is released.

      ii. Wires can only be released by entry of a security code using banking software as a dual authentication method.

      iii. A confirmation of the wires from the banking software being released for the day is printed and included in the wire folder that is returned to them.

      iv. The Finance Director approves the wire transfer form.

   g. The WTA, supporting documentation, and wire confirmation are given back to the Accountant for entry in the ERP software as an EFT group.

   h. The Accountant prints the group edit and provides the edit, WTA, supporting documentation, and wire confirmation to the Banking & Treasury Accountant for review and approval, who then provides it to the Accounting Manager for review and updating.

i. Documentation is then returned to the Accountant for filing into the document imaging software and physical filing into the appropriate monthly folder.

5.4g Investments

a. Wires are prepared when transferring money to the City's investment accounts that are held by a third-party custodian or with a Local Government Investment Pool in compliance with the City's Investment Policy.

b. The Finance Director reviews the City's cash position and determines the amount of money required to meet daily operations.

c. A Memo from the Finance Director to the City Manager is prepared by the Banking & Treasury Accountant noting how much money and to what investment account the money is being wired to.

d. The Memo is reviewed and approved by the City Manager, the Accounting Manager and the Deputy Finance Director.

e. The Banking & Treasury Accountant prepares a WTA form and assigns it an EFT number.

f. The WTA and supporting documentation are then provided to the Accounting Manager for entry into the banking software, creating a wire payment pending.

g. The Finance Director reviews the Wire Transfer Approval form and supporting documentation, verifying accuracy, completeness and correctness.
   i. Upon verification, the wire is released.
   ii. Wires can only be released by entry of a security code using banking software as a dual authentication method.
   iii. A confirmation of the wires from the banking software being released for the day is printed and included in the wire folder that is returned to them.
   iv. The Finance Director approves the wire transfer form.

h. The WTA, supporting documentation, and wire confirmation are given back to the Banking & Treasury Accountant for entry in the ERP software as an EFT group.

i. The Banking & Treasury Accountant prints the group edit and provides the edit, WTA, supporting documentation, and wire confirmation to a Senior Accountant for review and approval, who then provides it to the Accounting Manager for review and updating.

j. Documentation is then returned to the Banking & Treasury Accountant for filing into the document imaging software, originals are returned to the Finance Director for filing.

Wire Internal Controls

1. The Accounting Manager and the Finance Director or Deputy Finance Director process the wire transfer payment in separate steps of the process.
2. Release of a wire requires <u>dual authorization</u> whereby the person initiating a wire cannot release the wire.
3. The Accounting staff records the journal entry.
4. The Accounting Manager or designee reviews and updates the journal entries.
5. The Finance Department's designated employee reconciling the bank statements is not responsible requesting or preparing any non–investment wire transfers.
6. The requestor, the Accounting Manager and the Finance Director approve the Wire Transfer Approval form.
7. All wires are supported by complete, correct documentation.
8. All wires require banking security codes that are unique to the Finance Director or the Deputy Finance Director.
9. The Finance Director or the Deputy Finance Director are the only authorized persons to release wires.
10. Debt services payments are matched to amortization schedules to verify accuracy and balanced to the City's general ledger account balances.
11. The Finance Director does not initiate Wire Transfer Approval forms.
12. Investment transfers are reviewed and approved by the City Manager.

5.4h Payroll Vendor Checks and EFT Payments

1. Payroll checks are addressed separately in the Payroll section of the FOM.
2. Payroll is recorded through a separate bank code from regular accounts payable.
3. Payroll has a different check # series from accounts payable or other bank codes and has separate check stock.
4. Payroll vendor payments are generated automatically through payroll processing.
5. Payroll vendor checks are printed through the AP check processing application in the ERP software.
6. The payroll vendor checks use the Acom software to print checks and put signatures on the checks.
7. All payroll vendor checks require two signatures – the City Manager and the Finance Director.
8. When payroll vendor checks are ready to be printed, the accountant obtains the signature key from the Accounting Manager.

9. Supporting documentation is matched to the checks and reviewed by the accountant prior to mailing. The payroll vendor checks are taken to the City Clerk's office for mailing
10. Payroll vendor payments can be made via wire
    a. The Payroll Specialist prepares the WTA form and assigns an EFT #.
    b. A Senior Staff Accountant reviews the WTA and backup documentation and provides it to the Accounting Manager for payment processing once reviewed.
    c. The WTA and supporting documentation are then provided to the Accounting Manager for entry into the banking software, creating a wire payment pending.
    d. The Finance Director reviews the Wire Transfer Approval form and supporting documentation, verifying accuracy, completeness and correctness.
        i. Upon verification, the wire is released.
        ii. Wires can only be released by entry of a security code using banking software as a dual authentication method.
        iii. A confirmation of the wires from the banking software being released for the day is printed and included in the wire folder that is returned to them.
        iv. The Finance Director approves the wire transfer form.
    e. The WTA, supporting documentation, and wire confirmation are given back to the Payroll Specialist for entry in the ERP software as an EFT group.
    f. The Payroll Specialist prints the group edit and provides the edit, WTA, supporting documentation, and wire confirmation to the Senior Accountant for review and approval, who then provides it to the Accounting Manager for review and updating.
    g. Documentation is then returned to the Payroll Specialist for filing into the document imaging software and physical filing into the appropriate monthly folder.

Payroll Vendor Internal Controls

1. An EAL is created by the Payroll Staff.
2. The EAL is reviewed and approved by an Accountant.
3. A check log is maintained bi-weekly.
4. The check key and stock are locked up in possession of the Accounting Manager.
5. The checks are printed by an Accountant.
6. The check register is reviewed and approved by the Finance Director.

7. Payroll checks are brought to the Security Guard's desk and employees must show identification and sign for their checks.
8. Payroll vendor checks are brought to the Clerk's office for mailing by the Payroll Staff.
9. The payroll bank account is reconciled monthly by the Banking and Treasury Accountant.

5.4i Worker's Compensation Payments

a. The City is self-insured for worker's compensation and uses a third-party vendor to make claims payments.
b. Worker's compensation checks have a separate bank code from AP and payroll checks.
c. The third-party vendor has check stock for the City's worker's compensation bank account and writes checks to pay claims payments.
d. The check register is provided to accounting weekly.
e. Accounting staff records the checks by assigning the check number to a transaction and entering it as an EFT transaction in the ERP software, creating a general ledger group.
f. The group is reviewed by the Accounting Manager and updated.

Worker's Compensation Internal Controls

1. Signature cards for authorized Worker's Compensation check signers are maintained by the bank.
2. The third-party vendor provides an Accountant with the check register on a weekly basis.
3. The Accountant assigns an EFT number and records each check in the ERP software.
4. The EFT group batch and check register are given to the Banking and Treasury Accountant for review and approval. Then to the Accounting Manager for approval and updating.
5. The monthly bank statement is sent to the Banking and Treasury Accountant by the bank.
6. The Banking and Treasury Accountant reconciles the worker's compensation bank account on a monthly basis.

5.4j Utility Refund Payments

a. Utility refunds are generated automatically when utility billing generates a final bill for a utility customer and the customer has a credit balance on their account after all money has been applied to their utility account.
b. A utility refunds general ledger group is generated when the utility update is set nightly.
c. A Utility Billing staff person reviews the group to ensure the information is accurate, does group maintenance if needed, and emails the Accounting Manager to notify them that the group is ready for update.
d. When the group is updated, it sends the information over to AP in the ERP software.
e. Utility refund checks are generated weekly by an accountant.
f. The utility refund checks go through the same process as the AP checks and the payroll vendor checks in order to be printed.
g. A separate log is kept to track utility refunds checks.
h. Utility refund payments have separate check stock than AP and payroll checks.
i. Utility refunds have a separate bank code from AP and WC checks.

Internal Controls

1. Utility refunds are computer generated automatically.
2. A Utility Billing staff created the check batch.
3. The Accounting Manager updates the check batch.
4. An AP Clerk creates the EAL for the utility refund checks.
5. The EAL is reviewed and approved by an Accountant.
6. A check log is maintained weekly.
7. The check key and stock are locked up in possession of the Accounting Manager.
8. The checks are printed by an Accountant.
9. The check register is reviewed and approved by the Finance Director.
10. Checks are brought to the Clerk's office for mailing by the AP Clerk.
11. The Utility refund bank account is reconciled monthly by the Banking and Treasury Accountant.

5.5 Calendar Year-End AP Procedures

Overview

The City ensures compliance with Internal Revenue Service filing for calendar year-end requirements.

A. IRS Forms 1099-MISC, 1099-NEC, and 1096

   a. The Federal Government requires the City to report all payments to unincorporated qualifying vendors for services at the IRS published rate (currently greater than $600) for the calendar year.
   b. The City reports calendar year payments to vendors using the Form 1099-MISC or 1099-NEC, and to the Internal Revenue Service on the Form 1096, Annual Summary and Transmittal of U.S. Information Returns.
   c. Payments to individuals, partnerships and unincorporated businesses for rent, professional services, contracting, prizes and awards, etc. require the individual's social security number or the business tax identification number and permanent address for tax reporting purposes.
   d. This number must be provided to Finance on IRS Form W-9, which is available in the Finance Department or online at www.irs.gov. At the end of the calendar year, Finance will provide the vendor with an IRS Form 1099-MISC or 1099-NEC if payments equal or exceed the IRS published rate for that year, as required by law.
   e. Forms 1099-MISC & 1099-NEC for vendors payments paid by procurement card are prepared, distributed, and filed with the IRS by the credit card service provider.
   f. 1099 reporting requires the following tasks:
      i.   A Staff Accountant downloads the 1099 Form Instruction Publication from www.IRS.gov and make note of any changes in the reporting requirements from the prior year.
      ii. In the GMBA app, Year End Menu, run a 1099 Register from the Vendor Master File.
      iii. Review 1099 Register for accuracy and reconcile any differences against the general ledger and the vendor information.
      iv. Forward 1099 Register to Accounting Manager for review and approval to proceed.
      v.   Accounting Manager approves 1099 register.
      vi. Staff accountant prints and mails IRS Form 1099 Miscellaneous and 1099 NEC to each vendor postmarked by January 31st.
      vii. Staff Accountant prepares the IRS Form 1096 Transmittal with information from the 1099 Register.
      viii. Staff accountant mails IRS Form 1096 along with copies of Form 1099 Misc. and 1099 NEC sent to payees or submits electronically to the IRS by the due date stated on the instructions.
      ix. File copies and backup documents.

Internal Controls

1. W-9 forms are required from all new vendors to determine if they are subject to 1099 reporting and entered into vendor maintenance.
2. Updated W-9 forms are requested periodically.
3. Several accounting or AP employees work together to verify the amounts paid to vendors.
4. AP Clerks do not have access to vendor maintenance in the ERP system.
5. Senior Staff Accountant processes the 1099 reporting file.
6. The Accounting Manager reviews and approves the final transmittal.
7. The City maintains an active vendor listing.
8. Vendors submit IRS Form W-9 to the City along with a sample invoice; the requesting department employee completes a Request for Vendor Action form and sends it to Accounts Payable.
9. An AP Clerk reviews and confirms the information, by looking the vendor up on Sunbiz.org and contacting the vendor through the information obtained from the vendor's website or by using the contact information on file for vendor updates and gives it to a Senior Staff Accountant to enter into the system.
10. Active vendors are reviewed on an annual basis. A report is prepared by an AP clerk for any vendor that has not been used in the past 5 years and gives the report to a Senior Staff Accountant to review and deactivate the vendors in the ERP software.