

<p style="text-align: center;">SUBJECT ACH, EFT & FINANCIAL CONTROLS POLICY</p>	<p style="text-align: center;">ISSUED BY CITY COUNCIL</p>	<p style="text-align: center;">EFFECTIVE DATE February 2, 2015</p>
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POLICY STATEMENT:

This policy shall govern the use of ACH (automated clearinghouse) agreements and transactions and EFT (electronic funds transfers) and establish certain financial controls and management procedures for the City of Washington, Kansas.

PROCEDURE:

1. **Reconciliation of Accounts – General.** The City Clerk shall assure the reconciliation and balancing, at least monthly, of all bank accounts maintained by the City of Washington to the City’s cash balance in the accounting system. When posting entries in the accounting system that are identified from the monthly bank statement (automated clearing house/electronic funds transfer/interest earned, etc.) such entries should be posted as of the transaction date of occurrence, rather than the date of posting of such entries and supporting documentation shall be maintained. An online banking system shall be utilized and reviewed daily to post identified transactions that are not posted as a result of regular receipt and payment transactions. In order to perform any bank reconciliation, all activities shall be posted in the accounting system to the month in which they occur. The timely recording of all activity from the bank statement shall occur within three (3) days of the transaction. The accounting system used by the City shall not be closed each month until all transactions are properly posted.
2. **Reconciliation of Accounts – Outstanding Checks.** During the reconciliation process, when it is determined that outstanding checks issued by the City are more than three years old, then such checks shall be voided. The check detail and money shall then be sent to the State of Kansas Unclaimed Property Division based on the guidelines of the State of Kansas.
3. **Reconciliation of Accounts – Outstanding Deposits.** Outstanding deposits shall not be on the bank reconciliation for more than one month as deposits in transit recorded as outstanding at the end of any month should clear within a few days on the subsequent bank statement. If any outstanding deposit is shown on the online banking statement for more than 3 working days the city treasurer shall conduct an immediate inquiry into the cause of such deposit not posting to the bank account.
4. **Journal Voucher.** Each journal voucher shall be approved by written notation thereon or on the supporting documentation by the Mayor, or another elected official.

5. **Deposits.** Deposits shall be prepared and made daily for the previous day's activity. The deposit slip shall be dated for the date of the actual deposit.
6. **Detail Receipt Reports.** As a part of the daily closing process, cash, checks and electronic funds transactions shall be counted and compared to what the detail receipt report shows. Any variances in the composition of a day's cash, check and electronic funds transaction receipts shall be noted on that day's activity report when the money is counted and confirmed at the end of the day on each drawer count down. The variances should then be verified by the person who reviews all drawers. Any variances to the report should be noted on that day's report, initialed and dated by the clerk as well as the supervisor. When funds are delivered to the city treasurer's office from other collection points throughout the city such funds shall be entered into the accounting system by separating cash, checks and electronic funds transactions on the system report.
7. **Accounts Payable and Payroll.** The City Clerk shall prepare all accounts payable checks, wires and payroll electronic funds transactions. This clerk shall then obtain all necessary signatures upon such checks and prepare the envelopes and mail such checks to the appropriate parties.
8. **City Council Prior Approval of Checks.** All checks shall be approved by the City Council prior to being mailed, except checks for claims which provide a discount for early payment, assessment of a penalty for late payment, disconnection of a service, and those which directly affect payroll, which may be authorized to be paid in advance of approval thereof by the City Council if payment of the amount of such claim is required before the next scheduled regular meeting of the City Council in order to benefit from the discount provided by early payment or to avoid assessment of the penalty for late payment. Checks shall be posted to the accounting system within two working days after the City Council approves the same and be posted the same date. The City Council shall receive a monthly report detailing checks written from all the City's cash accounts.
9. **Severability.** If any section, subsection, subdivision, paragraph, sentence, clause or phrase in this resolution, or the application thereof to any circumstances, is for any reason held to be unconstitutional or invalid or ineffective by any court of competent jurisdiction, such decision shall not affect the validity or effectiveness of the remaining portions of this resolution.
10. **Authority to Enter Into Agreements and Electronic Transfer of Public Funds.**

The Mayor may enter into ACH and EFT agreements upon approval by the City Council.

11. **Responsibility for ACH Transactions.**
 - (a) The City Treasurer shall be responsible for all ACH preauthorized payment agreements for utility customers, creating the ACH utility billing batch, and receipting of all incoming ACH & EFT transactions.
 - (b) The City Clerk shall be responsible for outgoing ACH & EFT transactions, including payment approval, accounting, reporting, and generally overseeing compliance with the ACH & EFT policy. The City Clerk shall submit to the

City Council documentation detailing the amount and description of payments made and the vendor to whom they are paid, and the date of the payment. This report shall be obtained from the electronic general ledger software system or in a separate report to the governing body.

12. Internal Accounting Controls to Monitor Use of ACH & EFT Transactions.

- a) The City Clerk shall be responsible for the establishment and maintenance of ACH agreements upon approval by the City Council. The City Clerk shall notify the City Council of those accounts to be paid by ACH or EFT.
- b) Upon receipt of an invoice for payment for accounts paid by ACH or EFT, the City Clerk shall approve and process payment(s) and notify the City Treasurer of the date of debit to the City accounts. A report of all electronic payments shall be presented to the City Council. All other invoices paid by the City Clerk and payable by ACH or EFT may be paid in that manner if deemed in the best interest of the City, e.g. to avoid a late fee, termination of service, etc.
- c) For payment of State and Federal payroll taxes, unemployment and KPERs, the City Clerk shall initiate payment to the proper authority upon receipt of the information from the payroll system using the established EFTPS (electronic funds transfer processing system) and state program and notify the City Treasurer of the date of debit to the City accounts. These payments shall be included on the report of payments to the City Council.
- d) All invoices shall be held by the City Clerk along with copies of payment vouchers.
- e) For deposits from state, county, and/or federal authorities, and from third-party payment processors or vendors, e.g., banks, vendors, State of Kansas, Medicare, credit card payments, etc., the City Treasurer shall obtain the amount of the deposit and receipt it in through the City's cashing system.
- f) For payment of payroll, the City Clerk will process the payroll batch through the accounting system and submit electronically, and the deposit amount shall be verified by another office staff member.
- g) For submission of utility billing ACH batches, the City Treasurer will process the utility billing batch through the accounting system and submit electronically, and the batch amount shall be verified by another office staff member.

Ryan W. Kern, Mayor