



MONROE CITY COUNCIL

Finance & Human Resources Committee Meeting

Tuesday, February 16, 2021, 5:30 PM
Zoom Online Meeting Platform

Councilmembers
Patsy Cudaback
Jason Gamble
Kirk Scarboro

Page

1. CALL TO ORDER

1.1. Virtual Participation Information:

The City Council meeting will be held virtually via Zoom Meeting. Due to the COVID-19 pandemic, and [Proclamation 20-28.14](#) issued by Governor Jay Inslee, in-person attendance is not permitted at this time.

Join Zoom Meeting:

- Click link:
<https://us02web.zoom.us/j/82837576052?pwd=S3lhNUw1TWJqckRqRVNxcWFaa2Ntdz09>
- Dial in: (253) 215-8782
- Meeting ID: 828 3757 6052
- Password: 187488

2. ROLL CALL

3. APPROVAL OF MINUTES

- 3.1. Meeting Minutes of January 19, 2021 3
[FHR Minutes 01-19-21](#)

4. NEW BUSINESS

- 4.1. 2021 Finance/HR Committee Work Plan - Becky Hasart 4 - 5
[Agenda Bill - 2021 FHR Work Plan - Pdf](#)
- 4.2. Preliminary 2020 Year End Fiscal Analysis - Becky Hasart 6 - 7
[Agenda Bill - Preliminary 2020 Year End Fiscal Analysis - Pdf](#)
- 4.3. ACH/Electronic Funds Transfer Payment Policy - Becky Hasart 8 - 15
[Agenda Bill - ACH/Electronic Funds Transfer Payment Policy - Pdf](#)

ACCOMMODATIONS FOR PEOPLE WITH DISABILITIES WILL BE PROVIDED UPON REQUEST.
For assistance, please contact the City Clerk's Office at 360-794-7400 in advance of the meeting.
THE CITY COUNCIL MAY ADD AND TAKE ACTION ON OTHER ITEMS NOT LISTED ON THIS AGENDA

5. NEXT COMMITTEE MEETING

- 5.1. March 16, 2021 at 5:30 p.m.
Begin Reserve Policy update

6. ADJOURNMENT



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Finance & Human Resources
Committee Meeting
Tuesday, January 19, 2021 5:30 p.m.
Zoom Online Meeting Platform

Committee
Councilmembers
Patsy Cudaback
Jason Gamble
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MINUTES

I. Call to Order & Roll Call

A regular meeting of the Monroe City Council Finance & Human Resources Committee was held on November 17, 2020 via Zoom. Due to the COVID-19 pandemic, and Proclamation 20-28 issued by Governor Jay Inslee, in-person attendance is not permitted at this time. The meeting was called to order by Councilmember Gamble at 5:31 p.m.

Committee present: Councilmembers Gamble, Cudaback, and Scarboro
Mayor present: No
Staff present: Knight, Hasart, Warthan, Christian

II. Approval of Minutes – Meeting minutes of November 17, 2020. Councilmember Cudaback moved to approve the minutes. Scarboro seconded. Motion passed 3-0.

III. New Business

A. Select Chair – Councilmember Scarboro moved to nominate Councilmember Gamble as chair for 2021. Councilmember Cudaback seconded. Motion carried 3-0.

B. Confirm meeting dates and time – consensus was to keep the same time and dates, being 5:30 p.m. on the third Tuesday of each month.

IV. Other Business – there was no other business for discussion.

V. Next Committee Meeting - is scheduled for February 16, 2021 5:30 p.m. Tentatively scheduled topics include the 2021 work plan and an ACH/Electronic payment policy.

VI. Adjournment – Councilmember Scarboro moved to adjourn. Councilmember Gamble seconded. Motion passed 3-0. Meeting adjourned at 5:36 p.m.

Submitted by:

Approved by:

Becky Hasart, Interim City Clerk

Councilmember Gamble, Chairperson



AGENDA BILL

Meeting Date: February 16, 2021

Staff Contact: Becky Hasart, Finance
Director/Interim City Clerk

Department: Finance

SUBJECT: 2021 Finance/HR Committee Work Plan

REQUESTED ACTION:

Provide input, if any, on the draft 2021 work plan.

POLICY CONSIDERATIONS:

Section 14A of the Council Rules of Procedures outlines the expectations for Council Committee, to include tasks which may be assigned to the Committee by the Council as a whole or brought by administration. The annual work plan is a proposed listing of tasks to be addressed by the Committee.

DESCRIPTION/BACKGROUND:

The proposed 2021 Work Plan is the suggested tasks, with proposed timelines, for tasks to be addressed by the Committee. Items are subject to change based on work loads, emergent issues, and/or Committee and Council preference.

FISCAL IMPACTS:

N/A

TIME CONSTRAINTS:

N/A

ALTERNATIVES TO REQUESTED ACTION:

N/A

ATTACHMENTS:

[FHR_WorkPlan2021 DRAFT](#)



2021
MONROE CITY COUNCIL
Finance & Human Resources Committee

Councilmembers
Patsy Cudaback
Jason Gamble
Kirk Scarboro

2021 WORK PLAN*

February	Finance	ACH/Electronic Payment Policy Preliminary 2020 Revenue analysis
March	Finance	Reserve Policy update
April	Finance	2020 Annual Report review 2021 Budget Amendment
May	Finance	To be determined
June	Finance	Begin Travel/Expense Reimbursement Policy review/update
July	Finance	Next Budget Cycle Revenue Assumptions 6 year utility rate model review
August	Finance	2020 Audit update
	HR	Mid-Year Performance Review Update
September	Finance	General Fund six year projection
October	Finance	Old business close out
November	Finance	Old business close out
December	Finance	Meeting Traditionally cancelled

**The work plan items are subject to change as needed; and Regular Meetings held the third Tuesday of each month at 5:30 p.m.; unless otherwise noted.*



AGENDA BILL

Meeting Date: February 16, 2021

Staff Contact: Becky Hasart, Finance
Director/Interim City Clerk

Department: Finance

SUBJECT: Preliminary 2020 Year End Fiscal Analysis

REQUESTED ACTION:

None. Informational only.

POLICY CONSIDERATIONS:

None - Informational only.

DESCRIPTION/BACKGROUND:

The attached is a high level, early year end analysis of key revenue sources for 2020. All numbers presented are subject to change as Finance continues to close out the 2020 fiscal year.

FISCAL IMPACTS:

Any fiscal impacts are aggregated into the final 2020 ending fund balances for the City. Final impacts will not be determined until the 2020 fiscal year end process is closed out.

TIME CONSTRAINTS:

N/A

ALTERNATIVES TO REQUESTED ACTION:

N/A

ATTACHMENTS:

[Preliminary 2020 year end analysis](#)

City of Monroe Preliminary Analysis - All numbers subject to change during year end close out procedures.

Real Estate Excise Tax (REET)		
2018	\$ 1,333,345	
2019	\$ 1,334,634	
2020	\$ 1,140,214	-14.57%
REET was consistent between fiscal years 2018 & 2019 but did decrease by 14.57% between fiscal years 2019 & 2020.		

Lodging Taxes		
2018	\$ 88,063	
2019	\$ 91,463	3.86%
2020	\$ 62,132	-32.07%
The number of hotels within Monroe did not change between fiscal years 2018 through 2020. However, due to the pandemic, Lodging Taxes, which support tourism economic development, has decreased significantly (32.07% down) between 2019 & 2020.		

Sales Tax - All inclusive		Sales Tax - Construction only	
2018	\$ 5,227,287	2018	\$ 807,642
2019	\$ 5,480,053	2019	\$ 781,581
	4.84%		-3.23%
2020	\$ 5,497,827	2020	\$ 671,253
	0.32%		-14.12%

Aggregate sales taxes was consistent between fiscal years 2019 & 2020. However, construction sales taxes reflected the same trend we saw in REET. It is a reasonable conclusion that retail construction sales taxes increased during 2020 while the construction sector decreased. Construction was temporarily suspended at the start of the pandemic, which can account for some of the decrease to both REET and construction related sales taxes.

Admission Taxes		
2018	\$ 106,476	
2019	\$ 103,570	-2.73%
2020	\$ 31,331	-69.75%
Admission taxes can fluctuate 5% to 8% year to year based on public movie going preferences. However, admissions tax saw an almost 70% decrease from 2019 to 2020 due to pandemic related closures.		



AGENDA BILL

Meeting Date: February 16, 2021

Staff Contact: Becky Hasart, Finance
Director/Interim City Clerk

Department: Finance

SUBJECT: ACH/Electronic Funds Transfer Payment Policy

REQUESTED ACTION:

Review and provide direction on any areas of concern.

POLICY CONSIDERATIONS:

Should the City adopt an ACH/Electronic Funds Transfers Payment Policy which aligns the City's policies with state law, State Auditors' Office advice, and 2019 Audit Exit recommendations?

DESCRIPTION/BACKGROUND:

The use of electronic funds transfers(EFT)/ACH payments to pay vendors and City employees is an efficient and cost effective way to manage our payroll and accounts payables. However, internal controls around EFT/ACH payments need to be strong to minimize the exposure to possible fraud.

During the Fiscal Year 2019 annual audit, the Washington State Auditors' office reviewed the City's procedures regarding how it handles and processes EFTs, also known as ACH payments. Processes and procedures around electronic payments were a statewide area of emphasis for the auditor's office, especially as the incidents of EFT/ACH fraud continue to increase.

As part of its review for the City, the auditors were satisfied with how the City manages its EFT/ACH payments, especially around the processes used to verify the legitimacy of requested changes to banking information for vendor receipts and how we verify requested changes to employee payroll direct deposit changes. However, the State Auditors did recommend as an exit item that the City adopt a formal ACH/Electronic Funds Transfer Payments policy.

The attached policy is a draft ACH/Electronics Funds Transfer Payment policy for consideration. This policy addresses the best practice recommendations from the State Auditors' Office and incorporates the existing processes used by the City's Finance Department. For tonight's discussion, staff is looking for direction on any areas of concern or areas of emphasis. Concurrent to the Finance/HR Committee's review, this policy is also

being reviewed by both the Accounts Payable Clerk and the Payroll Clerk for areas of concern and emphasis. Once all reviews are completed, any suggested changes will be assessed for inclusion in the policy before being presented for adoption by the City Council as a whole. Because this policy is financial in nature, it will be recommended that the policy be adopted by Resolution.

FISCAL IMPACTS:

None.

TIME CONSTRAINTS:

None. However, review should be completed by the end of February to facilitate potential adoption by the Council during March.

ALTERNATIVES TO REQUESTED ACTION:

Do not adopt a formal policy.

ATTACHMENTS:

[02-16-21 EFT Policy - draft](#)

PROCEDURE SUBJECT: **AUTHORIZATION & PROCESSING OF ACH/ELECTRONIC FUNDS TRANSFERS**

Reference Number: _____

Effective Date: _____

APPROVED:

1. PURPOSE AND SCOPE

The City of Monroe makes payments to vendors and employees by electronic funds transfer and also receives funds from various parties as a routine business practice. All such payments must be properly authorized and executed to reduce the risk of erroneous or fraudulent transactions.

2. INTERNAL CONTROL REQUIREMENTS

To protect EFT transactions from internal and external threats, the following controls will be adhered to:

- a. Implementation of bank offered security measures to prevent unauthorized individuals from initiating or modifying a transfer, i.e., use of positive pay.
- b. Each user initiating or approving bank transactions must have separate bank User IDs.
- c. Separate users must initiate and authorize electronic transactions.
- d. Use of pre-established templates for specific transaction types and specific accounts may be authorized in advance by the Finance Director, however, new templates must be initiated by one user and authorized by the Finance Director.
- e. The process for creating, securing, sending and authenticating direct deposit transmittal files to prevent unauthorized modification or submission is documented below.
- f. Adherence to City of Monroe computer policies and procedures to protect the computers and computing processes used for EFTs from computer malware.
- g. Regardless of payment method, i.e., wire transfer, ACH or paper warrant (check), employees shall adhere to the authorization and processing requirements outlined in Section 13 in the City Procurement Policies and Procedures Manual.
- h. Changes to employee direct deposit must be processed using the Direct Deposit Authorization Form, under no circumstances will account changes be authorized by telephone or email.
- i. Changes to vendor ACH accounts must be processed using the EFT (ACH/Wire Transfer) Authorization Form, under no circumstances will account changes be authorized by telephone or email.

3. Types of Payments Made via ACH:

- a. **Vendor Payments:** In its normal course of business, the City of Monroe remits the following types of vendor payments via ACH: Supplier payments, Employee reimbursements, routine payments to the WA State Treasurer.
- b. **Wire Transfers:** transfer for investment purchases, bond proceeds, interest payments and maturities are routinely processed by wire between the City and US Bank (custodial account).
- c. **Utility Customer Direct Debit:** Utility customers have the option to direct the city to directly debit their bank account to make their utility payments.
- d. **Payroll – Fulltime Employees:** in order to standardize procedures and reduce the number of individual transactions, the City of Monroe highly encourages all employees to be paid by ACH direct deposit.
- e. **Payroll – Part-time Employees:** The city will offer all part-time employees the option to be paid by ACH direct deposit.
- f. **Payroll – Temporary Employees:** The city will offer all temporary employees the option to be paid by ACH direct deposit.

For suppliers and employees being paid by paper warrant (check), the city shall adhere to the requirements for payment approvals and accounts payable documentation and processing as described in City of Monroe Procurement Manual Section 13, and other applicable laws.

With very few exceptions, checks issued to suppliers and employees should only be delivered to the supplier or employee by United States mail or its equivalent. Exceptions must be documented and authorized by the Finance Director. Under no circumstances is a check to be mailed earlier than the dated date of the check.

4. TRAINING

To ensure consistent compliance with procedures, employees tasked with processing, reconciling and record-keeping will train in proper procedures and internal controls prior to conducting these functions.

5. DEFINITIONS

- a. Automated Clearing House (ACH) - A nationwide payment and collection system that provides for electronic distribution and settlement of funds. Although the term Electronic Fund Transfer (EFT) is technically more inclusive than the term ACH, the term EFT is often used synonymously with ACH and Wire Transfer. Wire transfers execute directly between two accounts, as opposed to a clearinghouse, so they process more quickly, but they are more expensive.
- b. Electronic funds transfer (EFT) - refers to the disbursement from a bank account by means of wire, direct deposit, ACH or other electronic means.
- c. NACHA (National Automated Clearing House Association) is the steward of the electronic system that connects all U.S. bank accounts and facilitates the movement of money among them. NACHA

6. RECORD-KEEPING

- a. Transaction records will include:
 - i. Chronological number of the EFT payment.
 - ii. Time and date of disbursement.
 - iii. Payee - name, address and account number.
 - iv. Amount of disbursement.
 - v. Purpose of disbursement.
 - vi. BARS or other accounting system expenditure/expense account number.
 - vii. Name and number of fund(s).
 - viii. Disbursing bank's unique transaction identification number, if available.
 - ix. Receiving bank or financial institution's identification number.
- b. A file must be maintained of authorizations by payees who have thereby agreed to have moneys added to their accounts electronically.
- c. The Finance Director should notify the disbursing bank that access to files, records and documentation of all EFT transactions involving the Finance Director should be provided to the State Auditor when required for the conduct of the statutory post audit.

7. PROCEDURES:

- a. **Origination of ACH File:**
 - i. **ACH File Database:** The City of Monroe creates ACH files from SpringBrook, which are downloaded in proper ACH format.
 - ii. **Transmission:** Several options are available to transmit the file to the ACH originating bank, either through a gateway provider, or directly to the bank. The City of Monroe generates and transmits payroll, employee reimbursement and supplier payment files via Keybank.
 - iii. **Retention:** ACH and EFT data files are required to be maintained for six years after the end of the fiscal year (per Local Government Records Retention Manual, DANS GS2011-185.
- b. **Authorizations**
 - i. All employees whose net pay is to be direct deposited must complete a Direct Deposit Authorization Form. This form is submitted to the city Payroll Office along with a deposit slip for a Savings Account or a voided check for a Checking Account. In lieu of a deposit slip or voided check, the employee may provide documentation from the employee's financial institution indicating the transit-routing number and the account number.
 - ii. The authorization form shall provide the employee the ability to change bank account information. Employees should notify the Payroll Office immediately but no later than seven working days prior to the effective pay date. Exceptions may be granted up to 4 working days prior to pay date for closed or compromised accounts.
 - iii. An employee desiring to discontinue participating in the ACH program may submit a revocation request. The request will be acted on depending upon whether participation is mandatory or not.
 - iv. Retention of authorization forms and any requests for revocation of authorization will be maintained until superseded and released from all audits.
 - v. The City of Monroe does not allow telephone or email initiated entries or changes to authorizations.

c. Transaction Advices

- i. Participating employees are provided a hard copy Direct Deposit advice (paystub) on the payroll pay date, specifying details of the employee's gross pay, tax withholdings, statutory and voluntary deductions, net pay and other information.
- ii. Suppliers being paid by ACH credit will be advised of the payment by email.

d. Cancellation of Transactions

- i. If it is learned that a supplier or employee does not have a right to a payment or the payment amount is in excess of the amount due the supplier/employee, then the payment is to be cancelled. Actions to take will depend upon where the payment is in the timeline of the transaction.

1. If the ACH file has not been transmitted to KeyBank and the payroll has been finalized, the Payroll Office would send the file with the known error to KeyBank, complete a KeyBank ACH Service Request for Item Delete/Reversal and fax to KeyBank.

2. If the ACH file has not been transmitted to KeyBank and the ACH process has begun, AP will contact Systems to remove the payment in question.

3. If the ACH file has already been transmitted to KeyBank, the Payroll Office would complete a KeyBank ACH Service Request for Item Delete/Reversal and fax to KeyBank.

e. Cut-off Times and Close Outs

- i. The following cutoff times are established for ACH file transmissions:
 - 1. The ACH file auto-generated at the conclusion of the payroll process is scheduled to transmit two (2) banking days prior to payroll issue/check date.
 - 2. The ACH file transmission for suppliers is generated two (2) banking days prior to issue/check date.

f. Funding outbound ACH transactions

- i. Funding of ACH files is deemed to be a critical function that must be performed accurately and timely, in order to avoid the overdrawing of bank accounts.
- ii. The settlement bank account which accommodates the funding of outbound ACH transactions for Payroll and outbound ACH Supplier transaction is the City's General Bank Account held at Key Bank.
- iii. Funding of ACH/EFT transactions must occur for settlement no later than the following day.

g. Reporting of inbound ACH transactions

- i. The settlement bank account which accommodates the receipt of inbound ACH transactions is the City's General Bank Account held at Key Bank.
- ii. The city receives notice monthly from the Office of State Treasurer (OST) about two days prior to receipt. The transmittal is recorded in various funds and revenue accounts and is posted by the cashier as part of the daily cashiering batch.
- iii. The city receives notice daily from Automated Funds Transfer Service (AFTS) for utility payments made via lockbox. These are recorded into Springbrook via the appropriate FTP protocols.

- iv. For online permit payments made via OrbiPay (hosted by Key Bank), notice is retrieved from the OrbiPay website by the cashier using a unique ID assigned specifically to that cashier. Individual payments as listed on the notice report are posted by the cashier into his/her daily cashing batch. Payments are deposited by the OrbiPay system directly into the City's General Checking account held by Key Bank.
 - v. Utility payments made online utilize merchanttransact.com, which is owned by SpringBrook. Payments made in this manner are imported into Springbrook using the appropriate FTP protocol. Payments are deposited by Merchant Transact directly into the City's General Checking account held by Key Bank.
- h. Reconciliation**
- i. All Bank Statements shall be reconciled monthly as part of a global reconciliation.
 - ii. Individuals responsible for bank account reconciliations should not also be responsible for handling cash. Additionally, these individuals should only have inquiry access to Key Bank, thus negating their ability to record receipts or process disbursements.
 - iii. All Bank Reconciliations are performed in accordance with BARS Manual standards. Completed bank reconciliations are reviewed by a second reviewer and recorded accordingly. Any reconciling item adjustments are recorded and reviewed by a second reviewer as part of the monthly reconciliation process.
 - iv. All reconciliations are reviewed, signed, and dated by a second Finance Department employee or the City Administrator. All journal entries for adjustments are prepared by the responsible party and reviewed by a second Finance Department employee once completed.
 - v. All outstanding items are reconciled prior to the end of the succeeding month. Large checks over 6 months old are reviewed monthly. Abandoned checks are escheated to the state each year per state regulations.
- i. Returns**
- i. In the case of outbound transactions for supplier and payroll payments, an ACH Returns account is not utilized. Instead, the returns will be credited to the settlement bank account at KeyBank from which the funds were originally disbursed.
 - ii. Returned items are monitored as part of the daily deposit process. Any returned items are forwarded to the appropriate Finance staff member (Payroll for Direct Deposit and AP for all other ACH payments), to be researched and either voided or reissued as appropriate. A second Finance Department employee reviews all such returns and their related disposition.
- j. Paying Invoices**
- i. All invoices for banking services received (e.g., KeyBank, etc.) shall be paid timely, in accordance with established City of Monroe procedures for accounts payable.
 - ii. Responsibility for inspecting the invoices received and approving for payment is that of the Finance Department.
- k. Signatures and Approvals:**
- i. The U.S. Federal E-SIGN Act of 2000 gives the same legal protection to online signing as to traditional pen-and-paper signing.

- ii. The City of Monroe utilizes Adobe Pro e-sign for routing of documents and for the collection of signatures.
- iii. Approval Signatures collected through Adobe Pro's e-sign routing process are original and official.

8. REFERENCES

- i. City of Monroe Procurement Policies & Procedures, Section 13-Payment Processing.
- ii. RCW 39.58.750 – authorizes local government use of EFT and directs the State Auditor to prescribe accounting procedures for EFT transaction processing.
- iii. BARS MANUAL Section 3.8.11 – provides accounting procedures and recommended internal controls to safeguard local government resources when utilizing EFT.
- iv. BARS MANUAL Section 3.1.9 – provides guidance regarding appropriate bank reconciliation practices.
- v. **E-Commerce Contacts:**
The Finance Department will maintain an updated list of KeyBank contacts.

9. FORMS

- i. **EFT (ACH/Wire Transfer) Authorization Form (authorization to pay vendors by ACH)**
- ii. **Direct Deposit Authorization Form (payroll)**
- iii. **Direct Debit Authorization Form (utility bill payment method)**