

**CITY OF MONROE
RESOLUTION NO. 006/2021**

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
MONROE, WASHINGTON, ADOPTING AN ACH/ELECTRONIC
FUNDS TRANSFERS POLICY

WHEREAS, the City of Monroe (hereinafter referred to as City) makes payments to vendors and employees by automated clearing house (ACH) or electronic funds transfers (EFTs); and

WHEREAS, the City receives ACH and EFT funds from various parties as a routine business practice; and

WHEREAS, proper authorization and execution of ACH and EFT payments reduces the risk of erroneous and fraudulent transactions; and

WHEREAS, the City has determined that adoption of a comprehensive policy providing guidelines for the authorization and processing of ACH/electronic funds transfers for the City is in its best interest;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MONROE, WASHINGTON, HEREBY RESOLVES AS FOLLOWS:

Section 1. Adoption of the City of Monroe ACH/Electronic Funds Transfer Policy. The City of Monroe ACH/Electronic Funds Transfer Policy is adopted in its entirety attached as Exhibit A.

Section 2. Effective Date. The City of Monroe ACH/Electronic Funds Transfer Policy will be effective May 12, 2021.

ADOPTED by the City Council of the City of Monroe, at its regular meeting thereof, and APPROVED by the Mayor this 11 day of May, 2021.

Approved: 05/11/2021
Effective: 05/12/2021

CITY OF MONROE, WASHINGTON

(SEAL)


Geoffrey Thomas (May 12, 2021 07:16 PDT)

Geoffrey Thomas, Mayor

ATTEST:

APPROVED AS TO FORM:



Rebecca R. Hasart, Interim City Clerk


Zach Lehl (May 12, 2021 07:05 PDT)

J. Zachary Lehl, City Attorney

EXHIBIT A

CITY OF MONROE

FINANCE POLICY

POLICY SUBJECT:

**AUTHORIZATION & PROCESSING OF ACH/ELECTRONIC FUNDS
TRANSFERS**

Reference Number: Resolution 006/2021

Effective Date: May 11, 2021

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.

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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) and between the City and the Local Government Investment Pool.
- c. **Customer Direct Debit:** Customers have the option to direct the city to directly debit their bank account to make their 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 should only be delivered to the supplier by United States mail or its equivalent. Payroll checks may be delivered directly to the employee. 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.

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- 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.

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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 but the payment process has been finalized, staff will void the batch to remove the incorrect payment.
 2. If the ACH file has not been transmitted to KeyBank and the ACH process has begun, staff will remove the incorrect payment prior to finalizing the batch.
 3. If the ACH file has already been transmitted to KeyBank, staff 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 cashiering 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, or Checkfree. 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.

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vi. As additional departments allow online payments, protocol will mirror item iv under this section.

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.

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- 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)**

RES 006 2021_Adopting ACH EFT Policy

Final Audit Report

2021-05-12

Created:	2021-05-12
By:	Becky Hasart (bhasart@monroewa.gov)
Status:	Signed
Transaction ID:	CBJCHBCAABAAVdJ1T2Ti8v6_dsXPHg7gWTlywtUP9ZBG

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