

**Policy - ACCOUNTS PAYABLE**

# **CITY OF EL CENTRO**

## **POLICY STATEMENT**

Policy Statement No: 309

Adopted: October, 2011

Category: Financial Management

Distribution: All Departments

Subject: Accounting procedures – Accounts Payable

### **I. POLICY:**

The City of El Centro (City) strives to maintain efficient business practices and good cost control. A well-managed accounts payable function can assist in accomplishing this goal from the purchasing decision through payment and check reconciliation.

It is the policy of the City that the recording of assets or expenses and the related liability is performed by an employee independent of ordering and receiving. The amounts recorded are based on the vendor invoice for the related goods or services.

The Accounts Payable Division of the Finance Department of the City supports all City department needs by providing a timely and efficient manner to process payments in compliance with policies and procedures.

The primary objective for accounts payable and cash disbursements is to ensure that:

1. Disbursements are properly authorized.
2. All the required documentation is included.
3. Invoices are processed in a timely manner.
4. Vendor credit terms and operating cash are managed for maximum benefits.

### **II. PROCEDURES:**

1. Accounts payable are processed on a daily basis. Information is entered into the MUNIS system from approved invoices and the respective attached supporting documentation.
2. New Vendor - It is necessary to set up a new vendor before entering a requisition into the Purchasing MUNIS Module System, each City department must request the vendor to complete and mail in Internal Revenue Service (IRS) Form W-9. When the Department receives this form, the Accounting Assistant in the Accounts Payable Division will enter the new vendor information into the accounting software. The Department will be able to create a requisition for a purchase order (PO) only after the vendor is set up in the system. The same process described above applies for individuals, companies and corporations.

The IRS requires the City to obtain an individual's correct taxpayer's identification number or social security number (individuals) and certification that the payee is not subject to backup withholding. To protect the City and to meet requirements for the IRS, individuals must complete the IRS W-9 to verify

their information. This also would apply to individuals who receive payments for such items as: consulting fees, sale of goods and other personal services. This list is not inclusive.

3. Invoices - It is the policy of City that only original invoices will be processed for payment unless duplicate copies have been verified as unpaid by researching the vendor records. Vendor statements should normally not be processed for payment.
  - a. If an original invoice is not provided then a written explanation signed by supervisor shall be required prior to payment.
  - b. If the invoice received does not have a PO, the Account Payable Specialist will send the original invoice to the respective department for them to process the requisition. However all purchases should first obtain a purchase order and should be processed through the MUNIS requisition system.
  - c. Each department is responsible for verification of invoices for payment including the following items:
    - i. Comparison of quantities billed on the invoice with quantities listed on the purchase order or shown on the receiving documents.
    - ii. Comparison of prices, discounts, and terms with those specified on the purchase order.
    - iii. Proof of clerical accuracy of the invoice with respect to extensions, mathematical accuracy and deductions for discounts.

#### 4. Preparation of an Accounts Payable Package (A/P package)

The vendor invoices should be reviewed and approved by a department director prior to being processed for payment.

All requests for payment to be submitted to finance shall include an A/P package. Each A/P package shall contain the following documents:

- a. Original invoice
  - a. If original invoice is not available (this should be the exception) a written explanation signed by supervisor is required.
- b. Packing slip (where appropriate).
- c. Purchase order
  - a. All purchases require prior requisition through MUNIS purchase order system.
- d. For travel reimbursement request – travel authorization form shall be signed by both the employee and the department director. See Policy #105.
- e. For credit card payments – signature of cardholder and director should be on the statement.
- f. Request for payment of cancellation fee
  - a. A written explanation for cancellation is required.
- g. Any other supporting documentation deemed appropriate.

All A/P packages must be approved by the department director. The approval indicates their acknowledgement of satisfactory receipt of those goods or services agreement with all terms appearing on the vendor invoice, agreement with general ledger account coding, and agreement to pay vendor in full.

#### 5. Recording and processing of accounts payable.

Information is entered into the system from approved and complete A/P packages. All valid accounts payable transactions, properly supported with the required documentation, shall be recorded as accounts payable in a timely manner.

All payment requests that are received, approved and supported with proper documentation by Tuesday at noon shall be recorded as accounts payable for the week and will be paid on Friday of the same week.

- a. City departments should obtain their purchase order in a timely manner in order to reduce the number of last minute "emergency" requests.

The following procedures shall be applied to each A/P package by the Accounts Payable Specialist:

- a. Invoices and related general ledger account distribution codes are reviewed prior to posting to the accounting software.
  - b. Check the mathematical accuracy of the vendor invoice.
  - c. Compare the nature, quantity and prices of items ordered per the vendor *invoice* to the packing slip and receiving report if one is provided.
  - d. Review the general ledger distribution (charged accounts).
  - e. The Finance copy of the PO will be pulled out.
  - f. Post all PO's requested for payment into the accounting software.
  - g. All A/P packages selected for payment shall be reviewed and approved by the Finance Manager and Finance Director.
  - h. The accounts payable report is matched to the check run.
  - i. Print accounts payable checks on Thursday before noon (after the approval from both the Finance Manager and Finance Director).
  - j. After the accounts payable checks are processed the accounts payable run is posted to the accounts payable module in the City's financial system. The charges automatically post and are reflected in the general ledger.
  - k. Checks will be mailed Thursday afternoon with the exception of those that the department request to hold.
  - l. Checks copies will be attached to the A/P packages and all invoices included in the A/P package will be stamped "PAID". These completed A/P packages will then be filed.
6. The check register report or "Warrant Register" generated each week must be signed by the Finance Manager and Finance Director. All signed "Warrant Registers" from prior month will be presented to the City Council for their review and approval at the second meeting of the month.

#### 7. Payment Discounts.

To the extent practical, it is the policy of the City of El Centro to take advantage of all prompt payment discounts offered by vendors. When availability of such discounts is noted, and all required documentation in support of payment is available, payments will be scheduled so as to take full advantage of the discounts.

#### 8. Employee Expense Reports.

Reimbursements for travel expenses, business meals, or other approved costs will be made only upon the receipt of a properly approved and completed expense reimbursement form (see policy No. 105 "Travel "). All receipts must be attached, and a brief description of the business purpose of trip or meeting must be noted on the form. This form must be signed by both the director and the employee.

#### 9. Manual checks.

In extremely rare situations a manual check may be written. To obtain a manual check requires the approval of the Director of Finance.

10. Void checks.

There are times when a check would need to be “voided” out of the system. In order for this process to occur a Void Check Authorization Form must be filled out and approved by the Director of Finance. The following information must be obtained:

- a. Check number
- b. Amount
- c. Date
- d. Payee
- e. Reason for void
- f. Stop payment required
- g. Check being reissued

Once approval from the Director of Finance is obtained, the void check process is posted in the financial system. A copy of the void check authorization form is given to the Finance Manager indicating the posting date on the void check authorization form. Another copy is placed in that month’s bank reconciliation binder.

At the end of the void check process, the following reports are reviewed and filed in the void check file within the bank reconciliation binder by the Accountant (copy of void check authorization form, copy of accounts payable check, void check proof list).

11. Summary

This policy is in place to provide guidelines for the proper processing of accounts payable in a manner that will safeguard the assets of the City.

**Approved by City Manager**

  
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Ruben Duran, City Manager

  
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Date