

# Town of Elmer City

## Resolution R8-2024

*A Resolution of the Town of Elmer City, Washington, Adopting an Electronic Funds Transfer Policy.*

**WHEREAS**, the Town of Elmer City (hereinafter referred to as City) makes payment to vendors and employees by automated clearing house (ACH) or electronic funds transfers (EFT); 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 Council for the Town of Elmer City has determined that adoption of a comprehensive policy providing guidelines for the authorization and processing of ACH and EFT transfers of funds is in the best interest for the City; and

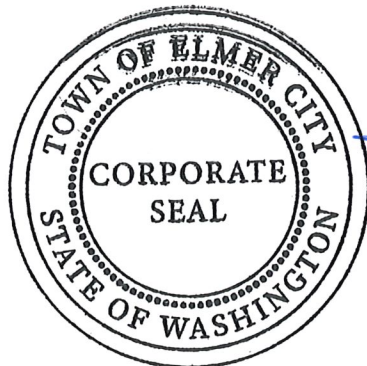
**NOW, THEREFORE**, the Town of Elmer City ACH/EFT Transfer Policy is adopted in its entirety attached as Exhibit A; and

**NOW, THEREFORE**, the Town of Elmer City ACH/EFT Transfer Policy will be effective as of September 13, 2024; and

**NOW, THEREFORE, BE IT ORDAINED** by the City Council for the Town of Elmer City, Washington this attached Resolution is hereby adopted.

Approved this 12<sup>th</sup> day of September, 2024.

TOWN OF ELMER CITY  
ELMER CITY, WASHINGTON



  
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JESSE O. TILLMAN, Mayor

ATTEST:

  
\_\_\_\_\_  
KELLY ROSS, Clerk/Treasurer

## Town of Elmer City

# Policies and Procedures for Authorization & Processing of Automated Clearing House and Electronic Funds Transfers.

### **Section 01 – Purpose and Scope:**

The Town of Elmer City (hereinafter referred to as City) makes payment to vendors by automated clearing house (ACH) or electronic funds transfers (EFT) and also receives funds 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.

### **Section 02 – Definitions:**

- I. Automated Clearing House (ACH) - A nationwide payment and collection system that provides for electronic distribution and settlement of funds.
- II. Electronic Fund Transfer (EFT) - Refers to the disbursement from a bank account by the means of wire, direct deposit, ACH or other electronic means.
- III. Wire Transfer – executes directly between two accounts, as opposed to a clearinghouse, so they process quickly.

### **Section 03 – Internal Control Requirements:**

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

- I. Implementation of bank offered security measures to prevent unauthorized individuals for imitating or modifying a transfer, i.e., use of positive pay.
- II. Each user initiating or approving bank transactions must have separate bank User ID's.
- III. Changes to vendor ACH accounts must be processed using the authorization form, and under no circumstance will an account change be authorized by phone or email.
- IV. To ensure consistent compliance with procedures, employees tasked with processing, reconciling and record-keeping will be trained in proper procedures and internal controls.

### **Section 04 – Type of Payments Made via ACH:**

- I. *Vendor Payment:* In its normal course of business, the City remits the following type of vendor payment via ACH:
  - a. Supplier payments.
  - b. Routine payments to Federal and State Agencies.
- II. *Wire Transfer:* Transfer for investment purchase, bond proceeds, interest payment are routinely processed by wire transfers.
- III. *Customer Direct Debit:* Customers have the option to direct the City to directly debit their bank account to make their monthly utility payments.
- IV. *Payroll:* At this time the City does not offer direct deposit payroll.



For suppliers and employees being paid by paper warrant (check), the City shall adhere to the requirements for payment approvals and account payable documenting and processing per state law.

With very few exceptions, warrants issued to vendors should only be delivered by USPO mail. Payroll checks may be delivered directly to the employee. Exceptions must be documented and authorized by the Treasurer. Under no circumstance is a warrant to be mailed earlier than the date on the warrant.

### **Section 05 – Record Keeping:**

- I. Transition records will include:
  - a. Chronological number of the EFT payment.
  - b. Time and date of disbursement
  - c. Payee – name, address and account number.
  - d. Amount of disbursement.
  - e. Purpose of disbursement.
  - f. BARS number.
  - g. Disbursing bank's unique transaction id number.
  - h. Receiving bank or financial institution's id number.
- II. A file must be maintained of authorizations by payees who have thereby agreed to have moneys added to their account electronically.
- III. The Clerk/Treasurer should notify the disbursing bank that access to files, record and documentation of all EFT transactions involving the Clerk/Treasurer should be provide to the State Auditor when required for the conduct of the statutory post audit.

### **Section 06 – Procedures:**

- I. Origination of ACH Files:
  - a. *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 generates supplier payments files via Wheatland Bank.
  - b. *Retention:* ACH and EFT data files are required to be maintained for six years after the end of the fiscal year.
- II. Cancellation of Transactions:
  - a) If it is learned that a supplier does not have a right to a payment or the payment amount is in excess of the amount due, then the payment is to be cancelled. Actions to take will depend upon where the payment is in the timeline of transaction.
    1. If the ACH file has not been transmitted to Wheatland Bank but the payment process has been finalized, staff will void the batch to remove the incorrect payment.
    2. If the ACH file has already been transmitted to Wheatland Bank, staff would complete a bank request form, for item to be deleted or reversed.

III. Cut-Off Times and Close Outs:

- a. The ACH file transmission for suppliers is generated two banking days prior to issue/check date.

IV. Funding Outbound ACH Transactions:

- a. 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 the bank account.
- b. The settlement bank account which accommodates the funding of outbound ACH supplier transaction is the City's general bank account held at Wheatland Bank.
- c. Funding of ACH/EFT transaction must occur for settlement no later than the following day.

V. Reporting of Inbound ACH Transactions:

- a. The settlement bank account which accommodates the receipt of inbound ACH transactions is the City's general bank account held at Wheatland Bank.
- b. The City receives a notice each month from the Office of the State Treasurer (OST) a few days prior to receipt. The transmittal is recorded in various fund and revenue accounts and is posted as part of the daily cashiering batch.
- c. The City receives notices from Heartline (hosted by Wheatland Bank) for utility payments made by credit/debit cards. Payments are deposited by Heartline into the City's general account. Payments are then receipted to the customers utility account.

VI. Reconciliation:

- a. Bank statements shall be reconciled monthly as part of a global reconciliation.
- b. Bank reconciliations are performed in accordance with BARS manual standards.
- c. Due to the City only having a one person staff member, the council and mayor will review the bank reconciliations quarterly.
- d. Abandoned checks are escheated to the state each year per regulations.