

Accounts Payable

2.2.9

PURPOSE

It is the policy of the City Redlands to ensure that all disbursements are properly authorized with adequate receipt documentation and approvals.

POLICY

It is the duty of the Management Services/Finance Director to supervise and be responsible for the disbursement of all public monies and have control over all expenditures to ensure that budget appropriations are not exceeded per Municipal Code No. 2.08.020.

ROLE OF CITY DEPARTMENTS

Each department in the City purchases goods and services as needed to operate. Goods and services shall be purchased in accordance with City Purchasing requirements as described in the City's Purchasing Policy. The Department Director should designate one or more employees to approve invoices, track which purchase orders the department has, and what goods or services need to be ordered.

These individuals shall:

- I. Verify that the purchase order has sufficient funds available for payment.
- II. Verify the correct purchase order number is noted on each invoice.
- III. Verify that the account number coded to the invoice has been encumbered.
- IV. Verify that the funds are from appropriately budgeted funds in the correct fiscal year.
- V. Ensure invoices are received and correctly coded with required information for Accounts Payable processing **within 15 days of receipt of goods or service**.
- VI. Verify that the goods or services have been received in good order and match the item on the purchase order, contract or other agreement.
- VII. Verify by calculation that the extensions and totals are correct on the invoice, and match the unit price or amounts on the purchase order, contract or other agreement.
- VIII. Attach the receiving documents to the invoice (packing slips, shipping receipts, etc.).

APPROVAL AUTHORITY

Annually, City department heads are required to update a Signature Authorization Form for Purchasing and Accounts Payable. Only members of management are given authorization.

In accordance with good internal controls, all forms require two signatures. A general employee can sign the invoice or purchase requisition, but the other signer must be a member of management and be listed on the Signature Authorization Form.

Accounts Payable

2.2.9

Individuals designated to approve invoices shall:

- Certify that the purchase is an appropriate expense for the City.
- Certify the proper goods and quantity of goods were received or that all services were rendered.
- Verify that the pricing, sales tax rate, extensions of the amount, account coding on the purchase order, contract or other agreement number is correct.

It shall be the responsibility of each City department to submit to Accounts Payable a correct, approved invoice with accurate information. **Invoices are subject to return or rejection if the information is incomplete or erroneous.**

ACCEPTABLE DOCUMENTS

Vendor Invoices and Credit Memos must contain all of the following:

- An original document received by the Finance Department
- Company, Doing Business As (DBA), or individual name and address
- Invoice number and date
- Date of Service (From and thru dates)
- Purchase order, contract or other agreement number
- Description of products with unit price or description of service
- Dollar amount of product or service, sales tax and freight

ACCOUNT CODING ON INVOICES

Account coding is required on all invoices. Account coding includes the department's orgkey, expense object code, and job ledger (if applicable). If the invoice involves multiple expense accounts or lines, the expense breakdown must adhere to the following rules:

- The amount allocated must be written next to each expense account and dollar amount (this will assist Accounts Payable if recalculation is necessary)
- Each expense amount must be clearly stated and easy to read (cluttered and confusion information may lead to errors and may cause an invoice to be delayed)
- If the account coding on invoice relates to multiple departments, each department must approve the charges to their account.

If there is any change in account coding after Accounts Payable reviews the submitted invoices, the department submitting the invoice will be notified of any of these changes.

PROMPT PAYMENT OF INVOICES

Invoices should be approved for payment by departments as soon as the invoice or the goods/services are received and accepted. To help ensure payment is made timely, this approval must be no later than five (5) calendar days from receipt of invoice documents by the department.

Accounts Payable

2.2.9

Departments must have a valid purchase order, contract, and available budgeted funds to ensure prompt payment of invoices.

RETURNED INVOICES

Invoices may need to be returned to the responsible department under certain circumstances. If there is a difference between the purchase order, contract or other agreement and the invoice, if the approval is on the remittance advice or another situation exists that a telephone call or email cannot resolve, the invoice may have to be sent back. It is imperative that invoices are handled properly to reduce time and save the City money.

OVERAGES ON PURCHASE ORDERS, CONTRACTS OR AGREEMENTS

Departments should be aware that they have funds on a purchase order, contract or other agreement before sending an invoice to Accounts Payable. Per the Purchasing Guidelines and Municipal Code Section 2.16.200, Accounts Payable will process overages on purchase orders, contracts or agreements in the following circumstances:

- If change is equal to less than ten percent (10%), the increase is allowed at the department's discretion unless the change causes the new value of the purchase order or contract to exceed fifty thousand dollars (\$50,000), which if not previously approved by the City Council, must then be so approved.
- If change is in excess of ten percent (10%) of the original value of that purchase order or contract it shall require approval by the Purchasing Agent, City Manager or City Council depending on the new value of the purchase order or contract after the increase an in relation to the established approval limits.

PRODUCT RETURNS AND CREDIT MEMOS

Product returns require a credit memo from the vendor. This should include documented acceptance by the vendor of returned products or adjustment to charges. Credit memos are treated as any other invoice and must be signed, coded and sent to Accounts Payable. **Do not** hold a credit memo, these must be submitted to Accounts Payable.

CHECK RUNS

Accounts Payable runs checks every Thursday (with exception to holidays or City closure). **Invoices submitted for payment will be scheduled according to the date of the invoice and the City's payment terms.** Once invoices and payment requests are paid, and check printed, the Finance Department will compare the invoice to the check for validity.

Accounts Payable

2.2.9

IMMEDIATE PAYS

Immediate Pay checks (also known as a “quick check”) are authorized for use in emergency situations only. These are an exception to the normal work flow and operating procedures of the Finance Department, and therefore, must represent emergency situations. Due to the disruption of operations, only critical needs will be authorized.

Departments must notify Accounts Payable staff of the need for an Immediate Pay check as soon as they become aware. An explanatory memo, including the nature of the emergency and the date and time of the check is needed, must accompany the invoice and disbursement voucher or purchase order. The explanatory memo must be signed and approved by the Department Director or his/her designee.

If the check is not being mailed a “Do Not Mail” slip is required. Please remember policy does not allow for vendor checks to be released to City staff. If there are extenuating circumstances, an explanation must be provided in the memo and must be approved by the Finance Director or designee. Staff will then be notified once the check become available. Otherwise, the check will be mailed.

CHECK REGISTERS

Detailed check registers are created after each check run and are approved by the Management Services/Finance Director or his/her designee and by a member of the City Council. These are filed in Accounts Payable and are kept according to the City’s Records Retention Schedule.

SPECIAL HANDLING REQUESTS

Any invoice whose check will not be mailed in the normal course of business requires a “Do not mail slip”. Any check requiring a copy be made and sent to department requires a “copy of check slip”. All Special Handling Requests must be approved by the Management Services/Finance Director or designee. Special Handling categories may include:

- Immediate Pay
- Employee Reimbursements
- Vendor/customer pickup checks (In isolated and extenuating circumstances. See “Picking Up Checks” section below for more detailed instructions)

PICKING UP CHECKS

The City of Redlands, Management Services/Finance Department, does not allow vendors to pick up checks except in isolated and extenuating circumstances. If the check is not being mailed, a “Do Not Mail” slip is required. Please remember policy does not allow for vendor checks to be released to City staff. If there are extenuating circumstances, an explanation must be provided in the memo and must be approved by the Finance Director or designee. Staff and vendors will then be notified once the check become available. Otherwise, the check will be mailed.

Accounts Payable

2.2.9

RETURNED CHECKS

Checks that are returned to the Management Services/Finance Department will require the use of the "Returned Check Form". Accounts Payable will send the Returned Check Form to the originating department. The originating department is responsible for researching and updating the check address/customer information. If the department would like to void the returned check a detailed explanation will be provided. The department will then send back to Accounts Payable the completed Returned Check Form with all the fields filled out. Accounts Payable will then re-mail the check with the updated customer information.

VOID CHECKS

If a check is to be voided, Accounts Payable will void the check in the financial system and notify the Revenue department and City Council by providing the void check register. Once the Revenue department completes the void in the banking system, a confirmation will be sent to Accounts Payable notifying them of the processed void.

RE-ISSUE CHECKS

Accounts Payable is responsible for issuing replacement checks. Accounts Payable will check the City's banking system to ensure the check has not cleared the bank prior to re-issuing a new check.

LOST, STOLEN, or DESTROYED CHECKS

Checks that are lost, stolen, or destroyed requires the payee (person/company check is issued to) to fill out an Indemnity Agreement Form. Accounts Payable will send the Indemnity Agreement Form to the payee once they become aware the check has been lost, stolen, or destroyed. The payee will then send back the completed form to Accounts Payable. Once Accounts Payable receives the completed Indemnity Agreement Form, the "Void Check" procedures mentioned previously will be followed. Once the Revenue Department completes the void in the banking system, a confirmation will be sent to Accounts Payable notifying them of the processed void. Accounts Payable will then check the City's banking system to ensure the check has not cleared the bank prior to re-issuing a new check. **Please allow 48 hours (2 business days) for the banking system to process the void and before reissuing a new check. Accounts Payable will reissue the check within 5 – 7 business days starting from the date the signed Indemnity Agreement is received.** Checks required sooner than the 5-7 business days will require Management Services/Finance Director or designee approval.

Accounts Payable

2.2.9

WIRE TRANSFERS

Payment requests for wire transfers require the use of the Wire Transfer Form. The Wire Transfer Form must contain the following:

- Date wire transfer is requested
- Initiating Department
- Required receipt date of the wire transfer (payment date)
 - The Revenue Department shall be given **at least a two business day notice prior to the required receipt date/payment date**, unless previously discussed with Revenue Department, to provide ample time for payment processing.
- Account coding (description, object code, amounts)
- Explanation of reason for the transfer
- Department request/approval signatures

Once the Wire Transfer Form is completed, the form will be submitted along with all supporting documentation (invoices, remittance, etc.) to the Revenue Division for processing. The Revenue Division will then process the wire transfer on or before the **Required Receipt Date**. The Revenue Division will then indicate on the Wire Transfer Form the date and time wire was sent along with verification number. The completed Wire Transfer Form and supporting documentation will be sent to the Management Services/Finance Department for posting to the financial system.

ACCOUNTS PAYABLE FORMS

Forms used for Accounts Payable requests have been standardized. Acceptable forms that will be used are as follows:

- Disbursement Voucher
- Expense Reimbursement Claim Form
- Short Form Purchase Order
- Annual Purchase Order
- Long Form Purchase Order
- Wire Form
- Returned Check Form
- Indemnity Agreement Form

All other forms should be discarded. Transactions shall be reviewed prior to payment for availability of funds, price extensions, correct account number, compliance of vendor invoice with purchase order and receiving report, and mailing address.