

# ***CITY OF DENTON***

## **POLICY/ADMINISTRATIVE PROCEDURE/ADMINISTRATIVE DIRECTIVE**

SECTION: FINANCE	REFERENCE NUMBER: 400.01
SUBJECT: ACCOUNTS PAYABLE	INITIAL EFFECTIVE DATE: 01/26/2021
TITLE: CASH DISBURSEMENTS	LAST REVISION DATE:

### **I. POLICY STATEMENT**

In meeting its goals and objectives, the City of Denton incurs a wide variety of expenses. Accounts Payable endeavors to serve these goals and objectives by processing payments in an efficient manner. It pays all of the City’s financial obligations, with the exception of payroll salaries and credit card payments. This policy is designed to provide guidance for non-compensated expenses.

Guidelines and policies cannot anticipate every possible expense or circumstance surrounding those expenses. The basic test for the allowability of purchase is that the primary purpose for the expenditure is to further the achievement of the City of Denton’s goals and objectives.

All purchases must be conducted in compliance with applicable Texas Local Government Code Statutes governing competitive bids and in compliance with the City’s Material Management and Payment Procedures Manual.

All payment request must have a supporting “invoice”, request without the proper documentation will not be processed. Appropriate documentation to support expenditures is the detailed, itemized original “invoice” or receipt listing the items purchased (not the summary receipt which is just a promise to pay). City employees and their supervisors are responsible for ensuring that there are no ineligible expenses incurred.

The City of Denton is tax-exempt and the employees should ensure that purchases do not include sales tax. A tax exempt certificate should be provided to serve as proof to the vendor of the City’s tax exempt status when the vendor is created in the system.

Once invoices are received, Accounts Payable will scan and send to departments requesting they be notified when the receiver has been entered.

### **II. ROLES AND RESPONSIBILITIES**

#### **Accounts Payable**

Accounts Payable will review purchases for departmental approval and supporting

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documentation, perform data entry, preparation of checks, enter ACH payment transactions into the financial software, and maintain administrative record keeping in accordance with approved retention schedules.

Accounts Payable will work with departments and vendors to resolve disputes and produce timely payments. All invoices with outstanding issue(s) will be logged into Smartsheet daily. This log, will promote two-way communication with departments and include, supporting documentation and the reason the invoice is outstanding. Upon entry, the spreadsheet will automatically send departments an email notification. Follow-up emails will be sent weekly until the issue(s) are resolved and the invoice is paid.

Accounts Payable will notify Procurement when payment names or addresses are set up improperly so that the vendor files will be corrected.

Accounts Payable will produce and maintain files on 1099 information returns for a period consistent with IRS guidelines.

**Purchase Orders**

The City utilizes the three-way match for payments using a Purchase Order. In order for an invoice to be processed for payment it must match the receiver. If the invoice does not match, the A/P Representative will review the Purchase Order and then work with the department and/or Vendor to get the issues resolved to get the invoice paid. Invoices with outstanding issues will be logged into a smart sheet file for tracking and reporting purposes.

**Check Requisitions, Refund Request, Expense Reports**

Check requisitions, refund request and expense reports will be submitted to accounts payable via Smartsheet. Each request will need to be submitted separately with supporting documentation.

**Department Heads and Supervisors**

Department heads and/or supervisors will designate the employees who are authorized to make purchases.

Department heads and supervisors will review, monitor, and approve purchases made on behalf of the City by their employees.

Department heads may perform the approval of their departmental purchases or may designate an Approver to perform this role.

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Department heads are ultimately responsible for approval of all purchases within their department(s).

Department heads are responsible for monitoring their budgets and not exceeding budgets.

The department head and/or supervisor will be required to comply with the purchasing, contract management, and accounts payable policies and procedures.

**Approver**

The department head may perform the role of Approver or can designate an Approver(s) for department-wide administration of purchases. Approvers should be limited to a select group of employees.

Approver will review, approve, and monitor the department personnel’s purchasing transactions. This includes reconciliation of departmental purchasing transactions to documentation, proper general ledger account coding, and evidence review and approval of purchase by signature or other electronic means.

For check requisitions, refund request and expense reports the following approvals will be required.

- Supervisor approval <\$5,000
- Director approval >\$5,000

**Employees Making Purchases**

The employee(s) can make purchases of goods and services necessary to perform work activities. Non-City purchases or personal expenditures, as well as use by any other person, is strictly prohibited.

Employees will obtain detailed, itemized transaction documentation for all purchases, review and verify the validity of all transactions, reconcile transactions to documentation, indicate proper general ledger account coding for transactions, and submit required records to the Approver. The employees will comply with purchasing, contract management, and accounts payable policies and procedures.

**Procurement Department**

The Procurement Department is responsible for the purchase of goods and services prior to ordering or securing such goods and services in accordance with purchasing policies and procedures. This includes anything requiring a purchase order, agreement, or contract.

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The Budget Department maintains the authorized approvers in the JD Edwards Enterprise One (E-1) financial system for purchase orders based on director approval (workflow).

Accounts Payable will evidence review by both a signature and printed name on check requests signifying that this is a legitimate use of City of Denton funds, and that there are two signatures (preparer and approver). Accounts Payable will fill in the appropriate vendor number on the check request.

The Procurement Department will maintain the vendor address book in the E-1 financial system, including assigning vendor numbers.

The Procurement Department will obtain vendor tax identification on the IRS form W-9, maintain the W-9 files, and maintain the tax identification numbers in the E-1 financial system. The Procurement Department will put vendors on hold if they do not comply with W-9 requirements.

Accounts Payable will follow up on problems in independent contractor reporting on IRS B-9 notices.

**Treasury Department**

Treasury receives check and ACH totals to (1) ensure cash is available for purchases and (2) the City is maximizing investment opportunities. The Treasury Manager reviews and processes wire requests via the bank software.

**Accounting Department**

- Wire and ACH Transfer Payments

The Finance Department will utilize Smartsheet and Laserfiche to track wire and ACH payments. Departments are required to send all wire and ACH forms to Treasury once complete. Afterwards, Treasury will review the form(s) for accuracy and obtain the necessary approval from the Finance Director, Assistant Director(s), Comptroller or Assistant Comptroller. Once approved, wire and ACH payment forms and supporting documentation are distributed to the assigned accountants VIA Smartsheet for review. When the review is complete, the wire payment forms are sent to Accounts Payable. Accounts Payable Staff will enter the payments (with check number) into JD Edwards. As the payments are entered, the date is recorded on the log next to each payment to ensure all wire and ACH payments for the month have been entered into JD Edwards.

- Weekly Check Processing

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Each Thursday (except for City recognized holidays), the Accounts Payable group will process checks for invoices, check requests, refunds, and expense reports.

There is a separate administrative directive for printing checks – please see Appendix A – Administrative Procedures – Check Printing. In this document, Step 5 of Section II, Procedures, instructs Accounts Payable to give all payments greater than \$5,000 to the assigned accountants for review.

- Over \$5,000 Payment Review

After the checks are printed, the Accounts Payable group prepares two logs for all payments over \$5,000. One log for checks and the other for ACH payments.

Each accountant will review the checks assigned to them for the following:

- Vendor Name – remittance name on check must match invoice
- Verify Amount – check amount must match the invoice(s)
- Verify Purchase Order number – must match number in JD Edwards (if applicable).
- Verify Received Amount – amount received against purchase order in JD Edwards must matches invoice total(s)
- Verify sales tax was NOT charged/paid on the invoice
- Review General Ledger Account – look for unusual accounts such as transfers, balance sheet accounts, revenue accounts, or fixed asset accounts.
- Initial the log for each check/ACH payment once the review is complete.
- Return check copies and logs to Accounts Payable

**III. DISTRIBUTION**

Accounts Payable will deliver the checks to the mail room. With very limited exceptions, all checks are to be mailed – there are no vendor pickups. Exceptions, which can be picked up by City employees only, include legal settlements (Legal), property purchases (Real Estate), or special requests (City Manager’s Office).

**IV. WIRE OR ACH ADJUSTMENT APPROVALS**

If the total value of a wire or ACH transaction is equal to or less than \$10.00, an adjustment may be approved by the City Manager or his/her designee. For wire and ACH transactions, the designee will be the Chief Financial Officer or Finance Director unless otherwise approved by the City Manager.