

RESOLUTION NO. 1021

**A RESOLUTION OF THE CITY OF UNIVERSITY PLACE, WASHINGTON, ADOPTING
AN ELECTRONIC FUNDS TRANSFER (EFT) POLICY AND PROCEDURES**

WHEREAS, the City of University Place recognizes the use of various electronic payment methods as a safe and efficient method to process certain disbursements and receive funds; and

WHEREAS, the City is committed to establishing controls and procedures for the utilization of electronic funds transfers (EFTs); and

WHEREAS, the City now desires to adopt an electronic funds transfer policy and procedures;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF UNIVERSITY PLACE, WASHINGTON, AS FOLLOWS:

Section 1. The "Electronic Funds Transfer (EFT) Policy and Procedures" attached hereto as Exhibit A and incorporated by reference, is hereby adopted for the City of University Place. The City Council delegates to the City Manager the authority to make administrative changes to such policy, provided such changes are consistent with state and federal requirements.

Section 2. Effective Date. This resolution shall take effect immediately upon its adoption.

ADOPTED BY THE CITY COUNCIL ON NOVEMBER 6, 2023.

Steve Worthington, Mayor

ATTEST:

Emelita J. Genetia, City Clerk

APPROVED AS TO FORM:

Matthew S. Kaser, City Attorney

CITY OF UNIVERSITY PLACE – POLICIES & PROCEDURES

TITLE: Electronic Funds Transfer (EFT)		POLICY MANUAL SECTION & NO. 03.01.009	
APPROVED BY CITY MANAGER	REVISES OR SUPERSEDES N/A	EFFECTIVE DATE:	

1. PURPOSE

The City of University Place 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. REFERENCES

RCW 39.58.750 – authorizes local government use of EFT and directs the State Auditor to prescribe accounting procedures for EFT transaction processing.

BARS MANUAL Section 3.8.11 – provides accounting procedures and recommended internal controls to safeguard local government resources when utilizing EFT.

3. DEFINITIONS

Electronic Funds Transfer (EFT): Refers to the disbursement from a bank account by means of wire, direct deposit, ACH, or other electronic means, either within a single financial institution or across multiple institutions, through computer-based systems. Wire transfers and ACH payments are examples of EFTs. This form of disbursement is authorized by RCW 39.58.750.

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.

Wire Transfer: This is an electronic transfer of funds from one bank account to another initiated directly with the payee's bank. This type of transfer utilizes a system operated by the Federal Reserve Banks and is more costly compared to transactions involving checks or ACH.

National Automated Clearing House Association: NACHA is the steward of the electronic system that connects all U.S. bank accounts and facilitates the movement of money among them.

Banking Information: Information from the payee or their bank regarding their account. This information includes bank name, account name, account number, routing number, bank contact information and any other information necessary to transmit funds.

4. GENERAL GUIDELINES

The City of University Place utilizes EFTs for receipt of intergovernmental payments, grant payments, and other revenues where practical, and the transmittal of payroll, withholdings, tax deposits, bond payments, credit card processing fees, banking fees, real estate transactions, and other disbursements where practical or required.

All EFTs are subject to applicable Purchasing Policies and all other policies and procedures in relation to the purchase of goods and/or services.

Except as noted above, wire transfers should only be used in payment of an obligation of the City when the situation requires immediate funds to settle a transaction or no other method is available. If a more inexpensive mechanism can be used to effect payment of the obligation (i.e., ACH or paper check), the Finance Department shall reserve the right to effect payment with the more inexpensive mechanism. Exceptions to this must be pre-approved by Finance.

This policy will be reviewed on an annual basis for accuracy and process verification. The City Manager is authorized to approve administrative changes to this policy without further council approval, provided such changes are consistent with state and federal requirements.

5. 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., ACH Filters.
- b. Each user initiating or approving bank transactions must have a separate bank User IDs.
- c. Each user must initiate and authorize electronic transactions.
- d. Use of pre-established templates for specific transaction types and specific account 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 of creating, securing, sending, and authenticating direct deposit transmittal files to prevent unauthorized modification or submission is documented below.
- f. Adherence to City of University Place IT policies and procedures to protect the computers and computing processes used for EFTs from computer malware.
- g. Changes to employee banking information for direct deposit must be processed in writing using the Direct Deposit Authorization Form, under no circumstances will account changes be authorized by telephone or email.
- h. Changes to vendor ACH accounts must be processed in writing, under no circumstances will account changes be authorized by telephone or email. Upon receipt, staff will independently verify changes with the vendor by phone.

6. TYPES OF PAYMENTS MADE BY EFT

Vendor Payments: In its normal course of business, the City of University Place remits the following types of vendor payments via ACH: payroll vendor payments, Credit Card Merchant Service Fees, and the Bank of America Visa payment.

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. The Finance Department is the only department authorized to initiate wire transfers. Wire transfers are occasionally used for vendor payments on an emergency basis or when no other payment method is available – these transactions must be approved by the Finance Director. Union dues payments are currently transmitted via Wire Transfer using a pre-established template.

Payroll Direct Deposit: In order to standardize procedures and reduce the number of individual transactions, all employees are required to be paid by ACH direct deposit.

7. 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.

8. RECORD-KEEPING

- a. Transaction records will include:
 - i. Unique Identifying number of the EFT payment (i.e., invoice number, date of payment, or bank transaction number).
 - ii. Time and date of disbursement.
 - iii. Payee name and address.
 - iv. Amount of disbursement.
 - v. Purpose of disbursement.
 - vi. BARS or other accounting system expenditure/expense account number.
 - vii. Disbursing bank's unique transaction identification number, if available.
 - viii. Receiving bank or financial institution's identification number.

- b. Documentation must be maintained of authorizations by payees who have thereby agreed to moneys added to their accounts electronically.

9. PROCEDURES

- a. Origination of ACH File:
 - i. ACH File Database: The City of University Place creates ACH files from Eden, 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 University Place generates and transmits payroll, employee reimbursement and supplier payment files via Bank of America.
 - iii. Retention: ACH and EFT date files are required to be maintained for six years after the end of the fiscal year (per Local Government Records Retention Manual, DAN GS2011-185).
- b. Authorizations
 - i. All employees must complete a Direct Deposit Authorization Form. This form is submitted to the City Payroll Office along with the banking institution's contact information including phone number and address. The employee may provide 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 with 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 date. Exceptions may be granted up to 4 working days prior to the payment date for closed or compromised accounts.
 - iii. Retention of authorization forms and any requests for revocation of authorization will be maintained until superseded and released from all audits.
 - iv. The City of University Place does not allow telephone or email-initiated entries or changes to authorizations.
- c. Transaction Advice
 - i. Employees are able to access their Direct Deposit advice (paystub) on the payroll pay date through the City's Employee Services system. The advice specifies the details of the employee's gross pay, tax withholdings, statutory and voluntary deductions, net pay, and other information.
 - ii. Payroll vendors being paid by ACH or Wire credit will be advised of the payment when payroll staff submit the reports through their specific website system.
 - iii. AP vendors being paid by Wire will be advised of the payment via email.
- 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 to 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.
 - If the ACH file has not been transmitted to Bank of America but the payment process has been finalized, staff will void the batch to remove the incorrect payment.
 - If the ACH file has not been transmitted to Bank of America and the ACH process has begun, staff will remove the incorrect payment prior to finalizing the batch.
 - If the ACH file has already been transmitted to Bank of America, staff would complete a Bank of America ACH Service Request for Item Delete/Reversal and fax to Bank of America.
- e. Cut-off Times
 - i. The following cut-off times are established for ACH file transmissions: The ACH file auto-generated at the conclusion of the payroll process should be scheduled to transmit two (2) banking days prior to payroll 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 in a timely manner, 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 transactions is the City's General Bank Account held at Bank of America.
 - iv. Funding of ACH/EFT transactions must occur the day before the ACH funding is sent.
- g. Reporting of Inbound EFT Transactions

- i. The settlement bank accounts which accommodate the receipt of inbound ACH transactions are the City's General Bank Account held at Bank of America or the City's Investment Account through LGIP.
 - ii. Washington State Revenues: The City receives notice monthly from the Office of State Treasurer (OST) about two days prior to receipt of funds (State Share revenues, business license fees, etc.). The transmittal information is entered onto a remittance form and is posted by the cashier as part of the daily cashiering batch or via journal entry. Payments are deposited directly into the City's LGIP Investment Account. TBD Fees are deposited into the City's General Checking account held by Bank of America.
 - iii. Pierce County Tax Revenues: City finance staff downloads the reports from the Pierce County portal on or about the 10th of each month. Amounts are entered onto a remittance form and placed in the deposit folder for processing in the cashiering system on the day the funds are received. Payments are deposited directly into the City's General Checking account held by Bank of America.
 - iv. Investment Interest: Remittance documentation is received via email and entered in the Eden system using a journal entry to ensure posting to the correct month. LGIP interest is deposited directly into the City's LGIP Investment Account. Interest from other investments is deposited directly into the City's General Checking account held by Bank of America. A journal entry is prepared, and the remittance is attached to post the monies in Eden.
 - v. Grant Revenue: The City receives remittance notification via email for grant payments received from the State. Notifications are printed and placed in the cashiering folder for input into cashiering on the day the funds are received. Payments are deposited directly into the City's General Checking account held by Bank of America.
 - vi. Permit Payments – Online: Customers make payments through the Energov system. Each day the Permits staff runs the Daily Transaction listing report in Energov. Individual payments as listed on the notice report are posted by the cashier through a daily cashiering batch. Payments are deposited by the Global Payments Merchant Services directly into the City's General Checking account held by Bank of America.
 - vii. Animal Control and Alarm Payments – Online: Customers make payments through the GovQA system. Each day the animal license staff runs the Daily Transaction Receipt of Payment that is emailed to gpauthorize@cityofup.com. Payment receipts listed in the email are posted by the cashier through a daily cashiering batch. Payments are posted to the Animal Control Accounts through the Progressive System. Payments are deposited by the Global Payment Merchant Services directly into the City's General Checking account held by Bank of America.
 - viii. As additional departments allow online payments, protocol will mirror item v. or vi. under this section as appropriate.
- h. Returns
- i. In the case of outbound transactions for suppliers and payroll payments, an ACH Returns account is not utilized. Instead, the returns will be credited to the settlement bank account at Bank of America from which the funds were originally disbursed.
 - ii. Returned items are monitored as part of the daily 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.