

**JEFFERSON COUNTY
BOARD OF COUNTY COMMISSIONERS**

CONSENT AGENDA REQUEST

TO: Board of County Commissioners

FROM: Mark McCauley, County Administrator

DATE: September 3, 2024

SUBJECT: Request for Board Approval, re: Jefferson County Electronic Funds Transfer (EFT) Policy

STATEMENT OF ISSUE:

Stewardship of the county's financial resources is a core responsibility of the county in general and of leadership in particular. The county needs to have internal controls in place to protect against errors and fraud. An area of significant risk is the transfer of funds using electronic means. Large sums can be transferred easily which is why the use of electronic fund transfers deserves special consideration when the county is evaluating the sufficiency of its internal controls.

ANALYSIS:

Stacie Prada, the County Treasurer, who oversees county banking recently convened an EFT Policy Workgroup to help develop a comprehensive, county-wide policy regarding EFT's. The group was comprised of financial staff from across the county. The purpose of the group was to craft a uniform policy for EFT's to be adhered to by all county departments and elected offices. The policy is designed to ensure consistency, enhance the effectiveness of the county's internal controls and prevent financial loss.

The work of the EFT Policy Workgroup is complete and their proposed policy is attached for consideration by the Board of County Commissioners.

FISCAL IMPACT:

This request has no fiscal impact. It does, however, increase the county's confidence that EFT's will be properly and uniformly administered and free from errors and fraud.

RECOMMENDATION:

That the Board of County Commissioners approve and adopt the attached EFT policy.

REVIEWED BY:


Mark McCauley, County Administrator

8/28/24
Date

JEFFERSON COUNTY



Electronic Fund Transfers (EFT) Policy
Adopted September __, 2024

Jefferson County Electronic Fund Transfers (EFT) Policy

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1. Purpose and Scope

- 1.1. Jefferson County makes payments to vendors and employees by electronic funds transfers and 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. Definitions

- 2.1. Electronic funds transfer (EFT) refers to both deposits to bank account and disbursements from a bank account by means of wire, direct deposit, ACH or other electronic means.
- 2.2. Automated Clearing House (ACH) -A nationwide payment and collection system that provides for the 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.
- 2.3. 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.

3. Internal Control Requirements

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

- 3.1. Implementation of bank offered security measures to prevent unauthorized individuals from initiating or modifying a transfer, i.e., use of positive pay.
- 3.2. Each user initiating or approving bank transactions must have separate bank User IDs.
- 3.3. Separate users must initiate and authorize electronic transactions.
- 3.4. Use of pre-established templates for specific transaction types and specific accounts may be authorized in advance by the Jefferson County Treasurer or their designee. New templates must be initiated by one user and authorized by the Jefferson County Treasurer or their designee.
- 3.5. The process for creating, securing, sending, and authenticating direct deposit transmittal files to prevent unauthorized modification or submission is documented below.
- 3.6. Adherence to the Jefferson County computer policies and procedures to protect computers and computing processes used for EFTs from computer malware.
- 3.7. Regardless of payment method, i.e., wire transfer, ACH or paper warrant (check), employees shall adhere to the authorization and processing requirements as set out in policy or procedures manual.
- 3.8. Changes to employee direct deposit must be processed using the Authorization Agreement for Direct Deposits (ACH Credits) with a voided check attached or an account verification form from the employee's financial institution. Under no circumstances will account changes be authorized by telephone or email.

- 3.9. Changes to vendor ACH accounts must be processed using the Vendor ACH Payment authorization form. Under no circumstances will account changes be authorized by telephone or email.
- 3.10. All EFT transactions will use available bank notifications. For example, wires and ACH transaction notifications will be sent by email to other bank account signers.

4. Types of Payments made via EFT:

- 4.1. Vendor Payments: In its normal course of business, the Jefferson County Auditor's Office, Financial Services Department, and the Jefferson County Treasurer's Office may remit the following types of vendor payments via ACH: Vendor Payments, Employee Reimbursements, routine payments to the State Agencies and Taxing Districts.
- 4.2. Wire Transfers: In its normal course of business, the Jefferson County Treasurer transfers or receives by wire funds for investment purchases and redemptions, bond proceeds and payments.
- 4.3. Customer Direct Debit: In its normal course of business, the Jefferson County Treasurer's Office allows customers the option of to direct the county department to directly debit their bank account to make their payments.
- 4.4. For Vendors and employees being paid by paper warrant (check), the county shall adhere to the requirements for payment approvals and accounts payable documentation and processing as instructed by the Jefferson County Auditor or other applicable laws.
 - 4.4.1. With very few exceptions, checks issued to suppliers should only be delivered to the Vendors by United States mail or its equivalent. Payroll checks may be delivered to the employee or picked up by the employee from the Jefferson County Financial Services Department. Exceptions must be documented and authorized by the Jefferson County Auditor. Under no circumstances is a warrant (check) to be mailed earlier than the dated date of the check.

5. Training

- 5.1. To ensure consistent compliance with procedures, employees tasked with processing, reconciling and record-keeping will train in the proper procedures and internal controls prior to conducting these functions.

6. Electronic Funds Transfer (EFT) – Disbursement

6.1. EFT Disbursement Record-Keeping:

6.1.1. Transaction records will include:

- 6.1.1.1. Chronological number of EFT payment.
- 6.1.1.2. Time and date of disbursement
- 6.1.1.3. Payee - name, address, and account number
- 6.1.1.4. Amount of disbursement
- 6.1.1.5. Purpose of disbursement

- 6.1.1.6. BARS or other accounting system expenditure/expense account number
- 6.1.1.7. Name and fund number
- 6.1.1.8. Disbursing bank's unique transaction identification number
- 6.1.1.9. Receiving bank or financial institution's identification number
- 6.1.2. A file must be maintained of authorizations by payees who have thereby agreed to have moneys added to their accounts electronically.
- 6.1.3. The Jefferson County Treasurer should notify the disbursing banks that access to files, records and documentation of all EFT transactions should be provided to the State Auditor when required for the conduct of the annual audit

6.2. Origination of ACH File(s):

- 6.2.1. **ACH File Database:** Jefferson County creates ACH files from the MUNIS Financial System, which are downloaded in the proper ACH format.
- 6.2.2. **Transmission:** Several options are available to transmit the file to the ACH originating bank, either through a gateway provider, or directly to the bank. Jefferson County generates and transmits payroll, employee reimbursement or supplier payments files via Treasurer's designated financial institution.
- 6.2.3. **Retention:** ACH and EFT data files are required to be maintained for six years after the end of the fiscal year (per Local Government Records Retention Manual).

6.3. Authorizations:

- 6.3.1. All employees whose net pay is to be directly deposited must complete an Authorization Agreement for Direct Deposits (ACH Credits). This form is submitted to the Auditor's Financial Services Department and must include 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 an account verification form from the employee's financial institution indicating the routing number and account number.
- 6.3.2. 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 ten business days prior to the pay date for closed or compromised accounts.
- 6.3.3. Retention of authorization forms will be maintained until superseded and released from all audits.
- 6.3.4. Jefferson County does not allow telephone or email initiated entries or change authorizations.

6.4. Transaction Advices:

- 6.4.1. Participating employees are provided either an electronic or hard copy Direct Deposit Advice (paystub) on the payroll pay date, specifying details of the employee's gross pay, tax withholdings, statutory and voluntary deductions, net pay, and other information.
- 6.4.2. Vendors being paid by ACH credit will be advised of the payment via email or through vendor required methods.

6.5. Cancellation of Transactions:

- 6.5.1.If it is learned that a supplier or employee does not have a right to payment or the payment amount is more than the amount due to the Vendor/employee, then the payment is to be cancelled. Action to take will depend upon where the payment is in the timeline of the transaction.
- 6.5.2.If the ACH file has not been transmitted to the county's bank but the payment process has been finalized, staff will void the batch to remove the incorrect payment.
- 6.5.3.If the ACH file has not been transmitted to county's bank and the ACH process has begun, staff will remove the incorrect payment prior to finalizing the batch.
- 6.5.4.If the ACH file has already been transmitted to county's bank, staff would contact and complete the county's bank ACH Service request for item delete/reversal and provide to the bank either by email or via other forms of transmission as required by the bank.

6.6. Cut-off Times and Close Outs

- 6.6.1.The following cutoff times are established for ACH file transmissions:
- 6.6.2.The ACH file auto-generate at the conclusion of the payroll process is scheduled to transmit one (1) banking day prior to the payroll issue/check date.
- 6.6.3.The ACH file transmission for suppliers is generated one (1) banking day prior to issue/check date.

6.7. Funding outbound ACH transactions:

- 6.7.1.Funding of ACH files is deemed a critical function that must be performed accurately and timely, in order to avoid the overdrawing of the direct deposit bank account.
- 6.7.2.The ACH settlement account(s) which accommodates the funding of outbound ACH transactions for Payroll and outbound ACH Vendor transactions is funded via a bank account transfer from the Treasurer's Main Checking account.
- 6.7.3.Funding of ACH/EFT transactions must occur for settlement no later than one (1) banking day in advance of the payroll issue/check date or the supplier issue/check date.
- 6.7.4.Funding of the settlement account(s) will be made in writing by the Auditor's payroll staff and directed to the Jefferson County Treasurer's office with prescribed information and emailed to TreasurerAccountant@co.jefferson.wa.us.

6.8. Returns

- 6.8.1.In the case of outbound transactions for Vendor and payroll payments, returns will be credited back to the direct deposit bank account from which the funds were originally disbursed.
- 6.8.2.Returned items are monitored daily. Any returned items are forwarded to the appropriate Financial Services employee (Payroll for Direct Deposit and AP for all other ACH payments), to be researched and either voided or reissued as appropriate. A second Auditor's Office Department employee will review all such returns and

their related dispositions.

7. Electronic Funds Transfer (EFT) – Receipts

7.1. Reporting of inbound ACH transactions:

- 7.1.1. The settlement bank account with accommodates the receipt of inbound ACH transactions is the Treasurer's Main Checking Account.
- 7.1.2. The county treasurer receives notices from the Office of the State Treasurer (OST) about two (2) days prior to receipt. The funds are recorded in various funds and revenue accounts as outlined in the notice and the payment is posted as a miscellaneous receipt as part of the daily control drawer batch.
- 7.1.3. The county treasurer receives ACH payments from various entities (state, federal, billing companies, etc.) on behalf of county departments and junior taxing districts. County Departments and Junior Taxing Districts are required to email or deliver a transmittal form or a general billing invoices identifying the proper fund and BARS for the payments. The treasurer's staff reconciles the transmittal forms to the payments received, and the payment is posted using a miscellaneous receipt as part of the daily control drawer batch.
- 7.1.4. The county treasurer receives ACH/WIRE notice and a payment file from several mortgage processing companies for the payment of property taxes (due 4/30 & 10/31). The payment file is reconciled to the payment received and payments are posted as part of the daily cashiering batch.
- 7.1.5. The county treasurer receives ACH payments via the county's third-party vendor for credit/debit card payments made online or in person to various departments (e.g. Point & Pay,). Authorized staff access the vendor portal website, and reports are reconciled to the payment received. County Departments and Junior Taxing Districts are responsible for reconciling and emailing a transmittal form to TreasurerAccountant@co.jefferson.wa.us, and payments are posted as part daily control drawer batch. The County Treasurer receives payment files via email, that are then reconciled to the payment received and posted as part of the daily control drawer batch.
- 7.1.6. County offices receive EFT receipts from third-party vendors (e.g. District Court and Clerk's Offices) for credit/debit card payments made online or in person. Authorized staff access the vendor portal website, and reports are reconciled to the payment received.
- 7.1.7. Bank Transfers are done by some special purpose districts and county departments with depository bank accounts. County Departments and Junior Taxing Districts are required to obtain prior approval by the County Treasurer for authority and bank permissions to conduct these transactions.
- 7.1.8. Unidentified ACH/Wire payments are those payments received into the Treasurer's Main Checking Account where the County Treasurer has not received a transmittal form to appropriately receipt the funds. These funds are posted by miscellaneous receipt to the Treasurer's Suspense Holding Fund as

part of the daily control drawer batch. Unidentified funds are held until identified by the appropriate county department or junior taxing district. The Treasurer's Office will include an Unidentified Funds Report with monthly reports to the county departments and junior taxing district for resolution. Once the funds are identified by a transmittal form, the funds are transferred out of the Treasurer's Suspense holding account and receipted via miscellaneous receipt to the appropriate fund and BARS and posted as part of the daily control drawer.

7.1.9. Payors and Vendors regularly require completion of EFT forms to pay Jefferson County and districts electronically. Those forms shall be signed by one of the signers on the account where deposits will be made.

8. Reconciliation

- 8.1. All Bank Statements shall be reconciled monthly as part of a global reconciliation.
- 8.2. All bank reconciliations are performed in accordance with BARS Manual standards. Currently BARS Manual Section 3.1.9
- 8.3. Completed bank reconciliations where possible should be reviewed by a second reviewer, supervisor/manager as part of the monthly reconciliation process. Completed bank reconciliations should be date stamped, and initialed, by all parties.
- 8.4. All completed bank reconciliations are required to be provided to the Auditor's Office monthly and annual reconciliation information to the County Treasurer's Office at TreasurerAccountant@co.jefferson.wa.us for compilation of the State Auditor's Schedule 06.
- 8.5. All outstanding items are reconciled prior to the succeeding month. Unclaimed checks are reported to the state each year per state regulations.

9. Paying Banking Services Invoices:

- 9.1. All invoices for banking services received shall be paid in a timely manner, in accordance with established county procedures for accounts payable.
- 9.2. Responsibility for inspecting the invoices received and approving payment is that of the Office overseeing the bank account and forwarding to AP for audit and warrant issuance.
- 9.3. If fees are paid automatically in a bank account, invoices shall be vouchered to go through the normal AP process and be deposited to said bank account.

10. Signatures and Approvals

- 10.1. The US Federal ESIGN Act of 2000 gives the same legal protections to online signing as to traditional pen and paper signing.

11. Forms

- 11.1. Vendor ACH Payment Authorization Form
- 11.2. Authorization Agreement for Direct Deposits (ACH Credits).
- 11.3. Bank Account and Depository Approval Form

12. References

- 12.1. Jefferson County Network, Internet, Intranet, E-mail, and Voice Mail Use Policy, Resolution No. 17-98.
- 12.2. **RCW 39.58.750** Receipt, disbursement, or transfer of public funds by wire or other electronic communication means authorized.
- 12.3. BARS Manual Section 3.8.11- Electronic Funds Transfers - Disbursement provides accounting procedures and recommended internal controls to safeguard local government resources when utilizing EFT.
- 12.4. BARS Manual Section 3.6.6 - Electronic Funds Transfers - Receipts provides accounting procedures and recommended internal controls to safeguard local government resources when utilizing EFT.
- 12.5. BARS Manual Section 3.1.9- Bank Reconciliations provides guidance regarding appropriate bank reconciliation practices.
- 12.6. DOL Agency Account VLO, dated January 1, 2024
- 12.7. **RCW 36.48.010** Depositaries to be designated by treasurer