

COUNTY OF ESSEX

ACCOUNTS PAYABLE

POLICY AND

PROCEDURES

Invoice Processing

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1-5.1 Policy

1-5.1.1 Purpose

This policy describes the responsibilities and guidelines for processing expenditures incurred and disbursed for Essex County. Accounts payable are invoices for goods and services rendered to the County for payment. The term, *invoice*, refers to the original vendor prepared bill that must be submitted for payment. By paying invoices in a timely and accurate manner, the County maintains good relationships with the community. The accounts payable process ensures that expenditures by the County are for the intended purposes as authorized in the budget by the Board of Supervisors and accurately posted to the general ledger.

1-5.1.2 Responsibilities

1-5.1.2.1 Departments are responsible for:

- . submitting invoices to the Management Services Department along with any supporting documentation in a timely and accurate manner, and,
- . coding invoices to the appropriate budget line item that corresponds to the expenditures; and,
- . requesting new expenditure categories as needed for proper coding; and,
- . approving invoices for payment.

1-5.1.2.2 Management Services Department is responsible for:

- . receiving invoices from departments; and,
- . reviewing invoices for proper coding and compliance with budget; and,
- . processing invoices for payment; and,
- . assigning expenditure codes to newly requested line items; and,
- . disbursing payments to vendors.

1-5.1.2.3 County Administrator is responsible for authorizing payment of the accounts payable invoices.

1-5.1.2.4 Treasurer is responsible for authorizing accounts payable batch totals to be paid from the bank, prior to check processing. The Treasurer will verify that the funds for the claims to be paid are covered by sufficient overall appropriations by the Board of Supervisors to allow for processing of the checks.

1-5.1.2.5 Board of Supervisors are responsible at the first meeting of each month to record by resolution and vote the ratification of the accounts payable paid in the prior month.

1-5.1.3 Prompt Payment Act

1-5.1.3.1 The prompt payment act through the Virginia Public Procurement Act (2.2-

4347 through 2.2-4356) requires that payments be remitted to vendors within 30 days of:

- . the receipt of the vendor's invoice, or
- . the receipt of the purchased goods or services, whichever is later.

1-5.1.3.2 Most payments to outside vendors are covered by the Act. However, some vendor payments including subscriptions, honorariums, memberships, and postal supplies are not covered by the Act. Departments should allow 5 working days (one week) before the payment due date for the Management Services Department to process transactions

- . For vendor payments made by check, the postmark date shall be deemed the payment date.
- . For vendor payments made using electronic wire, the bank settlement date is deemed the payment date. This is the date the funds are deposited in the vendor's bank account.

1-5.1.3.3 The State Corporation Commission (SCC) rules for utility payments supersede the prompt payment guidelines. The SCC rules require payment of utility invoices within 20 days from the date the invoice is prepared. This rule conflicts with the prompt pay rule for making payments 30 days after the receipt of the invoice. In some cases, the SCC rule reduces the time available for making payment by as many as 18 days. If payments are not received by the due dates, the utility company automatically adds the late charges to the account.

When paying a utility invoice, code and approve the bill immediately upon receipt of the invoice and submit to the Management Services Department.

1-5.1.3.4 Sometimes disputes occur concerning the purchase of goods and services. When a dispute occurs, the 30-day time period does not start until the dispute is resolved.

The disputes can be either:

- . a disagreement concerning the quality or appropriateness of the received goods or services; or
- . damaged or inoperative goods.

When a dispute occurs, the actions should be documented on the invoice or supporting documentation for audit review.

1-5.1.4 Internal Control

The policy and procedures should be adhered to in order to ensure the segregation of duties between the preparation and entry of accounts payable transactions and the approval and release of payments.

1-5.1.5 Records Retention

Original expenditure documents are to be maintained on file for five years.

1-5.2 Procedures

1-5.2.1 Receipt of Invoices

1-5.2.1.1 Invoices are received by the Department that initiated the transactions. If the invoice is received by the Management Services Department, the invoice is forwarded to the initiating department.

1-5.2.1.2 Payments are made only from original invoices. In cases where an invoice has been lost, an invoice has been faxed, or only a copy of the invoice exists and has not previously been paid, the initiating department must authorize payment through a Payment Voucher and attach the invoice copy.

1-5.2.1.3 A department receiving an invoice that does not have an invoice number must generate an invoice number in order to maintain a tracking system to avoid submitting duplicate invoices for payment.

1-5.2.1.4 Statements are listings of outstanding invoices and are never used to process payments. Statements are a tool to determine if there are discrepancies between our records and the vendor's records.

1-5.2.2 Department Responsibilities for Invoices

1-5.2.2.1 Each department is responsible for verifying the calculations and accuracy of invoices for payment.

1-5.2.2.1a Comparison of quantities billed on the invoice with quantities listed on the purchase order or price quote form and shown on packing slips (receiving documents).

1-5.2.2.1b Comparison of prices, discounts, and terms with those specified on the purchase order or price quote form.

1-5.2.2.1c Proof of clerical accuracy of the invoice with respect to extensions, footings, and deduction of discounts.

1-5.2.2.2 Authorized Signatures

Each department on a fiscal year basis, when personnel change, or personnel job duties change is required to provide the Management Services Department with an Authorized Signature Form. This form is signed by those individuals who are delegated the authority to approve expenditure documents and release disbursement transactions to the Management Services Department. The Department Head must sign the Authorized Signature Form.

- 1-5.2.2.3 Submission of Invoices
 - 1-5.2.2.3a Departments must stamp vendor's invoices and complete the customized stamp lines. The stamp is furnished by the Management Services Department.
 - . Manually code the account line item to be charged. Include the Major number and Object number, and amount for data entry.
 - . Sign and date.
 - 1-5.2.2.4 The initiating department is responsible for adhering to the County's procurement policy and procedures for purchases. Approvals are required on
 - 1-5.2.2.4a All invoices require authorized signatures from the department.
 - 1-5.2.2.4b If the amount is more than \$5,000, Department Head approval is required.
 - 1-5.2.2.4c If the amount is more than \$10,000, County Administrator approval is required.
 - 1-5.2.2.5 The invoice and any receiving documents including packing slips are attached and forwarded to the Management Services Department for payment.
 - 1-5.2.2.6 If the initiating department is purchasing services or goods of a vendor not previously paid, the initiating department must have the vendor/contractor complete and submit an IRS form W-9, Request for Taxpayer Identification Number, to the Management Services Department with the invoice. The IRS form W-9 obtains the vendor's correct taxpayer identification number, name, and address, and certifies the type of business entity. Departments who fail to obtain or vendors who fail to provide a W-9 will delay payment pending receipt of form. Federal and State statutes require the County to obtain the vendor's taxpayer Identification Number, Code of Virginia Section 3406(a).
 - 1-5.2.2.7 Reimbursement requests for travel expenses should be submitted on a Travel Expense Form to the Management Services Department no later than seven (7) Working days after returning from a job related trip.
- 1-5.2.3 Department of Management Services Responsibilities for Accounts Payable
- 1-5.2.3.1 Reviews the package, including invoice or voucher supporting documentation, coding, and compliance with budget lines and County policies, for completeness.
 - 1-5.2.3.2 Codes invoice with vendor number. If the vendor is new, a vendor account will be set up per the W-9 and number and assigned as appropriate.
 - 1-5.2.3.3 Verifies that the required approvals have been obtained
 - 1-5.2.3.4 If the package is deemed not complete in accordance with this policy, the Management Services Department will take the following steps.
 - 1-5.2.3.4a In the case of a minor problem such as an incomplete or misspelled name, incomplete address, invoice number, purchase

order number discrepancy, Management Services will communicate by telephone or email to resolve the problem.

1-5.2.3.4b. If required approvals have not been obtained; Management Services will return the package to Department with an explanation of the problem and proposed corrective action.

1-5.2.3.4c If budgeted funds are not available or the budget has not been completed, Management Services will return the package to the Department with an explanation of the problem.

1-5.2.3.4d If funds have not been encumbered by purchase order, budget transfer has not been issued to cover expenditure, or problem cannot be resolved by telephone or email in time of deadline to process payment, Management Services will return package to Department.

1-5.2.3.5 Because of the time constraints involved in the check writing process, Management Services Department staff will attempt to resolve problems in a timely manner so that the invoice does not delay the accounts payable cycle.

1-5.2.3.6 The data is entered into the computer system for generation of the checks, after review and correction or clarification of any information.

1-5.2.3.7 The Finance Director reviews edit reports and invoices for accounts payable prior to posting to the general ledger and printing of checks.

1-5.2.3.8 Invoices are approved by the County Administrator or designee for payment of checks.

1-5.2.3.9 The Treasurer or the Treasurer's Deputy reviews and signs checks to be paid from the bank. (See section 1-5.1.2.4)

1-5.2.3.10 A resolution is prepared monthly along with listing of accounts payable paid for ratification by the Board of Supervisors.

1-5.2.4 Manual Checks

When absolutely necessary, a manual check may be written. A request must be made in writing with the reason for a manual check to the Finance Director for approval.

1-5.2.5 Check Writing Schedule

Invoices are generally paid twice a month. Verified invoices are to be submitted to the Finance Director by the 10th and 25th of each month for processing. Checks will be released for payment on the 15th and 30th/31st.

1-5.2.6 Reclassification of Accounts Payable after Payment

If a Department determines that a paid invoice has been incorrectly coded and/or posted

to a budget line item, the Department must prepare a *Cost Transfer* form to reclassify the cost and submit it to the Management Services Department within two (2) months of the date posted in the general ledger.

1-5.2.7 Fiscal Year End Cut-Off Procedures

At the end of March each fiscal year, fiscal year end cut-off procedures will be distributed to Departments outlining deadlines for purchases and invoice payment schedule.

Appendix – A

Forms

