

03. FINANCE

3.3. Accounts Payable

BOS Adopted – March 7, 2007

3.3.1. Purpose. This policy describes the responsibilities and guidelines for processing expenditures incurred and disbursed for Fluvanna 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 business 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.

3.3.2. Responsibilities

A. Department Heads

1. Approving invoices for payment.
2. Coding invoices to the appropriate budget line item that corresponds to the expenditures.
3. Submitting invoices to the Finance Department in a timely and accurate manner along with any supporting documentation.
4. Requesting new expenditure categories as needed for proper coding.

B. Finance Department

1. Receiving invoices from departments.
2. Reviewing invoices for proper coding and compliance with budget.
3. Processing invoices for payment.
4. Assigning expenditure codes to newly requested line items.
5. Disbursing payments to vendors.

C. County Administrator. Responsible for authorizing payment of the accounts payable registers.

D. Treasurer. Responsible for authorizing accounts payable registers to be paid from the bank.

E. Board of Supervisors. 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.

3.3.3. Prompt Payment Act

A. 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:

1. Vendor's invoice, or
2. Purchased goods or services, whichever is later.

B. 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 Finance Department to process transactions.

1. For vendor payments made by check, the postmark date shall be deemed the payment date.
2. 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.

C. 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.

1. 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.

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

D. 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:

1. A disagreement concerning the quality or appropriateness of the received goods or services; or
2. Damaged or inoperative goods.

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

3.3.4. 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.

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

3.3.6. Receipt of Invoices

A. Invoices are received by either Accounts Payable in the Finance Department or the Department that initiated the transaction. If the invoice is received by the Accounts Payable, the invoice is forwarded to the initiating department.

B. 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.

C. 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.

D. 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.

3.3.7. Department Responsibilities for Invoices

A. Each department is responsible for verifying the calculations and accuracy of invoices for payment.

1. 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).

2. Comparison of prices, discounts, and terms with those specified on the purchase order or price quote form.

3. Proof of clerical accuracy of the invoice with respect to extensions, footings, and deductions of discounts.

B. Authorized Signatories. Each department on a fiscal year basis, when personnel change, or personnel job duties change is required to provide the Finance Department with an Authorized Signatories Form. This form is signed by those individuals who are delegated the

authority to approve expenditure documents and release disbursement transactions to the Finance Department. The Department Head must sign the Department Authorized Signatories Form.

C. Submission of Invoices

1. Departments must stamp vendor's invoices and complete the lines with customized stamp furnished by the Finance Department.

- Manually code the account line item to be charged with the Fund #, Major #, Object #, and amount for data entry.
- Sign and date.

2. Each invoice needs to have a machine date and time stamped when submitted to the Finance Department.

D. The initiating department is responsible for adhering to the County's procurement policy and procedures for purchases. Approvals are required on invoices.

1. All invoices require authorized signatures from the department.

2. If the amount is more than \$5,000, Department Head approval is required.

3. If the amount is more than \$10,000, County Administrator approval is required.

E. The invoice and any receiving documents including packing slips are attached and forwarded to the Finance Department for payment.

F. If the initiating department is purchasing services or goods of a vendor not previously paid, the initiating department must have vendor/contractor complete and submit an IRS form W-9, Request for Taxpayer Identification Number to the Finance Department with the invoice. The IRS form W-9 obtains the vendor's correct taxpayer identification number, name, and address, and certify 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 vendors taxpayer identification number, Code of Virginia, Section 2.2.4354 and IRS Code, Section 3406(a).

G. Reimbursement requests for travel expenses should be submitted on a Travel Expense Form (Local or Overnight version, as applicable) to the Finance Department no later than seven (7) working days after returning from a job related trip.

3.3.8. Finance Department Responsibilities for Accounts Payable

A. Reviews the package, including invoice or voucher supporting documentation, coding, and compliance with budget lines and County policies, for completeness.

B. Checks for vendor number. If the vendor is new, a vendor account will be set up per the W.9 and number assigned as appropriate.

C. Verifies that the required approvals have been obtained

D. If the package is deemed not complete in accordance with this policy, the Finance Department will take the following steps.

1. Communicate by telephone or email to resolve the problem in the case of a minor problem such as an incomplete or misspelled name, incomplete address, invoice number, purchase order number or account number discrepancy.

2. If required approvals have not been obtained, return the package to the Department with an explanation of the problem and proposed corrective action.

3. If budget funds are not available or the budget has not been completed, return the package to the Department with an explanation of the problem.

4. 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, return package to Department.

5. Because of the time constraints involved in the check writing process, attempt to resolve problems in a timely manner so that the invoice does not delay the accounts payable cycle.

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

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

H. A resolution is prepared for approval by the County Administration or designee for payment of checks.

I. A resolution is prepared for authorization by the Treasurer for checks to be paid from the bank.

J. A resolution is prepared monthly along with a listing of accounts payable paid for ratification by the Board of Supervisors.

3.3.9. 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 Director of Finance for approval.

3.3.10. Check Writing Schedule. Invoices are generally paid twice a month. At the beginning of each fiscal year, a schedule will be distributed to Departments of the dates invoices are due for processing and checks will be released for payment.

3.3.11. 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 Finance Department within two (2) months of the date posted in the general ledger.

3.3.12. Fiscal Year End Cut.Off Procedures. At the end of March each year, fiscal year end cut off procedures will distributed to Departments outlining deadlines for purchases and invoice payment schedule.