Accounts Payable

4.40 Accounts Payable

The township clerk/deputy clerk shall be responsible for processing all accounts payable. The clerk may designate other township personnel to process accounts payable if the township board has agreed to incorporate that function in the job description of that position.

4.41 Processing of Claims

Requests for payments to vendors shall be documented in writing by a vendor invoice or, in the few instances where no invoice is forthcoming, by a written request by the department head requesting payment. Except for rare exceptions, only original invoices shall be processed for payments, as statements or copies of invoices may result in duplicate payments. Appropriate documentation (supporting invoices) shall be attached for all disbursements. Original bills, not copies, must be used for documentation.

Employee expense reimbursements shall be documented on an expense voucher prepared by the employee. All invoices, departmental check requests and expense vouchers shall include the following:

1. Vendor name

2. Purpose of payment request

3. Unit price and units delivered (if applicable)

4. Date goods delivered or services rendered

5. The related purchase order (if applicable)

All requests for payments shall be approved by the department to which the expense shall be posted by initialing the document.

All requests for payment shall be submitted to the *(clerk/authorized person)* at least \_\_\_ days prior to the board meeting at which claims will be approved.

The *(clerk/authorized person)* shall verify the payee, amount, purpose and the disbursing fund of each request. After verification, the clerk shall prepare a warrant, enter it into the general ledger and make a copy for township records.

4.42 Claims Reports

The *(clerk/authorized person)* shall prepare a claims report to the board showing the fund, vendor name, nature of the expense, invoice number and warrant number (i.e., check number). Any items paid prior to board audit shall be noted on the warrant report or on a separate report.

Invoices and bills supporting the claims report shall be available for board member review *(Select one: in board packets, the day of the board meeting or at the board meeting)*. Board members are responsible for scrutinizing the bills prior to board approval.

4.43 Board Approval Required for all Claims

All claims shall be approved by the township board prior to payment, with the exception of tax collection disbursements *(add if applicable: and claims authorized by policy for post-auditing by the township board)*.

4.44 Board Post-Audit Authorized for Certain Claims *(Optional)*

Only the following types of claims may be paid by disbursements made prior to board audit and approval:

1. Payroll

2. Utility bills

3. Invoices with penalties that would be incurred if payment is not received prior to the board meeting where claims will be approved

4. The *(supervisor/other official/superintendent/manager)* may authorize emergency expenditures when deemed essential due to the imminent threat to the health, safety and welfare of the township.

5. Contractual agreements with set monthly payments.

Any claims authorized under this policy prior to board approval shall be post-audited at the next board meeting.

4.45 Check Controls

Numerically controlled, pre-numbered checks shall be used. Checks shall not be signed prior to being completely filled out. Cleared checks must be returned to the township or electronically stored.

4.46 Authorized Check Signers

The following officials are the only persons authorized to sign checks:

• Clerk or deputy clerk (to signify board approval)

• Treasurer or deputy treasurer (to make it a check)

***Include this if check signature stamps, machines or electronic signatures are used:*** A check-signing *(stamp, machine or electronic signature)* shall be limited to use by the clerk or deputy clerk, and treasurer or deputy treasurer, respectively, and shall be *(locked, password-protected)* when not in use.

4.47 Check Processing

Each *(warrant, check, voucher, payment, disbursement)* shall be signed by the clerk or deputy clerk to document board authorization of that payment and forwarded to the treasurer by the next business day *(or other time frame)* following the board meeting at which they were approved. ***(****Add if applicable:**If payment is made in compliance with the board-adopted post audit policy, the signed [warrant, check, voucher, payment, disbursement] shall be forwarded to the treasurer not later than the next business day after the [warrant, check, voucher, payment, disbursement] is signed by the clerk or deputy clerk.)*

The treasurer or deputy treasurer shall verify that the funds are available, sign the *(warrant, check, voucher, payment, disbursement)* and distribute it. Checks shall not be returned to the clerk or the originating office for distribution.

4.48 Electronic Payments

Following township board approval ***(****add if applicable****:*** *or in compliance with the board policy for post-auditing payments)*, the clerk or deputy clerk shall initiate electronic payments and the treasurer or deputy treasurer shall review and accomplish.

Electronic payments or ACH agreements are authorized if in compliance with the following policy provisions.

4.49 Electronic Payment (ACH) Definitions

“Automated clearing house*”* or “ACH*”* means a national and governmental organization that has authority to process electronic payments, including, but not limited to, the national automated clearing house association and the federal reserve system.

An “ACH arrangement*”* means the agreement between the originator of the ACH transaction and the receiver of an ACH transaction.

An “ACH transaction*”* means an electronic payment, debit or credit transfer processed through an automated clearinghouse.

An “ACH policy*”* means the procedures and internal controls as determined under this written policy developed and adopted by the township treasurer.

4.50 Authority to Enter into ACH Arrangements and Electronic Transfers of Public Funds

The township treasurer may enter into an ACH arrangement.

4.51 Responsibility for ACH Agreements

The treasurer or *(officer or employee position designated by the treasurer)* is responsible for the township’s ACH agreements, including payment approval, accounting, reporting and generally for overseeing compliance with the ACH policy.

The treasurer shall submit to the township board documentation detailing the goods or services purchased, the cost of the goods or services, the date of the payment, and the department levels serviced by each payment of public funds made by electronic transfer. This report may be contained in the township’s electronic general ledger software system or in a separate report to the township board.

4.52 Internal Accounting Controls to Monitor Use of ACH Transactions Made by Township

The following system of internal accounting controls will be used to monitor the use of ACH transactions made by \_\_\_\_\_\_\_\_\_\_ Township:

The treasurer shall prepare a list of vendors authorized to be paid by ACH transaction and provide that list to the clerk.

The clerk initiates the transaction upon receipt of an invoice included on the authorized ACH list approved by the appropriate township official. ACH invoices must be approved before payment. The clerk signs the ACH invoice, which then acts as the warrant.

The clerk presents the *(warrant or check)*, a list of bills for payment, and a separate list of the electronic payments for township board approval. The board approves all transactions prior to disbursement. *(If applicable, list the specific types of payments pre-authorized for post-audit by the board.)*

Following board approval, the treasurer signs the ACH warrant, initiates the electronic transaction with the vendor and makes the actual transfer of funds.

The treasurer shall retain all ACH transaction documents for audit purposes.

The clerk shall retain all invoices for audit purposes.

A township should use a separate imprest bank account for EFTs. A township may wish to consider using a separate bank account to accomplish ACH electronic transactions, effectively creating a “firewall*”* between the township’s funds and outsiders. Include in the ACH policy the list of specific types of payments pre-authorized for post-audit by the board.

• Recommend disbursement accounts

• Accounts payable (small dollar, limited individual transactions)

• Accounts payable (larger transactions)

• EFT account

• Payroll account

• Property tax