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Policy Name: Accounts Payable

Policy # FS002

Effective Date: 12/22/16

### **Policy**

ELCFV's Finance Department is charged with defining and establishing the procedure for the cash disbursements process, which includes processing invoices for payment, preparing checks and recording the transactions in accordance with Generally Accepted Accounting Principles, guidelines and requirements set forth by funding source and any governing entity of ELCFV. In the event there are conflicting guidelines, rules or regulations set forth by grantor or other governing entity the strictest of the guideline, rule or regulation shall apply.

### **Procedure**

#### **I. Policy aligns with federal regulations, state statute and state rule requirements.**

- A. State/Federal instructions - ELCFV's policies and procedures will comply with the following federal/state laws, regulations, statutes and rules.
- 1) Chapter 60A – General Regulations
  - 2) Section 215.422, F.S. – Payments, warrants and invoices; processing time limits; dispute resolution; agency or judicial branch compliance
  - 3) Section 287.058, F.S. – Contract document
  - 4) Rule 60A-1.002, FAC – Purchase of commodities or contract services
  - 5) Chapter 69I – Division of Auditing and Accounting
  - 6) Compliance with Rule 69I-24, F.A.C. – Payment of Vouchers by State Warrant
  - 7) Compliance with Rule 69I-40, F.A.C. – Bureau of Auditing invoice requirements
  - 8) DFS Reference Guide for State Expenditures
    - a) CFO Memo No. 01 (2012-13), Contract Summary Form
    - b) CFO Memo No. 02 (2012-13), Contract and Grant Reviews and Related Payment Processing Requirements
    - c) CFO Memo No. 03 (2014-15), Compliance Requirements for Agreements
    - d) CFO Memo No. 06 (2011-12), Contract Monitoring and Documenting Contractor Performance
    - e) CFO Memo No. 06 (2016-17), Guidance for Travel restrictions imposed by Ch. 2016-62, FL Law
    - f) CFO Memo No. 02 (2014-15), State of Florida Purchasing Card Program Convenience Fees/Surcharges
    - g) PUR 1000 and 1001
  - 9) 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements
    - a) 2 CFR 200.302, Financial management systems
    - b) 2 CFR 200.302(7), Financial management systems – allowability of costs
    - c) 2 CFR 200.303, Internal controls
    - d) 2 CFR 200, Subpart E – Cost Principles
  - 10) OEL annual grant agreement Exhibit I for specified prohibited costs for Federal Awards
  - 11) 60A-1.016 F.A.C., Contract and Purchase Order Requirements.
  - 12) DFS Reference Guide for Sate Expenditures
  - 13) DFS State Travel Manual

- 14) OEL annual grant agreement Exhibit I for specified prohibited costs
  - 15) OEL Program Guidance files
    - a) Program Guidance 440.10 – Office of Early Learning Match Reporting Guidance
    - b) Program Guidance 240.01 – Cash Management Procedures
    - c) Program Guidance 240.04 – School Readiness Funds Management
    - d) Program Guidance 240.05 – Guidance on Prior Approval Procedures
    - e) Program Guidance 240.06 – Reimbursement Request Requirements for ELCs
    - f) Program Guidance 250.01 – Other Cost Accumulators (OCAs) Guidance.
- B. Appropriate and adequate invoice processing policy disclosures [69I-40.002(3), F.A.C.]
- 1) Contractual service invoices submitted by a vendor/contractor/service provider for payment processing must clearly identify, at a minimum,
    - a) The dates of services,
    - b) a description of the specific contract deliverables provided during the invoice period
    - c) the quantity provided,
    - d) the payment amount specified in the agreement for the completion of the deliverable(s) provided.
  - 2) Cost reimbursement invoices must reflect the expenditures incurred by expenditure category.
  - 3) Required information may be submitted on the invoice or in a report format along with any other information required by the terms of the agreement.
  - 4) Written certification, from the contract/grant manager, that services were performed in accordance with the contract terms must be obtained and kept in entity files. [s. 287.057(14), F.S.]
- C. Appropriate and adequate invoice processing controls [69I-24.003, F.A.C.; CFOM No. 06 (2011-12)]
- 1) The Entity will receive deliverables and provide written certification of such before payments are made.
    - a) Approval and inspection of goods or services shall take no longer than 5 working days unless the bid specifications, purchase order or contract specifies otherwise. [s. 215.422(1), F.S.]
    - b) Terms conditions must be specified and must accompany the request for payment to evidence delivery of goods/services. \*If it isn't documented, it didn't happen.
    - c) Entity must ensure that deliverables were received on time and as intended (i.e., met performance measures) before release of payment is approved/processed. \*
      - 1) May use a Contract Summary Form
      - 2) May use a written certification from the assigned contract manager on the invoice
      - 3) May use a Deliverable Tracker – track deliverables schedule
      - 4) May use a Deliverable Acceptance form to help document
      - 5) May use a Deliverable Acceptance form to help document
  - 2) The Entity will ensure invoices have adequate documentation and are processed on a timely basis.
    - a) Documents for goods/services received are date stamped.
    - b) Review invoice for accuracy and completeness of the following details. [69I-40.002, (3), F.A.C.]
      - 1) Description of the item(s).
      - 2) Number of units.
      - 3) Cost per unit.
      - 4) Service dates coincide with invoice period.
      - 5) Minimum level of services has been provided.
      - 6) Amount invoiced coincides with the terms/conditions.
    - c) Verify any required supporting documentation has been submitted.

- d) Review documentation to gain reasonable assurance that commodities/contractual services have been satisfactorily provided within the terms of the contract/agreement.
  - e) Complete any additional processes required by ELC policy.
  - f) Certify the entity's receipt of goods/services.
  - g) Invoices shall be paid according to state rules for Prompt Payment Compliance.
    - 1) Section 215.422(3)(b), F.S., requires interest to be paid to the vendor if payment is not issued within 40 days after receipt of the invoice and receipt, inspection, and approval of the goods and services.
    - 2) DFS does not require agencies to pay interest penalty invoices of less than \$1.00 unless the vendor asserts his right to the interest penalty payment either orally or in writing.
  - 3) Enforce terms and conditions [s. 287.057(14)(b), F.S.; DFS-related contract manager guidance]
    - a) Entity staff assigned contract/grant management duties are required to work with the contractor/vendor to ensure that goods/services are received as intended and contract/agreement terms are enforced.
    - b) Use performance bonds when appropriate.
    - c) Verify financial consequences are addressed.
    - d) Verify terms for liquidated damages are included (when applicable) to compensate the entity for any losses realized.
  - 4) For disputes about receipt of goods/services [s. 215.422(8), F.S., Payments...disputes]
    - a) Entity will have written procedures and instructions for staff.
      - 1) Invoice may be prorated, reduced or withheld according to the financial consequences established in contract/agreement.
      - 2) Partial or prorated payments must be made based on the deliverables that can be validated and supported by adequate documentation.
    - b) If no financial consequences are included in contract/agreement OR documentation can't be provided, the payment should be withheld until the issue is resolved or a settlement is reached.
    - c) Inform staff of settlement agreement process.
      - 1) Used when the amount owed to a provider/contractor is in dispute.
      - 2) A lengthy, cumbersome and potentially expensive process the Coalition will not be able to complete alone; legal counsel will be required.
      - 3) Required for many situations including
        - a) To settle a lawsuit, damages or legal fees;
        - b) Absence of an executed agreement;
        - c) Agreement was executed after services were rendered;
        - d) Additional services not included in the agreement were provided;
        - e) Services were rendered after the agreement expired.
- II. **Sequence of activities to process disbursements.** The following sequence of activities takes place in processing transactions related to non-salary disbursements from the general operating checking account:
- A. The Fiscal Representative - Purchasing is responsible for creating, coding, and obtaining approval for all purchase orders according to the Procurement & Purchasing Policy # FSPP003.
  - B. All original vendor invoices and approved purchase order forms will be forwarded to the Fiscal Representative - Accounting or designee.
  - C. Invoices are matched to the approved purchase order or back-up documentation by the Fiscal Representative - Accounting or designee and checked against the computerized accounting

software to avoid duplicative invoices. Invoices that incorrectly reflect the agreed to terms (terms set forth on approved purchase order, contract, and/or have sales tax included) will be reviewed with the vendor and when appropriate, a new invoice will be requested.

- D. If invoices are not reviewed and approved by the initiating department manager, the invoice is forwarded to the appropriate departments for approval in accordance with Procurement & Purchasing Policy # FSPP003. The approving department's supervisor must compare the quantities, prices and terms of the invoice to procurement document (example: purchase order) and is responsible for making sure the item is coded with the appropriate Fund, OCA, General Ledger, BG Dept and Project Code. The credit card appointed to the Executive Director requires Board Treasurer or designated board member review and approval. If Treasurer or designee is unavailable for approval within timely payment remittance, the Finance Manager or designee has authority to temporarily approve charges to avoid incurring late fee charges. In this instance, a copy of the paid invoice will be made and temporarily placed in the AP file while the original is sent to Executive Management to obtain a signature. Once original is signed, it is filed in the appropriate AP file folder.
- E. Once approval is completed the invoices will be forwarded to the Fiscal Representative - Accounting or designee for receiving of purchase order and final approval.
- F. The Fiscal Representative - Accounting or designee will enter all approved invoices into the computerized accounting software using the dates and coding on the invoices; payables will be processed weekly by due date.
- G. After all invoices are entered into the computerized accounting software, AP Payment Vouchers will be printed and attached to each invoice. An AP Voucher Batch Control report will be printed and signed by the Fiscal Representative - Accounting or designee and is forwarded to the Finance Manager or designee for approval. The Finance Manager or designee will review the AP Voucher Batch Control and related invoices and approve by signing the AP Voucher Batch Control; each batch requires one management signature for approval. The Invoices and approved AP Voucher Batch Control will be returned to the Fiscal Representative - Accounting or designee who will post the batches in the computerized accounting software generating the AP Aging Report. The Fiscal Representative - Accounting or designee will print and prepare related Cash Flow(s) for approval.
- H. The AP Aging Report will be signed off by the Fiscal Representative - Accounting or designee and submitted along with the Cash flow to the Finance Manager or designee who will review the report and approve items selected for payment by signing the AP Aging and the Cash Flow(s).
- I. Once the AP Aging Report and Cash flow have been approved by the Finance Manager or designee, they will be forwarded to the Finance Assistant Manager or designee for review. The Finance Assistant Manager or designee will approve the payment by signing off on the Cash Flow. The Cash Flow requires 2 management approvals.
- J. Once the Cash Flow has been approved by the Finance Assistant Manager or designee, it will be returned to the Fiscal Representative - Accounting or designee who will select the items for payment in the computerized accounting system and print a Vouchers Selected for Payment Report to determine the number of checks needed.
- K. Once the number of checks is determined by the Fiscal Representative - Accounting or designee, that information is given to the designated Fiscal Representative - Purchasing or designee to obtain the checks required. All blank check stock is kept in a secure locked location, accessible only by designated staff.
- L. The requested check stock and AP batch will be returned to the Finance Manager or designee who will print the checks using the computerized accounting system.

- M. Fiscal Representative – Accounting - The Fiscal Representative - Accounting or designee will print the check register for that payment batch and generate the Positive Pay and NACHA file(s). The Fiscal Representative - Accounting or designee will upload the NACHA file(s), print the accompanying NACHA form and forward to the Chief Executive Officer or designee for final payment processing and approval. The Chief Executive Officer or designee will also approve the Positive Pay file(s) and NACHA file(s).
- N. The Chief Executive Officer or designee will then give the invoices along with the signed checks and the vouchers to the Fiscal Representative – Purchasing or designee for processing (attaching check stubs to the appropriate voucher(s), sealing and mailing all checks (unless otherwise instructed)). The batch is returned to the Fiscal Representative - Accounting or designee after checks are mailed.
- O. All employee or vendor reimbursement checks will be recorded onto a Check Release Sign out sheet and must be signed for at time of pick-up (see travel expense Policy # FSPP00073). Any check not picked up by the end of the day may be mailed depending upon requestor's instructions.
- P. The Fiscal Representative - Accounting or designee uses a checklist to ensure all documents and processes are carried out as described in these procedures. Prior to filing, the batch along with the checklist is submitted to the Finance Manager or designee for a signature. Once signed the entire batch is filed. The Fiscal Representative - Accounting or designee is responsible for filing all documentation in the appropriate Accounts Payable file. All non-provider payment vouchers and supporting documentation will be filed by check date in the AP file cabinet.
- Q. Summary of Documentation to be filed by date and check processing session ID:
- 1) Invoices paid with attached AP Payment Voucher and Check Stubs ordered by check number.
  - 2) AP Voucher Batch Control signed by Fiscal Representative - Accounting or designee and Finance Manager or designee.
  - 3) AP Aging signed by Fiscal Representative - Accounting or designee and Finance Manager or designee.
  - 4) Cash Flow report(s) signed by Finance Assistant Manager or designee and Finance Manager or designee.
  - 5) Vouchers Selected for Payment Report
  - 6) Check register
  - 7) Positive Pay confirmation
  - 8) Check Release form (if applicable)
  - 9) Approved NACHA form (if applicable)
- R. In NO event will:
- 1) checks prepared unless these procedures are followed.
  - 2) checks be prepared from monthly statements.
  - 3) checks be used other than in numerical order.
  - 4) checks be prepared or signed in advance.
  - 5) checks be made out to cash, bearer, etc.
  - 6) checks be prepared on verbal authorization.
  - 7) checks be processed outside the accounting system; unless in:
    - a) Cases of emergency as defined by the organization's COOP Plan
    - b) Extended periods of technological down time in which the software could not be accessed. This activity would be recorded as manual transactions immediately upon access to the software.