

Document Code No.: FIN-10-1-2-EP

Title: Cash Disbursements and Accounts Payable

Affected Agencies: All King County Executive Departments, Offices, and Agencies

Authorities: State Constitution, RCW, and KCC (See Appendices)

Keywords: Administrative Policies and Procedures, Accounts Payable, Disbursements, Payables

Sponsoring Agency: DES/FBOD/Procurement and Payables Section



King County

Executive signature: _____

Don Condit

Date signed and effective: _____

9/29/16

I. Purpose

This policy is for the purpose of establishing uniform procedures for cash disbursements at the County level.

II. Applicability and Audience

This policy applies to all King County Executive Departments, Offices, and Agencies

III. Definitions

"Accounts Payable" means the Accounts Payable ("AP") group of FBOD/Procurement and Payables

"Agency" means any King County executive department, office, and agency.

"Contract Agreement" means a contract purchase agreement (CPA), contract, blanket agreement (BPA)

"Direct payment" is a payment that is paid to an individual, government or vendor and is not paid pursuant to a contract.

"Discount" is a deduction from the usual cost of a good or service typically given for prompt or advance payment or to a special category of buyers.

"Evaluated Receipt Settlement" means a two way match of the Purchase Order and Receipt in Oracle EBS. The supplier has agreed that an invoice will not be sent when Evaluated Receipt Settlement (ERS) is established.

"FBOD" means Finance and Business Operations Division of the Department of Executive Services

"FMS" means Financial Management Section of Finance Business Operations Division

"One time payee" means an individual or government that receives a payment pursuant to a lawsuit or risk settlement or a payment that is not subject to IRS 1099 reporting requirements.

"P&P" means the Procurement and Payables Section of Finance and Business Operations Division.

"P-Card" means a credit card issued by King County for business transactions allowed under the P-Card program.

"Payroll system" means the PeopleSoft payroll system of King County.

"Supplier" means a vendor, supplier, contractor, consultant or any individual supplying goods or services to the County, other than employment services.

"Treasury Section" means the Treasury section of the Finance and Business Operations Division.

IV. Policy

It is the policy that all King County departments, offices, and agencies conform to the following procedures for the disbursement of public funds for the purposes of:

- Determining accountability for disbursement of public funds.
- Supporting the internal control environment for all departments, offices, and agencies.
- Ensuring cost effective safeguards are in place.
- Ensuring appropriate payment goals are met, and state and King County code regulations are followed and discounts are taken.
- Establishing guidelines that ensure the integrity of compliance with King County business and financial reporting requirements.
- Ensuring appropriate action is taken when discrepancies or audit findings are identified.
- Informing top management of critical disbursement issues that cross department lines and have broad impacts.

A. Procedures

1. Methods of Disbursement. Payment requests and Disbursements shall be processed in accordance with the methods described below:
 - a. ACH and warrant payments to individuals, suppliers and external organizations and payments made on behalf of trust and agencies pursuant to the county's responsibility as treasurer shall be made by Accounts Payable.
 - b. Wire transfers and ACH debits may be made through the Treasury Section for the following types of payments: investments, bonds and tax anticipation notes with financial institutions; payments to fiscal agents to cover coupons paid; taxes and distributions to cities; county payroll funding; payroll funding for trust and agencies; retirement payments; tax payments to the IRS; county bank account deposit transfers; risk management payments associated with settlement of claims, and real estate purchases that must be paid in less than 24 hours.
 - c. Payments related to an employment relationship between an individual and King County including payments related to full time employment, term limited temporary employment and short term temporary employment shall be made through the Payroll system *except* for the following types of payments which shall be made through Accounts Payable:

1. Employee reimbursements pursuant to county policies and procedures (FIN 10-2-1.)
2. Travel related advances and payments pursuant to county policies and procedures (PER 17-1-3.)
3. Petty cash reimbursements pursuant to county policies and procedures.
- d. The following special classes of employment and types of payments may be paid through Accounts Payable by virtue of exclusion from payroll taxes pursuant to IRS Circular E:
 1. Sickness and injury payments under workers compensation law
 2. Fees of public officials such as election official fees
 3. Certain members of religious orders
 4. Deceased worker wages paid to beneficiary after the year of worker's death
 5. Service not in the course of the county's business or normally done by its employees such as speaker, instructor, model, and payments to the person totaling
 - a. Under \$100 in the year and
 - b. Under \$50 in the quarter and the person works less than 24 different days in the quarter or in the preceding quarter.
2. Payment assignments to financial intermediaries: County agencies shall not sign any document agreeing to fulfill payment assignment requests. All requests to have county payments assigned (or redirected) to a third party such as a fiscal agent, factor or bank, shall be directed to the county's Accounts Payable Supervisor. The request shall include a copy of the signed agreement between the vendor and the third party recipient. If a purchase order or contract agreement is involved and the assignment of financial benefit is to apply from the outset, then the assignment shall be cited in the purchase order or contract agreement.
3. Accounts Payable Payment Processing for county agencies
 - a. A requisition shall be made to initiate payments except for the following:
 1. Agencies using preapproved and tested side systems for payments using AP_INTF_001
 2. Direct payments using the AP Smart Spreadsheet or for which prior arrangements have been approved by the AP Supervisor
 - b. A request for employee reimbursement payment shall be initiated in iExpense for
 1. Travel related payments pursuant to county policies and procedures.
 2. Petty cash, change fund and imprest fund reimbursements pursuant to county policies and procedures.
 3. Employee reimbursements pursuant to county policies and procedures.
 - c. P-Card is an approved payment tool pursuant to Executive Policy CON 7-16 for:
 1. Purchases under \$10,000
 2. Utility payments
 3. Memberships, registrations and conference fees
 4. Training
 5. Subscriptions
 6. Purchases from existing suppliers as approved or assigned by P&P.

7. Purchases in excess of \$10,000 when compliant with CON 7-2 (Exemption from Procurement requirements) and 7-1 (Procurement of Goods and/or Services)
- d. A payment that is made to a one-time payee.
4. A direct payment to an individual or vendor may be submitted to Accounts Payable through an interface file using AP_INTF_001 or an approved Smart Spreadsheet provided that:
 - a. The uses of the interface or Smart Spreadsheet have been formally approved by County's Chief Accountant and Chief Procurement Officer, and the interface has been configured in conformance with the applicable business rules.
 - b. The Smart Spreadsheet shall be used only for direct payments
 1. made to one time payees
 2. that are not 1099 reportable to the IRS
 3. that are not taxable
 4. for which the supporting documentation has been approved to remain in the agency.
 - c. A test of the interface has been performed by the requesting agency and has passed the specifications of the manager of the Business Resource Center.
5. Accounts Payable shall be responsible for ensuring the correct payment of sales taxes and use taxes as part of the processing and payment in the Oracle system.
6. Invoice receipt:
 - a. All vendor invoices shall be received in Accounts Payable except for the following:
 1. Payment documentation for goods and services paid through Evaluated Receipt Settlement that has been approved by the Chief Procurement Officer and established through the vendor contract.
 2. Invoices for services that require agency review prior to payment to verify and validate the charge will be first sent to the agency and forwarded to Accounts Payable.
 3. Progress Payment Requests (invoices) for construction shall be prepared by the agency project manager and submitted to Accounts Payable with the required documentation for payment, including the documentation for retainage.
7. Timely payments required: All payments shall be processed in a timely manner. All obligations shall be paid within 30 days after the invoice date, if not subject to other terms.
 - a. All agencies must submit invoices in a timely manner in order to comply with payment terms of the contract.
 1. Agency personnel who review invoices must remit invoices to AP within five days of receipt from the supplier.
 2. If agency personnel find that the invoice is incorrect and needs to be replaced, they must work with the supplier to revise the invoice date as well.
 - b. Service charge/late payment penalties. Legitimate obligations to pay service charges or late payments under terms of the contract agreement or prevailing law (RCW 39.76) shall be charged to the same accounting that was recorded for the original purchase.

- c. Any negotiated supplier discounts for early payment will be taken; provided that the invoice and receipt are received in a timely manner and that there are no problems which would cause the invoice to be placed on hold.
 8. Accounts Payable Records Retention: Accounts Payable shall retain all original invoices and supporting documentation for the period required by the State Office of Archives.
 - a. All invoices received centrally are retained centrally.
 - b. Invoices received by agencies will be retained by the agency if Evaluated Receipt Settlement is used or if the invoice contains HIPPA information
 9. Accounts Payable Warrant Administration
 - a. Warrant Delivery:
 1. As a standard practice, Accounts Payable shall make payment via ACH whenever practical, or directly mail warrants to suppliers, agencies and individuals.
 2. In exception conditions, warrants may be picked up by County agencies.
 3. Accounts Payable warrants shall be securely stored pending their distribution. They shall be returned to Accounts Payable if they remain undelivered for a period of one week.
 - b. Replacement of a Lost or Destroyed Warrant:
 1. Upon initial notice that a warrant appears to be lost, the vendor, agency or individual shall notify Accounts Payable who may place that warrant into a "stop" status.
 2. If a reasonable delivery time has elapsed or if there is other evidence of a lost or destroyed status, Accounts Payable shall prepare an "Affidavit for Issuance of Duplicate Warrant" and forward to the payee for signature. An original signature is required for final release.
 3. Accounts Payable prepares and distributes the replacement warrant.
 - c. Claim for a Canceled Warrant. Request for the replacement of canceled warrants or claims involving the absence of the document itself, shall be referred to the claim procedure of the Finance and Business Operations Division.
- B. Responsibilities
 1. All applicable King County Departments, offices, and agencies will comply with these guidelines, and are responsible for informing their employees of these policies and procedures.
 2. Accounts Payable personnel are responsible for reviewing invoices, spreadsheets, expense reports and other payment requests for completeness and accuracy, processing payments in the Oracle EBS financial system, warrant processing, retaining invoice and payment documentation for invoices that are centrally received, making sure that payments are made timely and that prompt pay discounts are taken wherever possible.
 3. Agency personnel are responsible for issuing requisitions or P-Cards for purchases, receiving in Oracle EBS in a timely manner, monitoring open purchase orders and resolving any discrepancies regarding payments with suppliers, making sure that payments are made timely and that prompt pay discounts are taken whenever possible, retaining invoices and payment documentation that contains HIPPA or other confidential information or is associated with evaluated receipt settlement and retaining backup documentation and the original signed authorization form for AP Smart Spreadsheets in accordance with a retention schedule approved by the

Washington State Local Records Committee and disposed of per King County Executive Policy INF 15-3.

V. Implementation Plan

- A. This policy becomes effective for all King County Executive Departments, Offices, and Agencies on the date that it is signed by the Executive. The Department of Executive Services is responsible for implementation of this policy.
- B. DES/FBOD/Procurement and Payables Section is responsible for communicating this policy to the management structure within their respective agencies and other appropriate parties.

VI. Maintenance

- A. This policy will be maintained by the DES/FBOD/Procurement and Payables Section or its successor agency.
- B. This policy will automatically expire five (5) years after its effective date. A new, revised, or renewed policy will be initiated by Procurement and Payables, or its successor agency prior to the expiration date.

VII. Consequences for Noncompliance

Affected Agencies in noncompliance with this policy shall submit a letter of justification and remediation plan signed by the Department Director or designee to the Chief Procurement Officer for review and action.

Continuing noncompliance may subject the King County employee violating the policy to the disciplinary process set forth in the King County Personnel Guidelines section 16 and the provisions of King County Code 3.12.270.

Appendices:

- State Constitution, Article VIII, Section 7 - County credit not to be loaned
- State Constitution, Article VIII, Section 14, Private use of public funds prohibited
- RCW 36.29.010, General Duties, County Treasurer
- RCW 4.16 - Statute of Limitations
- RCW 6.25 - Attachment (writ) on debt.
- RCW 18.27.040 - Surety bond required of contractors
- RCW 35.21.085 & 36.33.060 - Claim funds
- RCW 36.32.235 - Competitive bids and deposits
- RCW 39.08 - Contract performance bond
- RCW 39.72 - Replacement off lost warrants
- RCW 39.76 - Interest penalty on late payments
- RCW 42.20.060 - Falsely auditing and paying claims; fraud.
- RCW 42.21 - Code of ethics for public officials.

- RCW 42.24 - Claims for expenses
- RCW 42.24.180 Taxing District Issuance of warrants or checks before approval by legislative body
- RCW 60.28.010 - Construction contract retainage/lien claims
- RCW 65.16.030 - Newspaper affidavit of publication required.
- RCW 82 - Excise Tax Laws
- WAC 458-20 - Excise Tax Rules
- IRS publications 378 and 510
- IRS Notice 88-13
- IRS Claim Form 843 and instructions
- IRS Circular E
- Federal Register Part 48 - Tax on sale or removal of gasoline
- King County Executive Policy CON 7-2 Exemption from Procurement requirements
- King County Executive Policy CON 7-1 (AP) Contracting for Procurement of Goods and Services
- King County Executive Policy CON 7-16 Use of King County Procurement Card for Purchases of Goods and Services

