

# LEWIS COUNTY FIRE DISTRICT 3

## Resolution # 24-10

### **Adopting Electronic Funds Transfer (EFT) Policy and Procedures**

**WHEREAS**, the Lewis County Fire District #3 Board of Commissioners recognize the use of various electronic payment methods as a safe and efficient method to process certain disbursements; and

**WHEREAS**, the Lewis County Fire District #3 is committed to establishing controls and procedures for the utilization of electronic funds transfers (EFTs); and

**WHEREAS**, the Lewis County Fire District #3 desires to adopt an electronic funds transfer policy and procedures in accordance with the Washington State Auditor;

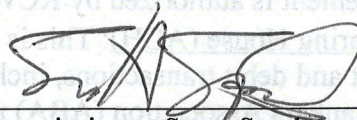
**NOW, THEREFORE**, Lewis County Fire District #3 Board, does hereby resolve as follows:

**Section 1.** The "Electronic Funds Transfer (EFT) Policy and Procedures" attached hereto as Exhibit A and incorporated by reference, is hereby adopted for the Lewis County Fire District #3. The Board of Commissioners delegates to the administrative assistant the authority to make minor administrative changes to such policy, provided such changes are consistent with state and federal requirements.

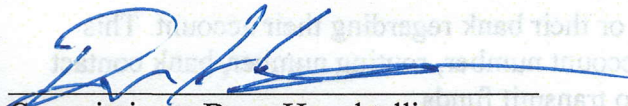
**ADOPTED** by the Lewis County Fire District #3 Board of Commissioners at an open public meeting held on the 18<sup>th</sup> day of September, 2024.



Chair Commissioner Curt Spahn



Commissioner Scott Spade



Commissioner Doug Houghtelling



Admin. Assistant Amanda Blankenship



# **Lewis County Fire District #3**

## **Electronic Funds Transfer (EFT) Policy and Procedures**

### **Policy Statement:**

The Lewis County Fire District #3 Board of Commissioners recognize the use of various electronic payment methods as a safe and efficient method to process certain disbursements. The Board is committed to establishing controls and procedures for the utilization of electronic funds transfers (EFTs). This policy provides a framework of procedures to ensure that proper protocols are followed, and that applicable oversight is in place for the use of EFTs.

### **Purpose:**

The primary goal of this policy is to ensure Electronic Funds Transfers (EFTs) are initiated, executed and approved in a secure manner. This policy establishes general guidelines for using EFTs including wire transfers for payables and receivables. The procedures outline what electronic funds transactions the fire district may engage in and the accounting procedures to be followed in accordance with RCW 39.58.750 and Washington State Auditors requirements.

### **Definitions:**

- Electronic Funds Transfer (EFT): The electronic exchange (transfer of money from one bank account to another), either within a single financial institution or across multiple institutions, through computer-based systems. Wire transfers and ACH payments are examples of EFTs. This form of disbursement is authorized by RCW 39.58.750.
- Automated Clearing House (ACH): This is an electronic payment delivery system that processes electronic credit and debit transactions, including direct deposits, within the United States using the American Bankers Association (ABA) number. These should be set up in the vendor master file that denotes this payment method.
- Banking Information: Information from the payee or their bank regarding their account. This information includes bank name, account name, account number, routing number, bank contact information and any other information necessary to transmit funds.
- Wire Transfer: This is an electronic transfer of funds from one bank account to another initiated directly with the payer's bank. This type of transfer utilizes a system operated by the Federal Reserve Banks and is more costly compared to transactions involving checks or ACH.

### **General Guidelines:**

The Lewis County Fire District #3 utilizes EFTs for receipt of intergovernmental payments, grant payments, and other revenues where practical, and the transmittal of payroll, withholdings, tax deposits, bond payments, credit card processing fees, banking fees, real estate transactions, and other disbursements where practical or required. All EFT transactions will utilize the same procedures. All EFT payments will be coordinated and submitted through the administrative assistant. The administrative assistant or his/her designee will approve new requests and any changes to electronic funds transfer requests, ensuring that the payment is necessary, all required documentation is provided and appropriately approved, that the request and banking account information is accurate and valid, and that the transaction is accurately recorded in the general ledger system. All EFTs are subject to applicable purchasing policies and all other



policies and procedures in relation to the purchase of goods and/or services. Except as noted above, wire transfers should only be used in payment of an obligation of the district on an emergency basis when the situation requires immediate funds to settle a transaction. If a more inexpensive mechanism can be used to effect payment of the obligation (i.e., Electronic Funds Transfer or paper check), the administrative assistant shall reserve the right to effect payment with the more inexpensive mechanism. Exceptions to this must be pre-approved by the Board. This policy will be reviewed on an annual basis for accuracy and process verification. The district administrative assistant is authorized to make minor administrative changes to this policy, provided such changes are consistent with state and federal requirements.

### **Procedures:**

The administrative assistant is the only person authorized to initiate EFTs. The Lewis County Fire District #3 Board of Commissioners shall be responsible for the review of EFT transactions in order to assure compliance, completeness, and proper general ledger recording on a monthly basis. This method of payment will be used only when authorized by the Board, administrative assistant or his/her designee. To promote the safety of district funds in the EFT environment, the following procedures will be used by all district staff involved in processing payments via EFTs:

- The procedure to initiate an EFT is subject to the same financial policies, procedures and controls that govern disbursement by any other payment method.
- EFT transactions will not be made without proper authorization of affected parties in accordance with Federal and State statute and accepted business practices.
- Authentication of new EFT requests and changes to existing EFTs is required prior to the transactions being input in the computer-based banking system and includes the following steps:
  - Validate: All new electronic payment instruction requests received, even if the request is internal.
  - Contact: The supplier or requestor must be contacted directly by phone to confirm any requests for payment method or payment instruction changes. Do not use the contact information provided on the request to confirm change payment method or payment instructions. Contact information known to be genuine must be used, such as the contact information in the master file or information collected from the original contract. The contact must confirm existing payment instructions on file prior to making changes to those instructions (i.e., current bank account name, number, and routing information).
  - Verify: The new information provided on the payment instructions must be verified with the known contact (i.e., contact bank to confirm correct account name, number, and routing information).
  - Document: The verification process that was followed must be documented to validate payment instructions. The person responsible for entering/updating instructions and a commissioner who would approve the new/updated wire instructions must approve the record of verification.
- When ACH payments are approved, they will be set up in the master file database in the financial accounting system by the administrative assistant.
- All invoices will be approved by the administrative assistant and entered into the financial accounting software for monthly review by the Lewis County Fire District #3 Board of Commissioners.
- Transmission of the ACH file will occur through secure single user account login at the payee portal with strong security measures by the administrative assistant, verifying the amount of EFT submitted and that the total matches the invoice and report in the financial accounting system. Strong security measures consist of automatic log-off after inactivity, strong password



requirements and/or multifactor authentication for verifying identity. A reputable antivirus protection program such as McAfee (or comparable service) will help ensure safe online processing as well as staying up to date on software updates promptly.

- Bank balances will be monitored daily for unusual or unexpected transactions.
- Reconciliation of banking activity will be accomplished on a monthly basis with investigation and resolution of reconciling items.

Lewis County Fire District #3 will ensure the State Auditor has access to files, records and documentation of all EFT transactions involving the fire district when required for the conduct of the statutory audit. Such information will also be supplied if the district changes banks.

#### Wire Transfers:

The administrative assistant is the only person authorized to initiate wire transfers. The Board of Commissioners shall be responsible for the review of wire requests in order to assure compliance, completeness, and proper general ledger recording. This method of payment will be used only when authorized by the Lewis County Fire District #3 Board of Commissioners.

The fire district will utilize security measures offered by Umpqua and Security State Banks to prevent unauthorized individuals from initiating or modifying a wire transfer. On-line banking systems should only be used by employees with proper system credentials and separate banking user IDs. The administrative assistant and Board of Commissioners shall ensure that adequate separation of duties exist in accordance with internal control standards and that the integrity of system user profiles is protected. Steps are also taken to limit the number of users who have access to create or approve wire transfers and their authorized wire amounts.

All wire transfer requests, including back-up wire information, invoice or other supporting documents will be forwarded to the Board of Commissioners for approval prior to initiating wires. The wire transfer request must include the name and address of the payee, and full payment instructions including banking information. The bank and invoice information must be verified and if there is an inconsistency with the information provided, the wire initiator will contact the proper party to obtain additional or corrected information. If all information agrees with the documentation, the wire will be requested with the fire district's financial institution by the authorized staff member.

The pending wire information is reviewed online against the back-up documentation by a Commissioner of the Board. If there is an error, the wire will be rejected online, and the wire initiator will make any necessary corrections to the data. If all information is correct, the wire will be approved. The payment approval confirmation should be attached to the documentation for future reference. Upon completion of the wire transfer, the entry will be recorded in the financial accounting system by the administrative assistant.

The fire district may establish a wire template for wires that will be completed on a regular basis for items such as investments or regularly scheduled payments.

#### ACH Payments to Vendors:

The procedure to initiate an ACH payment is subject to the same procedures and controls that govern disbursement by any other payment mechanism including a check payment. ACH transactions will not be made without proper authorization of affected parties. Prior to a new vendor receiving ACH payments for



submitted invoices, a completed W-9 Form must be submitted to the administrative assistant to ensure proper vendor setup. If all information on the form and the supporting documentation is correct the data is then recorded in the Vendor Record in the financial accounting system. The supporting documentation is then filed and stored in a secured location. Any requests to change vendor banking information require a new Vendor ACH/Direct Deposit Authorization Form or Letter and will be confirmed directly via phone with the vendor by the administrative assistant.

For ACH processing through the district financial accounting system, it will generate an electronic file and an EFT check register report that will be used to complete the ACH transmission. The ACH transmission will then be completed by the administrative assistant and will be processed to generate a standard ACH transmission file. The electronic generated banking file from the financial accounting system is electronically transmitted to the fire district's banking institution, authorizing the debit and credit of funds between banks. There may be a bank ACH fee associated with this process. An email is automatically generated and sent to the Chair of the Board of Commissioners for review of the ACH.

For ACH processing through vendor websites (i.e. utility & monthly service vendors), a login and security questions need to be in place to ensure single use login is secure in a payee portal. Once logged in, ensure the amount due matches the current amount on the submitted invoice for the timeframe noted. Once reviewed and approved by the administrative assistant, the identified specific payment may be initiated on the vendor site via bank payment by entering routing and account number. Confirm all information entered is correct before submitting. Print payment confirmation and confirm the information matches the invoice. Vendor submitted invoices and proof of payment from the vendor website are to be kept together with notes of when payment was submitted & who processed the payment. Proof of payment needs to confirm the amount of payment, date of payment and vendor payment is applied to. The staff who initiate and complete EFT transactions are responsible for ensuring the financial internal controls are maintained, the activity is posted timely, and operational procedures are in place to reduce the risk of loss of fire district funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by fire district employees. The administrative assistant will monitor bank balances daily for unusual or unexpected transactions, reconcile bank activity to the general ledger on a monthly basis, and investigate and resolve reconciling items. A warrant register from the last Board meeting to the current Board meeting listing all expenses and revenue including EFT's is presented to the Board for review and approval with details of each transaction record provided with the register.

#### Payroll Direct Deposit:

For the processing disbursements for payroll, each employee is required to complete a Direct Deposit Authorization Form. This form must contain bank information documentation in order to assure proper setup. Account documentation may include a voided check or a bank notification stating the bank's transit and routing number in addition to the employee's account number. The form is signed by the employee and provided to the administrative assistant for entry into the payroll system. Account documentation is reviewed to ensure the information does not appear altered or manipulated in any way. If evidence of such is present, the employee will be contacted to verify the information. In addition, if a void check which does not contain the employee's name is submitted, the employee will be contacted to verify the information. The outcome of these communications will be documented on the direct deposit form. Suspicious or fraudulent situations should be routed to the Board of Commissioners. After the form has been reviewed for accuracy, information is entered from the form into the employee record within the payroll system. If an employee wishes to change direct deposit information, a new form must be completed and signed. This information is limited to Human Resources personnel and staff responsible for payroll.



Each month an employee timecard is submitted to the administrative assistant to verify and enter into the payroll system showing how many hours of straight time worked, holidays, comp time, PTO, ect. Once hours are entered and verified in the payroll system, an EFT can be created. The effective date should be the following month between the 1<sup>st</sup> and the 5<sup>th</sup> whichever is soonest considering weekend days. The EFT file is created and uploaded into the ACH function of the Imprest account bank by the administrative assistant. The administrative assistant then verifies the information uploaded before approving through the bank authentication process. A confirmation is given by the bank and must be printed and kept with the payroll register reviewed/approved monthly by the Board with the timecards signed by the employees.

#### Payroll Withholding:

Lewis County Fire District #3 currently pays certain invoices relating to payroll expenses through an EFT process. Upon completion of a payroll cycle, the vendor and invoice amount are identified. Through a secure single user account, payroll staff initiate an ACH payment on the vendor site for the specific amount identified for each payroll cycle. The information including vendor, disbursement amount, and payroll cycle is maintained along with a confirmation that the ACH disbursement was accepted by the vendor. Payroll vendor sites include but are not limited to: DRS, Dept of Revenue EFTPS, Secure Access WA for multiple government sites such as PFML and Long-Term Care.

#### **Internal Controls:**

The following internal controls have been adopted to validate all available safety precautions are utilized:

- Implementation of bank offered security measures to prevent unauthorized individuals from initiating or modifying a transfer.
- Each user initiating or approving wire transfers must have a separate banking user id.
- Only setting up wire transfers for debt service payments, transfers between City bank accounts, and real property acquisitions, and other transactions as required, only with approval of the Board of Commissioners.
- Utilization of computer standards, policies and procedures to protect the computers and computing processes used for EFTs from computer malware.
- Ensuring a secure process for creating, securing, sending and authenticating direct deposit transmittal files to prevent unauthorized modification or submission.
- If banking fraud is discovered in the EFT process, the fraud must be reported to the Board of Commissioners immediately. The administrative assistant must notify Lewis County Treasurer and Washington State Auditor's Office of the possible fraud as soon as possible after it is detected. Steps will be taken with Umpqua or Security State Bank to mitigate the fraud and the appropriate entities will be notified as necessary.
- Each batch of payables processed are reviewed and initialed by a commissioner throughout the month and on a monthly basis during OPM, all payables are reviewed in detail by the Board via a warrant register cover with a copy of each individual invoice and record of payment with notes. Once the Board reviews and approves the months payables, the warrant register is signed by the Board approving the expenses.
- Direct Deposit payroll expenses are reviewed by the Board of Commissioners in detail monthly including a payroll register, accrual reports and employee timecards.