



City Of Greater Sudbury

# Payment Processing Policy

Part of the Accounts Payable Policy and Procedures Manual

THE ACCOUNTS PAYABLE POLICY AND PROCEDURES MANUAL

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## **1.0 PURPOSE**

The purpose of this policy is to establish the responsibilities, controls, authorizations and procedures for the accurate and timely payment of invoices and cheque requisitions processed by Accounts Payable.

### **1.1 DEFINITIONS**

- i) "ACH" means Automated Clearing House
- ii) "EFT" means Electronic Funds Transfers
- iii) "PO" means Purchase Order
- iv) "PS" means PeopleSoft Financial system

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## **2.0 POLICY**

- 2.1 Only invoices and cheque requisitions that are properly approved in accordance with the Purchasing Authority Policy are processed for payment.
- 2.2 Cheques are not to be issued to "Cash".
- 2.3 Payments will be made in accordance with the payment terms as outlined in the Vendor Master File Database Policy section 2m). Any deviations are to be approved by the Manager of Accounting or designate.

## **3.0 RESPONSIBILITIES**

- 3.1 All Employees/departments submitting an invoice or cheque requisition for processing must ensure:
  - 3.1.1 That invoices and cheque requisitions are provided to the Accounts Payable Section in a timely manner to meet the payment terms and internal processing deadlines.
- 3.2 The Accounts Payable Customer Service Clerk (AP Clerk) is responsible for reviewing the vouchers entered to ensure that payments are processed in accordance with Accounts Payable policies.
- 3.3 The Accounts Payable Lead (AP Lead) is responsible to:
  - 3.3.1 Process payments in a timely manner to take advantage of earned discounts.
  - 3.3.2 Print cheques and process EFT/ACH transfers.
  - 3.3.3 Control the blank cheque stock.
  - 3.3.4 Control the manual cheque stock.
- 3.4 The Accountant is responsible for the cheque log.
- 3.5 The Co-ordinator of Accounting is responsible for ensuring the internal control procedures are properly documented and periodically evaluated.

## 4.0 SEGREGATION OF DUTIES

- 4.1 Segregation of Duties (SoD) separates roles and responsibilities to ensure that an individual cannot process a transaction from initiation through to payment without the involvement of others and thereby SoD reduces the risk of fraud or error to an acceptable level.
- 4.2 For example, no one individual should be able to set up a new supplier, create a purchase order for that supplier, post and approve the invoice from that supplier, create, approve and record the payment to that supplier. Giving a single individual the ability to perform all of the above operations increases the risk of fraud or error.
- 4.3 Segregation is achieved in this policy as the AP Lead must approve all set up and changes to supplier master file information and is responsible to make payments through the bi-weekly cheque runs. The AP Lead does not have access in PeopleSoft to enter supplier information nor the ability to input invoices for payment. The AP Clerks do not have the ability to approve supplier or to process payments.

## 5.0 PROCEDURES

### 5.1 *Cheque Runs*

- 5.1.1 Accounts Payable processes cheques as per Pay Groups established in the *Vendor Master File Database Policy AP-003*.
- 5.1.2 Tuesday cheque runs will pick up the RU (Rush) pay group and Thursday cheque runs will pick up RU and RE (regular) pay groups.
- 5.1.3 US cheque runs are done once a week (US Reg).
- 5.1.4 Pioneer Manor (PM) Bank Account cheque runs are done once a week (Tuesday afternoons).
- 5.1.5 Post dates are done once a month and processed before the end of the month for the following month.

AH – Affordable Housing

HS – Housing Services

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PDDay – Post dated cheques

- 5.1.6 Progress payments are prepared twice a month, as per the annual schedule.

**5.2 Payment processing**

- 5.2.1 The AP Lead selects the batches (groups) that will be paid and triggers cheques and EFT/ACH payments for the selected batches.
- 5.2.2 The AP Lead initiates the payment process by setting the payment date, pay through date and the next pay through date. Vouchers are selected for payment based on the scheduled due date on the voucher. The date selected is one week past the scheduled due date to allow sufficient time for mailing the cheque.
- 5.2.3 Matching is done by PeopleSoft which identifies PS PO invoices that exceed the tolerance limits. This process is run as part of the cheque run process. The matching rules are documented in Appendix A of the *Invoice Processing Policy AP-004*. The AP Lead must also run budget checking. If there are warnings, the cheque process can continue. If there are errors, the commitment control report must be run and provided to Purchasing which must correct the PS Purchase Order for the voucher to be processed and paid.

**5.3 Cheque printing**

- 5.3.1 Cheques are printed on the printer in the locked Payroll room. Cheque stock is blank paper and cheque information is printed using MICR Toner at the time the cheque is prepared. Blank cheque stock is kept in the locked Finance room in a locked vault. All information is printed on the cheque including electronic signatures for the CFO/Treasurer and Mayor and bank encoding information at the time the cheque is printed. Changes to this information in the printer can only be done by the Information Technology department.

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- 5.3.2 The AP Lead prints the cheque and EFT registers noting the number of cheques and initials the report. The registers and cheques are given to the Accountant. The Accountant counts the cheques, reviews number sequences for both cheques and EFTs. The Accountant completes a log by entering the first and last EFT numbers, cheque numbers, number of cheques, and number of void cheques. The Accountant then initials the log and the registers which is verification that the cheque and EFT numbers have maintained numerical continuity integrity. The registers are returned to the AP Lead.
- 5.3.3 Once the cheque and EFT registers are signed by the Accountant, the AP Lead verifies that the total number of cheques and payments agree to the total dollar value in the PeopleSoft bank transfer file.
- 5.3.4 The AP Lead records information in an Excel file saved in J:/S\_Accounts\_Payable/ Bank Transfers.xls. Information includes: date, cheque or EFT/ACH numbers, type of payment, number of payments, total amount of cheque run, post dated or not, transfer dates, transfer amount.
- 5.3.5 The bank transfer for cheques is done once the Accountant reviews the cheques. If approvals are not obtained in 5.4.1, the Admin will hold the cheques until approval is obtained.
- 5.3.6 The EFT/ACH bank transfer is only done once the approvals are obtained in 5.4.1.
- 5.3.7 When the disbursement auditor is sent to the bank and the Accounting Analyst - GL calls the bank to confirm receipt of the transfer. The bank transfer must be done by 3pm for cheques and noon for EFT/ACHs, otherwise need to wait until the next day to ensure verification of fund transfers is done in the same day.

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**5.4 *Payment review***

5.4.1 Cheques are returned to the AP Clerk. The AP Clerk runs a query listing vouchers greater than \$50,000 and attaches them either to the cheque or the EFT report the voucher is being paid on. The Co-ordinator of Accounting, Manager of Accounting/Deputy Treasurer or designate reviews and initials the voucher and related payment. The review should ensure that the proper payee is being paid, the amount is correct, the invoice was properly approved and the supporting documentation is appropriate. Once the vouchers are reviewed and initialed they are returned to the AP Clerk. The AP Clerk gives the cheques to the Admin staff, with the remittance folder, for mailing.

**5.5 *Cheque distribution***

5.5.1 The AP Clerk assigned to RUSH brings the cheques to the Admin staff who sorts the cheques: internal to be returned to departments and external mail is given to the mailroom and is sent out to suppliers from there. The following types of payments will be sent through internal mail if requested; all others will be mailed directly to the supplier.

- Employee payments;
- Payments that must accompany legal documents, licensing or registration fees, etc.;
- Payments as per contract that requires payment at the time service is provided (i.e. performers)
- Payments made through the Mayor and Councilor accounts.

5.5.2 If an attachment must be included with the cheque, the attachment is to be forwarded to Accounts Payable for inclusion with mailing or mailed separately. Cheques will not be sent to the requestor or authorizer.

5.5.3 Cheques cannot be picked up by suppliers unless it is for a progress payment. These are prepared and available on Friday at 3pm twice a month. Payments will only be released



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at 3pm once Finance has received clearance from legal that there are no liens or other legal issues for which payment must be withheld.

## **5.6 EFT payments**

5.6.1 EFT payments are on cheque run days or can be done using an express cheque process. The EFT transfer must be processed to the bank by noon to be deposited same day if the supplier uses the same bank institution as the City. All suppliers using any other banking institution will receive their money 1 or 2 days later.

## **5.7 Express Cheques**

5.7.1 Express cheques, are payments (EFT or cheque) prepared other than through the regular payment cycle. These are only to be used when:

- The City has made an error and a supplier did not receive a timely payment due to this error,
- Others as approved by the Manager of Accounting or designate.

5.7.2 Express cheques are done through Express Payments process or Create Express Payment. AP Lead must populate the following items:

- Bank Set ID: CGS01
- Bank: RYLBK
- Account: CDN (cheques), CDN2 (EFT), USD (US cheques) or USD2 (ACH)
- Pay Method: Cheque or EFT
- Supplier: Supplier number

5.7.3 The AP Lead selects the voucher(s) for payment then creates the payment.

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**5.8 Certified Cheques**

- 5.8.1 When a certified cheque is required the regular steps in Cheque Processing are followed.
- 5.8.2 Once the approvals are obtained the cheque is given to the Accounting Analyst - GL who must physically bring the cheque to the bank for them to add the bank certification.

**5.9 Wire transfers**

- 5.9.1 When an invoice is received requiring a payment other than in Canadian or US dollars or is to be mailed to an international destination, the invoice is given to the AP Lead.
- 5.9.2 The AP Lead emails the invoice to the Investment Officer who completes a wire transfer. The Investment Officer will send the details of the transfer to the AP Lead including the value in the base currency and the value in Canadian currency.
- 5.9.3 The AP Lead will open a batch for one item and give the invoice to an AP Clerk to key using Canadian dollars. The AP Lead will then apply a manual payment to the voucher so that it is processed through Accounts Payable but is not paid twice.
- 5.9.4 A review of vouchers greater than \$50,000 paid via wire transfer will occur as indicated in section 5.4 Payment review.

**5.10 Void Cheques**

- 5.10.1 The AP Lead will be notified by an operating department or the supplier directly that a cheque was not received. The AP Lead will check with the Accounting Analyst - GL to confirm that the payment is still outstanding. The AP Lead will get the Accounting Analyst - GL to put a stop payment on the cheque. Once confirmation that the stop payment is completed the AP Lead cancels the cheque in PeopleSoft under Payments > Cancel/Void Payments > Payment Cancellation.

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- 5.10.2 The AP Lead must enter the bank code, the bank account that was used to issue the cheque and the payment reference. The options are then to cancel and reissue or cancel and do not reissue.
- 5.10.3 If cancel and do not reissue is selected, two lines are created in the payment tab, the first line shows the cancellation and the second line is grayed out not allowing for a reissuance.
- 5.10.4 If cancel and reissue is selected, two lines are created in the payment tab, the first line shows the cancellation and the second line is the voucher information for the new payment. The voucher will be picked in the next cheque run unless express cheque process is required. In the second section the address or location information can be changed on the supplier, thus allowing the voucher to be ready for payment.
- 5.10.5 If the wrong supplier was paid, the voucher must be rekeyed to the proper supplier, therefore cancel and do not issue is selected.
- 5.10.6 The cheques and stubs are stamped "Void" as an additional measure to prevent cashing of the cheque. Void cheques are reviewed as per 6.1 below.

**5.11 Manual cheques**

- 5.11.1 Manual cheques are kept in the locked vault in the locked Finance room as a back up contingency plan and are to be used for emergency purposes only.
- 5.11.2 The vault has 20 cheques, which are not numbered.
- 5.11.3 The AP Lead has access to the cheques and would fill out the required information: date, payee, and amount. The cheques would be physically approved and signed by two of the City's signing authorities. The City's signing authorities are authorized in the City's Delegation By-Law.
- 5.11.4 When the PS system is again available, the voucher would be entered by the AP Clerk into PeopleSoft and the AP Lead

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would apply a manual payment so that it is processed through Accounts Payable but is not paid twice.

## **6.0 REVIEW OF PAYMENT INFORMATION**

### **6.1 Void Cheques**

- 6.1.1 On a monthly basis, void cheques are reviewed by the AP Lead to determine the reason for the cancellation.
- 6.1.2 After month end closes the AP Lead runs a query (CGS\_AP\_VOIDCHEQUESX) of cancelled cheques. This query pulls across information entered when a cheque is cancelled including the reason for cancellation.
- 6.1.3 The AP Lead provides 2 copies of the void cheque report to the Co-ordinator of Accounting for review along with supporting documentation.
- 6.1.4 The Co-ordinator of Accounting initials both copies of the report and provides one listing and the cancelled cheques to the Accounting Analyst - GL with the second copy going to the AP Lead.
- 6.1.5 Review by the Co-ordinator of Accounting consists of the following:
  - a. Review that cheque is included or stop payment confirmation obtained from the Accounting Analyst - GL.
  - b. Review reasons for cancellation (department or AP data entry error).

### **6.2 Duplicate invoices - Review**

- 6.2.1 The Quality and Performance Initiatives Co-ordinator runs a duplicate payment list every two months (Query CGS\_DUPLICATE\_SEARCH). Several steps are followed to create the report which is then reviewed by the Quality and Performance Initiatives Co-ordinator who identifies possible duplicates for follow up.

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- 6.2.2 The Accounts Payable Lead reviews the report produced and reviews information within PeopleSoft to determine next steps.
- a. If money was returned by supplier for overpayment, no further work required.
  - b. If credit was submitted by the supplier this is applied to the supplier's account.
  - c. If the duplicate payment is outstanding the AP Lead will either apply a credit in PeopleSoft when it is a recurring supplier or will contact the supplier for repayment. When a credit is applied on a payment, the Co-ordinator of Accounting or designate will draft a letter explaining the reason for the credit and attach the letter to the payment.
- 6.2.3 The Co-ordinator of Accounting will review the report and resolution of items.