

YAMHILL COUNTY
Official Policy

Accounting Functions and Payroll Procedures

B.O. 09-770, November 4, 2009

B.O. 16-501, December 15, 2016

EXPENDITURES

1. Purchase Orders

A. Purchase orders must be clearly dated as occurring prior to placing an order and must specify the proper account coding when submitted for signature approval. If a purchase order is submitted after an actual purchase is made, Accounting will return the purchase order to the department and will notify the County Administrator. Approved purchase orders must be sent to Accounting for future record-keeping and verification of invoice payments. Purchase orders expire at the end of the budget year unless an extension is specifically granted. The department must have sufficient appropriation authority in the subsequent year.

B. Purchase orders must be issued for products or services acquired on a “trial or demonstration” basis, clearly dated as occurring prior to placing an order, and must specify the proper account coding when submitted for signature approval.

C. Purchase orders for “mobile” equipment valued at more than \$1000 and which is to be added to the insurance schedule should be marked “New Field Equipment”. This will alert staff to notify the insurance company to add the equipment to the schedule.

D. Purchase orders should indicate whether the item being purchased is to be added to the County’s fixed asset list. Appropriate items include property, equipment, infrastructure (e.g., roads, bridges, and similar items) and their improvements, with an initial, individual cost of more than \$5,000 and an estimated useful life of at least one year. Costs for improvements should be evaluated based on the total cost of the project (rather than the individual costs) and if they add value or extend the life of the asset. Costs of normal maintenance or repairs are not included.

2. Intra-departmental Invoices – Intra-departmental invoices will require signature of department head or designee, prior to submission to Accounting.

3. Expense Coding – All expenses must be charged to the department or division incurring the expense. Expenditures coded to more than one department or division (split coding), which are non-routine or not clearly budgeted must be justified in writing on the invoice or payment request by the department head.

4. Grant Expenditures – For projects, products, or services funded by grants, the Board and County Administrator must be informed, prior to expenditures being made, if the total costs exceed the grant plus the previously approved match.

5. Department Head Expenditures

A. The County Administrator will approve all department head purchase card statements, expense reports, and requests for overnight travel.

B. County Counsel will approve all elected officials purchase card statements and expense reports. The County Administrator will co-sign indicating expense code review.

DEPOSITS / REVENUE

1. Deposits will require additional back-up documentation to substantiate the purpose and/or any restrictions on the revenue. Examples of back-up documentation are: copy of a grant reimbursement request, contract, board order number, or any accompanying documentation or correspondence received from the issuer of the check that could clarify its purpose. For departments that enter their own deposits - checks, cash, and the cash receipt edit will be routed to Accounting. Back-up documentation will be reviewed by Accounting staff and the Finance Manager as needed. Departments entering their own cash receipts should bring two copies to the Accounting Office. Accounting staff will confirm the cash being deposited in front of the departmental staff. Both parties will sign (not initial) the forms, one will be returned to the department and one will be retained by Accounting as supporting documentation. Deposits should be delivered to the Accounting Division by 10:00 am each morning. If cash is received in the department after that time, please wait until the next working day to bring it to Accounting.

2. All checks are to receive the restricted endorsement “FOR DEPOSIT ONLY - Yamhill County” (not “Yamhill County Treasurer”) immediately upon receipt by the receiving department.

3. A weekly exception report will be generated to review revenues and expenses recorded to accounts that do not have budget authority. This exception report will be reviewed by the Finance Manager and the County Administrator as needed to help ensure proper tracking of budget.

4. Accounting staff will verify deposits with the adopted budget to ensure that revenue is being deposited to the correct fund, department or division (board order required).

5. All investment statements will be delivered unopened to the County Administrator. After review, the County Administrator will forward the statements to Accounting for reconciliation to the general ledger (board order required).

PETTY CASH

The purpose of a petty cash fund is to purchase incidental items for expenses which are too minimal to justify the cost of preparing a check (generally, items under \$25). A petty cash fund is created by Board of Commissioners' approval of a written request from a department head. Petty cash funds are not to be used as change funds or as a depository for cash received. No checks are to be cashed out of petty cash funds. The cash in the fund and receipts for expenditures must always equal the amount authorized by board order.

Petty cash is to be secured in a locked location and is not to be moved from that location unless specifically authorized by the department head or designee. Funds are never to be removed from County property (i.e., not to be taken home).

Reimbursements to petty cash are made when deemed necessary or when the level of cash remaining is about 20% of the total amount authorized. To be reimbursed, a voucher and receipts documenting expenditures are submitted by the department to the Accounting Office. A reimbursement check will be prepared by accounting staff and may be cashed by Accounting.

Administrative Services staff or auditors may make periodic unannounced visits to departments to count petty cash or change funds during the year.

Departments should confirm their cash balances on a monthly basis. Accounting staff can verify the amount authorized for each department's petty cash fund.

CHANGE FUNDS

Change funds are made available to cash-receipting departments upon written request and Board approval. Change funds are not to be intermingled with petty cash funds. The express purpose of a change fund is to make change when cash is received as payment for an item or service; it is not a petty cash fund and is not to be used for office expenditures.

The amount of cash in a change fund should always equal the authorized amount plus any cash payments received by the department. Payments by check should always be for the exact amount due. The change fund must not be used for cashing checks.

Payments received by a department are to be deposited with Accounting on a daily basis or whenever the amount in the change fund reaches \$100 more than the authorized fund total. The balance in the change fund should then equal the original amount authorized.

Change funds are to be securely locked during non-business hours and are never to be removed from County property.

Accounting staff can verify the amount authorized for each department's change fund.

Foreign Coin or Currency / Damaged Coin

No foreign money or damaged coin is to be accepted. The bank will not accept foreign coin or currency, or damaged coin as part of the County's deposit.

BANK ACCOUNTS

General Account

The County maintains one primary bank account from which the County's business and payroll checks are cleared. Accounting maintains and reconciles the account. The authorized signatory is the County Administrator.

Checks

The County pays all normal obligations for payroll and purchases of goods and services with a County check or notice of deposit. The authorized signatory is the County Administrator or designee.

Most checks are formatted, printed, and signed on a laser printer through the electronic finance system. A numerical log is to be maintained to account for each check number. Commercial checks are not released for payment to the payee until the check register is approved and signed by the County Administrator or the County Administrator's designee. Payroll checks and notices of deposit will only be released to a manager or other designee of the department.

Other Accounts

The treasurer may maintain other accounts for investment or fiduciary purposes.

Although County policy strongly discourages department-controlled bank accounts, it is recognized that in rare cases such a need may arise. If so, the following requirements must be met:

Request for permission to establish the account must be submitted to the Board of Commissioners and must clearly state the justification for the account.

Accounts must include "Yamhill County" as part of the account name.

After the account has been approved by the board, a copy of the approved request and a copy of a check or deposit slip for the account is to be submitted to the Accounting Office.

Two signatures are required for each check or withdrawal, one of which should be the department head. Any individual with signature authority must be an employee of the County.

Records of any department bank account must be available at any time for review by the auditors or a representative of administrative services.

CASH RECEIPTS AND CONTROL

Purpose

The purpose of this section is to define management's responsibilities in supervising cash handling. Because cash is a negotiable, portable asset, close internal control is required at all

times. Without adequate supervision, the best accounting systems and control procedures can quickly become undependable.

Responsibility Assignment

One employee in each department should be assigned responsibility for administration of procedures and safeguarding of cash. The Finance Manager is to be notified of that employee's identity. An alternate staff member should be trained to fulfill these functions in the primary employee's absence.

Assistance Available

The County Finance Manager and/or staff are available for assistance with any problems that arise over handling or depositing cash.

INTERNAL CONTROL

General

A good system of internal control helps protect against fraud. Internal control includes but is not limited to the following duties.

Segregation of Duties

Segregation of duties is important because it provides a system of checks and balances when elements of a transaction are handled by more than one staff. This process also serves as a deterrent to fraud or concealment of error because it would require recruiting another staff's cooperation or collusion. Segregation of duties should be included in every control system regardless of how experienced employees are or even if the segregation results in less than peak efficiency.

Restricted Access

It is very important to limit access to every part of a transaction that could be used to process an authorized transaction, both physical and virtual. All electronic means of producing or altering accounting records, checks, or receipts are secured by restricted passwords and limited access to the systems required to perform the transactions.

Check stock, consecutively numbered cash receipts, or similar items should be kept in a locked storage area.

Numerical Sequencing

A key component of internal control is to sequentially number items such as checks and cash receipts. Each number should be accounted for, even if an error occurred in processing; i.e., the item is to be marked "void" or unissued and kept in the files in sequence with the other documentation. It should not be discarded.

The electronic system automatically lists items sequentially and limits access to only a few staff.

Paper forms should have numbers pre-printed; blank forms are to be kept in a secure location

with limited access. If several staff will use the forms (for example, as cash receipts when receiving money at the counter), there are two methods to help account for all numbers. One method is to use only one receipt book at a time, with all numbers accounted for sequentially. The other method is to assign each employee a set of numbered receipts for which that employee is accountable.

Receipts

Money received at the counter should be receipted immediately and a copy of the receipt given to the payer. Money received by mail should be receipted as soon as possible. Incoming checks are to be endorsed "for deposit only" as soon as received.

On a daily basis, assigned staff should reconcile receipts with money received. If an electronic receipt system is used, a report of monies received by receipt number is to be printed and reviewed for consecutive sequence. Money is then counted and reconciled to the total of the receipts. As a check and balance, another staff member should process and review the printout.

When using hand-written receipts, the first step is to sort receipts in numerical order, making certain that all numbers are accounted for; amounts are then totaled on an adding machine. As a check and balance, another staff member counts the money received and reconciles that with the receipts.

Checks negotiated promptly are less likely to be returned by the bank. (i.e., NSF checks and account closures are two common occurrences).

Deposits

Money received is to be deposited with Accounting by 10:00 am each day. Departments which receive less than \$100 per day may deposit weekly.

Timely deposits reduce the chance of loss or theft. Tardy deposits reduce the funds available for investment and result in lost interest earnings for the department.

All funds received are to be deposited intact. No bills are to be paid or expenditures made from money received by a department. Such use is contrary to law, does not reflect actual receipts, and distorts revenue.

"Over and Short"

If the total money is less or more than the amount shown on the total receipts, an entry is to be noted in the "over and short" account. It is contrary to county accounting procedure to add to or take from the amount collected in order to make the amount agree with the receipts.

Cash should always be securely stored and access to it strictly limited.

Written Policy

Using the guidelines and procedures listed above, each department should develop its own set of written policies and procedures for handling cash and receipts, specific to the department's

needs.

RETURNED BANK ITEMS

Non-Sufficient Fund Checks

Any check initially returned by the bank marked “NSF” will be redeposited. If the check fails to clear after two more deposit attempts, it will be returned for collection to the department from which it was received.

Other than NSF Checks

Any other irregularity on a returned item such as missing signature, discrepancy in amounts written, etc., will be immediately returned to the respective department for collection.

The Board of Commissioners may establish, by board order, a fee to be charged for NSF checks, and may, from time-to-time, adjust the fee as appropriate.

JOURNAL ENTRIES

Journal entries are made to record all accounting transactions. Some transactions are created within the electronic system and posted to the general ledger as part of the daily procedure of accounts payable and payroll. Other transactions are created manually to adjust, correct, or reclassify assets, liability, expenditures, or revenues and to make year-end adjustment in the general ledger. Budget journal entries can be made to reallocate expenditure authority or when a supplemental budget is passed. All budget journal entries require a board order.

Departments may request or initiate journal entries, but journal entries are made in the Accounting Office and must be approved by supervisory personnel other than the person requesting the entry. Requests for journal entries are to include full details of the transaction (i.e., account code, check or cash receipt number relating to the request, and the reason for the request).

ACCOUNTS PAYABLE

General

The Accounting Division staff is responsible for maintaining data entered into the accounts payable system. A vendor file is created for each payee. The file includes the vendor’s address, tax identification number, 1099 status, whether the vendor performs a service or supplies a product, and any other pertinent information specific to that vendor.

Accounting staff establishes the schedule for entering data in the A/P system, determines the type of documentation required to justify the check, and schedules check production.

Entry of Accounts Payable

Invoices must be entered into the financial system in order to be paid. Invoices will be paid upon receipt of proper documentation, an appropriate budget code, and an authorized signature to

affirm that the invoice is an expense for which there is legitimate budget authority. If in doubt, departments may confirm appropriate budget codes with Accounting staff.

Departments which do not have access to the financial system will submit invoices directly to the Accounting staff for entry.

Departments having computer access to the financial system may coordinate with the Accounting Office for staff training in order to enter their own invoices into the accounts payable system. Accounting staff will provide instruction and support for correctly entering invoice information.

The Information Technology Division will provide security clearance and password for a department's employee who will be responsible for entering invoices into the financial system. Use of another employee's password is prohibited. If additional help is required or change of personnel occurs, the Accounting Division is to be notified and password identification documented accordingly.

The responsibility of the department staff is as follows:

- a) Enter invoice header information
- b) Enter invoice detail information
- c) Process an edit report
- d) Review invoice information on the edit report
- e) Make necessary changes or deletions and repeat steps c and d until the data is correct.

After invoices have been entered and all changes made, the department head or designee is to sign the A/P edit report for final approval. Following department head approval, the edit report is sent to the Accounting Office to be processed in update mode, and posted to the general ledger; checks are then printed and disbursed.

Along with the signed A/P edit report, all original supporting documentation is sent to the Accounting Office and kept in the County's main filing system. Signed, supporting documentation must be received in the Accounting Office before the weekly check processing or the invoice will be excluded and payment not made until the next check schedule.

Accounting staff maintains responsibility for all other aspects of the A/P system such as adding vendors to the system, printing and mailing checks, reconciling and voiding checks, closing at year-end, and preparing the IRS 1099 forms.

Wires

Payments made by electronic transfer of funds rather than by hard copy check are referred to as "wires". Only Accounting staff and the Treasurer are authorized to transfer money by wire.

External wires are used to pay some outside vendors for services such as the purchase card bills or some payroll costs such as income taxes.

Disbursement of A/P Checks

After the checks are printed and before disbursement, the check register which includes a list of all the checks, their amounts, and the vendors to whom they are written, is sent to the County Administrator or designee for review and signature. Checks are compared once more with their back-up documentation before disbursement to ensure accuracy.

Checks are usually disbursed via U.S. Mail. Upon request, checks will be returned to the department through interoffice mail for disbursement.

Timely Payments / End of Fiscal Year

Departments are expected to submit invoices for payment as soon as possible after receipt in order to protect the County's credit and reputation and to eliminate problems with vendors. Throughout the year, invoices are paid as received. The date the invoices are posted to the general ledger is the date on which the accounts payable edit report is created and is usually the same date the check is printed.

As the end of the fiscal year, June 30, approaches, the situation changes. As each fiscal year ends, it becomes very important that invoices be paid from the correct fiscal year budget, and there is a clear distinction between the fiscal year just ending and the new fiscal year. Items ordered or invoiced on or before June 30 will be paid in the year ending June 30. To be eligible to be paid from the fiscal year beginning July 1, an item must be ordered and invoiced July 1 or after.

Departments are encouraged to process invoices for the end of the fiscal year preferably as soon as possible or at least within 60 days. During this time the Accounting Office may separate the check process for each fiscal year in order to make certain payments are posted in the correct period.

Check with Accounting staff during this time of year for specific instructions in handling these invoices.

Emergency Payments

It is recognized that at times checks are needed immediately and cannot wait for a regularly scheduled accounts payable check process. When this situation occurs, the request, including all back-up documentation and authorization from the department head or designee, should be brought to the Accounting Office. Checks issued outside the normal check process must be authorized by the County Administrator, or designee. Accounting staff will obtain authorization, prepare the check, and notify the department when the check is ready. There is an administrative charge to departments for checks prepared outside the regularly scheduled process.

Lost Checks

If a check is lost or destroyed prior to being cashed, a new or replacement check will be issued after the following steps are taken:

Provide notice of the loss of the check and a request for reissue to the Accounting Office. Include as much information about the check as possible (date, to whom the check is payable, amount, and if possible, check number).

After the Accounting Office has confirmed the check has not been cashed, the payee of the lost check must complete, sign, and have notarized an "Affidavit for Issue of Duplicate Instrument" which will be provided by the Accounting Office.

Any checks that are not cashed within 3 years of date of issue are required to be turned over the State of Oregon Department of State Lands Unclaimed Property Division.

EMPLOYEE EXPENSE REIMBURSEMENT

General

Per the IRS Code, reimbursements made to an employee for business expenses must comply with certain requirements in order to be considered non-taxable payments.

The requirements for documents which most frequently pertain to the County are:

Date and purpose for the business expense.

To the extent possible, detailed receipts, bills paid, etc., for any expenditure for lodging while traveling away from home, any expenditure of \$75 or more, or any commercial transportation such as airplane or train (exclude taxi, city bus).

If documentation is not included, the expense may not be reimbursable or the expense payment may be considered a taxable benefit or taxable income to the employee and subject to all payroll taxes including county liability for paying FICA on the amount of the reimbursement.

Reimbursement Procedure

To receive reimbursement for expenses incurred in the conduct of county business, an "Employee Expense Report" is completed and filed with the Accounting Office. Explicit instructions are included on the form.

Expenses are reimbursed only for the employee; expenses for any family members or guest who may accompany the employee are not eligible for reimbursement. Expenses incurred for personal sightseeing or personal business in conjunction with the work-related trip are not eligible for reimbursement.

The employee's signature on the "Employee Expense Report" certifies that all expenses submitted for reimbursement were incurred in the conduct of county business. After the employee has signed the form, it is reviewed and approved by a supervisor or designee signature, then sent to the Accounting Office. The amount approved for reimbursement will be included with the employee's next paycheck.

Elected Officials and Appointed Department Heads: see "Job-related Expenses of Department Heads and Elected Officials; Procedure for Review/Approval/Denial". Elected officials submit

expense reports to County Counsel.

FIXED ASSETS

General

An important function for all departments is to maintain and control the County's fixed assets in a responsible manner. A fixed or capital asset is defined as a major asset in excess of a specified dollar amount and which benefits the County for more than a single fiscal year. The specific dollar amount is established in accordance with generally accepted accounting principles. Some examples of fixed assets are land, buildings, vehicles, or major improvements made to buildings and infrastructure. The definition of fixed assets may also be appropriate to works of art or historical treasures.

The Accounting Division maintains a record of all fixed assets and the departments which are responsible for them. Assets are recorded at the historical cost which is normally considered to be the purchase price.

If assets were donated or acquired in such a way that the original purchase price is unknown, the historical cost may be estimated. For such an asset, the historical cost would be depreciated to the point in time at which the County acquired it.

The County has a responsibility to maintain adequate control and care of its fixed assets. The fixed assets are reviewed and reported by independent auditors.

Acquisition

At the time of purchase each capital asset is to be coded to an 800 series account number (i.e., XXX-XXX-8XX.XX). No other purchases or expenses are to be coded to an 800 series account. A copy of the purchase order and invoice pertaining to acquisition of the asset and information regarding its expected years of service and intended location is required by the Accounting Office for the County's financial records and statements.

Each capital asset purchased throughout the fiscal year is assigned a unique number. The asset's price, responsible department, and date of acquisition are recorded in the County's fixed asset ledger. At the end of each fiscal year, the amounts in the fixed asset ledger are totaled, the amounts in the 800 series accounts in the general ledger are totaled and reconciled to the same figure.

Disposal

When a fixed asset is sold, transferred, or disposed of, the Accounting Division is to be notified so that the asset can be deleted from County records. Disposition of County assets require Board approval. See Surplus Property Disposal Ordinance 499.

Reports

Throughout the year, the Accounting Division produces reports detailing information regarding the fixed assets belonging to each department, the price of the asset, and date of acquisition.

Each department is expected to review the report and either correct or confirm the information regarding the asset or, if the asset is no longer in possession of the department, notify the Accounting Division regarding its disposition.

PAYROLL

General

Cooperation from all departments is a basic requirement in order to produce an accurate payroll in a timely manner.

The County has two payrolls per month: the 15th and the last working day of the month. If the 15th occurs on a weekend or holiday, payroll is the last working day before the 15th.

The Accounting Division requires a minimum of one week to process payroll. In order to meet the payroll dates, time sheets are due twice monthly on dates established by the Accounting Office. Departments which enter time sheets electronically have an additional day in which to turn the time sheets in to the Accounting Office. Accounting staff will at times request that time sheets be submitted a day or two early, due to holidays or weekends, in order to process payroll and transmit the ACH (Automated Clearing House) tape to the bank in time to guarantee deposit in employees' accounts on payday. At these times it may be necessary for employees to estimate the time that will be worked in the last day or two of the payroll period. If actual time worked varies from the estimate given, it must be corrected in the next payroll period.

The ACH transmittal is for direct deposit of payroll into employees' accounts. In order to guarantee that funds will be in the employee's account on the designated payday, the deposit must be transferred to the Automated Clearing House two banking days before the pay date.

The Accounting Division maintains all payroll records and can provide current information as to the status of an employee's pay, benefits, or leave balances. With proper security and training, this information is also available on-line to departments, as appropriate.

Payroll has many variables with the result that no two paychecks are exactly alike even if two people are in the same job classification at the same step. Employees may belong to one of three unions or be in a non-bargaining position. Each union contract may differ in rules, salary, or benefit plans. Other legal requirements which affect employees' paychecks differently are deductions such as federal taxes, state taxes, FICA, Medicare, workers' compensation and unemployment insurance.

Changes in Personnel or Pay Status:

Personnel procedures are in place to document an applicant's hire, any change made to an employee's work status or salary, or termination of employment. For each of these events, a manager will complete a personnel action form ("P A").

The personnel action form is the definitive document used by payroll staff to make certain that the information entered into an employee's pay records is current, reconciles with the budget, and

provides the intended pay and benefits. No changes are made to an employee's payroll status without this form. Each time an employee's status changes, a copy of the form showing those changes is filed in the employee's payroll file.

Time Sheets

An employee's time sheet is the legal document by which the Accounting Division obtains information as to time worked. Time sheets should be completed in ink only by the employee to whom the time sheet belongs. It should reflect a true and accurate record of work-related hours (including FET, sick leave, vacation, comp time, overtime, etc.). The employee's signature on the time sheet signifies that the information listed is true and accurate. The supervisor's signature confirms the time sheet has been reviewed and is correct.

The employee's name and employee number are to be printed at the top in a legible manner and in the standard format designated by the payroll department. The electronic financial system ties an employee's information specifically to that employee's paycheck. The employee number identifies for the system the particular payroll options, including deductions, union affiliation, insurance plan, etc., which make the check specific and individual to that employee.

The correct dates including month and year for the pay period being reported are also to be printed at the top of the time sheet. At the time the employee is completing a time sheet, it may seem obvious which work period is being reported; however, when the time sheets are all filed together, not having the date identified is confusing and may cause problems with necessary research.

Hours claimed in each payroll category (regular, overtime, FET, vacation, etc.) should be added and appear in the column on the far right. Hours claimed for each work day are added and appear in the bottom row of the grid. The total category column and total daily row should cross-foot total in the lower right box on the grid.

Employee Benefits

Health benefits including medical, dental, vision, disability, life insurance, and employee assistance program are available for qualified employees and their dependents. A pre-determined dollar amount is budgeted to provide these benefits for qualified employees. For employees on less than fulltime status, the benefits may be prorated and a portion of the cost paid by the employees. Paid leaves and holidays are also provided as appropriate. These benefits differ depending on the union affiliation of the employee. Department managers are expected to be familiar with the particular benefit package pertaining to their respective departments.

Retirement is administered by the Oregon Public Employee's Retirement System (PERS). Refer to the PERS Handbook for information. Both the employee and employer portions of the retirement contributions are paid by the County.

Tax-deferred retirement savings plans (also called "457 plans") are available for voluntary employee participation. Participation in either plan requires a meeting with the plan representative. The purpose of the meeting is to inform the employee of the risks and benefits of

participation. Further information regarding the plans is available from the Accounting Office or Human Resources office.
