



Electronic Funds Transfer Policy

Governance Section: Governance

Revision Date: 10/26/2023

Page: 1 of 6

Purpose

To establish policies and procedures that ensure payments made and/or received via electronic means (E-Commerce) are initiated, executed, and approved in a secure manner.

Authority

1. RCW 39.58.750 ("Receipt, disbursement, or transfer of public funds by wire or other electronic communication means authorized.")
2. Interlocal Agreement, section 3i ("incur obligations")
3. Bylaws, section 32 ("Pool's Executive Director shall serve as its Auditor")
4. Governance Policy: Duties, Responsibilities and Development of Board and Executive Committee Members
5. Governance Policy: Accounting and Internal Controls
6. Governance Policy: Purchasing Policy
7. Governance Policy: Internal Controls

Washington State BARS Manual Sections Addressed

1. Accounting for Revenue (3.6), Electronic Funds Transfer (EFT) – Receipts (3.6.6)
2. Accounting for Expenditures (3.8), Electronic Funds Transfer (EFT) – Disbursement (3.8.11)
3. Accounting Principles and Internal Controls (3.1), Bank Reconciliations (3.1.9)

Definitions

Electronic Funds Transfer (EFT) – is a broad term that refers to the exchange of funds utilizing the American Bankers Association (ABA) Routing Numbers and Account Numbers of both parties. The exchange can be by means of ACH, ACH Debit, ACH Credit, Wire Transfer, or other electronic means.

Automated Clearing House (ACH) – an ACH is an electronic fund transfer made in batches between banks and credit unions across what is called the Automated Clearing House network. It can take a day or two for the batched payments to be sorted and settled between both parties' banks.

ACH Debit – a standing authorization given by Party A to Party B for Party B to withdraw from Party A's bank account the amount owed to Party B. Examples include WSTIP's pre-authorized approval given to (1) the Washington State Department of Retirement Systems; (2) our payroll provider PayNorthwest; and (3) our credit card processor Authorize.Net.

ACH Credit – approval given to WSTIP from an employee or a vendor for WSTIP to make payment directly to that employee or vendor's bank account. Examples include direct deposits of payroll, reimbursement of employee or board expenses and payment of vendor invoices.

Wire Transfer – a wire transfer is another way to send or receive money electronically between two parties with the transaction initiated by the payer's bank. During a wire transfer, the funds are transferred directly from one bank or financial institution to another utilizing a system operated by the Federal Reserve Banks and is more costly compared to ACH.

Authorized Signor – individuals who are on the authorized signature list with the Thurston County Treasurer (TCT) and/or on the signature cards with Key Bank.

Finance Staff – includes any person who has it as part of their assigned job duties to perform financial tasks.

Policy Statement

For WSTIP to transact business efficiently it is necessary that routine financial transactions be processed electronically. This policy provides a framework of procedures to ensure that proper protocols are followed, and that applicable oversight is in place to protect EFT transactions from internal and external threats.

1. METHODS OF ELECTRONIC FUNDS RECEIPTS

The electronic receipt of funds includes all forms of payment received receipts by means of ACH, ACH Debit, ACH Credit, Wire Transfer, or other electronic means.

1.1 Automated Clearing House (ACH):

This method is generally the least expensive method for receiving funds electronically and represents one method for receiving Annual Assessments from Members or recovery/refunds from reinsurers.

1.2 Debit, Credit, and Purchase Cards (Cards):

Cards are the only accepted form of payment for WSTIP Training event registrations. On occasion we allow claimants to make restitution (or subrogation) payments via Card and we allow payment of small value invoices via Cards. Staff never receive an individual's Card information. All Card transactions are processed through Authorize.Net via endpoint encryption. Authorize.Net is PCI compliant.

1.3 Wire Transfers:

WSTIP does not typically receive wire transfers. Receipt of a wire transfer would be uncommon and infrequent. It is anticipated wire transfers could be received in connection with maturing investments that were not otherwise transferred to WSTIP via ACH. Examples include investments held and managed by the Washington State Office of the Treasurer (OST).

1.4 Lockbox Services:

WSTIP does not currently utilize a lockbox service but contemplates this as an acceptable form of receiving funds electronically should the Pool chose to utilize this service.

1.5 Accounting Procedures for Receiving Payment

To safeguard disbursements received via electronic means Staff employ the following procedures:

- A. For receiving payments, the following information is needed:
 - a. Date of the receipt;
 - b. Amount of the receipt;
 - c. Name of the customer or claim number;
 - d. QuickBooks Invoice number or Authorize.Net transaction number; and
 - e. Source of the funds (Direct from customer or through Authorize.Net);
- B. Finance Staff prepare the TCT Deposit Transmittal Form and emailed to acctg@co.thurston.wa.us.
- C. Finance Staff record the deposit(s) in QuickBooks and verify the deposit cleared the bank.
- D. A bank and investment reconciliation are performed at the end of the month. This process involves two separate Finance Staff. One prepares the reconciliation and another reviews their work.

2. METHODS OF ELECTRONIC FUNDS DISBURSEMENT

The electronic disbursement of funds includes all forms of payment made by means of ACH, ACH Debit, ACH Credit, Wire Transfer, or other electronic means.

2.1 Automated Clearing House (ACH) Transfers:

This method is generally the least expensive method for disbursing funds electronically.

ACH Debit – Staff refer to these pre-authorized “Pull” transactions as “ACH” transactions and classify them as “ACH” on voucher reports. WSTIP is select in which vendors are pre-authorized to Pull money from WSTIP’s account. Currently, the vendors are: (1) the Washington State Department of Retirement Systems; (2) our payroll provider PayNorthwest; and (3) our credit card processor Authorize.net. In each case Staff submit data to these vendors and know the amount and when it will be Pulled. Exceptions to the advance notice relate to a de minimis service charge from Authorize.Net where the exact amount is unknown ahead of time but relates to the prior month’s service charge and receipt of the US Bank rebate (for Card usage).

ACH Credit – Staff refer to these pre-authorized “Push” transactions as “EFT” transactions and classify them as “EFT” on voucher reports. Examples include direct deposits of payroll, reimbursement of employee or board expenses and payment of vendor invoices.

2.2 Debit, Credit, and Purchase Cards (Cards):

In some instances, WSTIP utilizes Cards to pay for goods received or services rendered (in lieu of issuing a check and a Form 1099). This is done in accordance with our Purchasing Policy.

2.3 Wire Transfers:

WSTIP does not typically disburse funds via wire transfer. Disbursements via wire transfer are uncommon and infrequent and are typically utilized when time constraints warrant its use, such as payment of a jury verdict or to make payment for a line of coverage (to bind coverage).

2.4 Accounting Procedures for Disbursing Payment

To safeguard disbursements made via electronic means Staff employ the following procedures:

- A. For outbound payments, the following information is needed:
 - a. Date of the disbursement;
 - b. Method of disbursement (e.g. “Check”, “CC” for Cards, “ACH” for Pull, “EFT” for Push);
 - c. Name of the vendor;
 - d. Purpose of the disbursement;
 - e. Amount of the disbursement;

And if the payment is made via ACH or Wire Transfer the following is also needed:

- f. Disbursing bank’s unique transaction identification number, if available.
 - g. Receiving bank or financial institution’s identification number.
- B. Finance Staff prepare the TCT EFT Transmittal Form and email it to an Authorized Signor for review and signature approval.

- C. The signed EFT Transmittal Form is emailed to acctg@co.thurston.wa.us
- D. For ACH Debit transactions (Pull):
- a. The vendor Pulling the money has already been given approval to do so. Finance Staff do not have any Key Bank entries, rather Finance Staff's task is to notify TCT using the TCT EFT Transmittal Form and indicate:
 - i. the amount to be pulled; and,
 - ii. the date TCT can expect the vendor to pull the amount.
- E. For ACH Credit transactions (Push):
- a. Finance Staff prepare the TCT EFT Transmittal Form, log into WSTIP's account at Key Bank, select the vendor's ACH file from the Vendor Vault (which has separate controls) and indicate:
 - i. the amount to be disbursed; and,
 - ii. the date for the vendor to receive the completed EFT.
 - b. The Authorized Signor who receives the TCT EFT Transmittal Form logs into WSTIP's account at Key Bank and verifies:
 - i. the correct vendor file was selected from the vendor vault;
 - ii. the amount to be disbursed; and,
 - iii. the date for the vendor to receive the completed EFT.
 - c. Once the information has been verified as correct, the Authorized Signor approves the disbursement in Key Bank.
 - d. Key Bank sends an email to let both individuals know the EFT has been approved.
 - e. If the EFT details entered in "a" above were not correct, the reviewer rejects the EFT and asks the preparer to correct the entry and resubmit the EFT request.
 - f. Neither the EFT initiator nor the EFT reviewer can change the banking or routing information of the selected vendor during this entry or approval process. All changes to the vendor file are performed in a separate two-step authentication process that must be completed prior to the payment. If a change is needed in the vendor file, the reviewer rejects the EFT as entered and waits for the vendor file to be updated.
- F. For Card transactions, these occur in one of three ways with each resulting in a credit card expense report being submitted and approved monthly:
- a. Cards used by individuals (the card may be issued in their name);
 - b. Cards used to pay approved invoices in lieu of establishing a vendor file (to the extent a vendor will accept a Card for payment) where the alternative payment would have been a check. Payment by Card reduces our vendor files and our 1099 obligations for these infrequent vendors or infrequent transactions.
 - c. Cards used to pay recurring bills (a pre-authorization). This would include normal, known recurring bills related to services, technology subscriptions, and utility bills.
- G. For Wire Transfers, outbound transfers are initiated by Authorized Signors and are processed by employees of the TCT who confirm the transmittal information with an Authorized Signor.

3. ACCOUNTING PROCEDURES FOR MAINTAINING VENDOR AUTHORIZATIONS

Pre-authorization's submitted by employees/Board Members for expense reimbursements and by vendors for the payment vendor invoices are retained in one of two locations: WSTIP's payroll files in PayNorthwest or in WSTIP's vendor files in SharePoint that are uploaded to Key Bank.

3.1 Accounting Procedures for PayNorthwest (PNW)

- A. WSTIP allows its employees to make self-directed changes to their direct deposit accounts via their PNW account log in. This includes adding additional direct deposit accounts and adjusting the amounts that are allocated between their direct deposit accounts. It is the responsibility of the employee submitting a direct deposit change to correctly enter the information.
- B. Finance Staff receive system notifications from PNW of direct deposit change and must approve the entry before it can be used. The Finance Staff approval process entails calling the employee, verifying the employee made the direct deposit request and once confirmed, the Finance Staff approves the change in PNW.

3.2 Accounting Procedures for Vendor Files in SharePoint and Key Bank

- A. Finance Staff log into WSTIP's account at Key Bank.
 - a. From the Vendor Vault the Finance Staff creates a new payment template for the vendor using the information the vendor submitted. The ACH vendor template includes:
 - i. the name of the vendor;
 - ii. the American Bankers Association (ABA) Routing Number;
 - iii. the bank account number; and,
 - iv. the type of account (checking or saving)
 - b. An Authorized Signor logs into WSTIP's account at Key Bank and verifies the ACH vendor template was correctly populated using the information submitted by the vendor (by reviewing the support in SharePoint).
 - c. Once the information has been verified as correct, this second individual approves the ACH vendor template in Key Bank.
 - d. Key Bank sends an email to let both individuals know the template has been approved.
 - e. If the template details entered in "a" above are not correct, the reviewer rejects the template and asks the preparer to correct the entry and resubmit the ACH vendor template.
- B. Occasionally Finance Staff receive requests from employees, Board Members, or vendors (all three groups known collectively as "vendors") to update banking information previously provided.
- C. Prior to updating vendor files in SharePoint or making changes in a Vendor Vault all such requests are verified by Finance Staff contacting the vendor using the following steps:
 - a. Validate: We validate the authenticity of all new electronic payment instruction requests received. We do this even if the request is from an internal employee.
 - b. Contact: We contact the vendor directly by phone to confirm any requests for payment method or payment instruction changes. We won't use the contact information provided on the request to change payment method or payment instructions, rather we use contact information already known to us (such as the contact info in the master file or from the original contract).

- c. Verify: The vendor contacted must confirm existing payment instructions on file (e.g., current bank account name, number, and routing information) and be able to verbalize* the new information submitted prior to Finance Staff making changes in the WSTIP’s Key Bank Vendor Vault. (*We don’t tell them what information was submitted, rather we expect them to tell us what information they provided as confirmation).
- d. Document: We then document the verification process that was followed to validate payment instructions. The person responsible for entering/updating the Vendor Vault and the person approving the new/updated ACH vendor template must approve the record of verification.

4. BANK ACCOUNT MONITORING AND RECONCILIATION

Finance Staff monitor bank balances daily for unusual or unexpected transactions, ensures transactions are recorded promptly and to the proper period, reconciles bank and investment activity to the general ledger monthly, and investigates and resolves reconciling items. TCT is monitoring as well but their review is secondary to our internal responsibility.

4.1 Accounting Procedures for Reconciliations


- A. All bank and investment accounts are reconciled monthly as part of the standard month end close. Asset reconciliations are typically completed by the 10th of the month.
- B. Finance Staff prepare the reconciliation. The bank and investment statements are the primary source document in this process. The employee verifies the activity reflected in QuickBooks agrees or is reconciled to the activity on the statements.
- C. A separate Finance Staff reviews the reconciliation to ensure the funds exist and that the transactional activity was properly accounted for, and properly reported.
- D. Bank and investment statements along with their reconciliation reports are signed by the preparer and the reviewer. This material is retained as part of support for the monthly close and is available for review by the Pool’s internal Auditor, WSTIP’s Executive Director.
- E. On a quarterly basis the Board of Directors receives a Treasurer’s Report which is prepared by Staff and reviewed by WSTIP’s elected Board Treasurer. The supporting documentation for the Treasurer’s Report are the reconciled files referenced in “D” above.

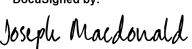
Amendment

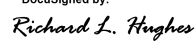
The Executive Committee may amend this policy.

Repealer and Policy History

This policy repeals any prior policy or practice by the Pool on this topic. New Policy in 2023.

DocuSigned by:

 12908B744B7B48D...
 Scott Deutsch, President

Attest:
 DocuSigned by:

 7624726F511C442...
 Joseph Macdonald, Secretary

Approved as to form:
 DocuSigned by:

 8708AFD792304CC...
 Richard L. Hughes, General Counsel