



HISTORIC
FRANKLIN
TENNESSEE

DISBURSEMENTS POLICY

Updated June 30, 2024

CITY OF FRANKLIN

Disbursements Policy

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Disbursements Policy

1. General Policy

This policy applies to all non-payroll disbursements of The City of Franklin. (Payroll disbursements are addressed in the City's Human Resources Manual.)

Other than the purchasing card program that is overseen by the City's Purchasing Office, the Finance Department oversees disbursements for the City. Specific payment responsibilities, as described in this policy, are delegated to departments. All who have responsibility for any aspect of the City's payment functions are to adhere to the provisions of this policy. (Exceptions, if any, will be handled as described in Section 13).

2. Payment Responsibilities

To ensure best practices, the following disbursements responsibilities are in place:

- **Procurement.** Departments should strive to separate, as much as possible, the functions of purchasing, receiving, and approving payments.
- **Payment Approval.** The authorized departmental approver must not be the recipient of the funds disbursed.
- **Vendor Maintenance.** A person in Finance who does not perform payment processing should perform vendor maintenance.
- **Payment Processing and Review.** The person processing payments in Finance should have a 2nd person in Finance review prior to disbursement.
- **Payment Recording.** A person in Finance who does not process or review disbursements should record the transactions.
- **Post-payment review.** Both the department and Finance should review budget information to ensure that all financial transactions are appropriate.

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3. Payment Methods

Although departments shall advise the Finance Department as to the method of payment that best meets the needs of the City, payment by electronic means is the default method of payment.

Purchasing Cards, which streamline the payment for most goods and services, is the default method for payments to vendors who accept credit cards. (The advantages of using the City purchasing card in lieu of accounts payable is the reduced time required to process payments, the vendor is paid sooner, and a rebate is available on most purchases made using the purchasing card.)

Direct Deposit (ACH), which consists of bank account information being provided by the vendor to the City, is the default payment method for:

- non-construction-related procurements through the Purchasing Office,
- construction-related procurements typically overseen by Engineering,
- employee reimbursements (using primary payroll bank account), and
- vendors who do not accept credit cards.

Automatic Withdrawal, which consists of bank account information being provided to the vendor to initiate scheduled withdrawals, is the default payment method for utility payments.

Wire Transfer, which is a same day payment method that requires two persons to approve transfer, is the default payment method for debt service, lease payments, and investments.

Checks are issued to vendors who do not accept electronic payments and other payments where electronic payment is not cost effective.

Petty Cash may be needed by departments that require frequent cash purchases for minor items. Petty cash may not be used to pay for services or to compensate employees.

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4. Payment Fees

Many vendors that accept the City's purchasing card do not add on a convenience fee and/or surcharge to the amount of the purchase. However, some vendors have an established fee for accepting electronic payments. In instances where payment of the fee is more cost effective than processing the payment through accounts payable, the payment fee may be paid. Finance provides guidance for the approved fee limits and/or for approval to accept payment fees beyond the fee limits.

5. Authorized Approvers

The department director is the default authorized approver. The department director must provide written authorization to designate additional individuals in their departments as authorized approvers. The Finance department maintains a list of authorized approvers.

Payment requests of \$100,000 or more are to be approved by the department director or higher. Payment requests under this amount may be approved by the department director or departmental designee.

6. Invoice Approvals

Departments are responsible for reviewing, approving and allocating to the proper budget code all invoices submitted for payment. All payments are made by the Finance Department except for those made by purchasing card.

A full, legible signature of the individual authorizing payment is required. Initials are not accepted. The approval signature signifies that the request for payment complies with the following conditions:

- Is necessary.
- Is for a valid municipal purpose.
- Is received, or is an authorized prepayment.
- Is from the correct account.
- Is for the correct amount.
- Is not a duplicate payment.
- Is timely to ensure no penalties.
- Does not exceed available budgeted amounts.
- Has been procured in accordance with City purchasing policies.
- Complies with legal restrictions.

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- Complies with applicable contractual, grant, and/or debt restrictions.
- Includes accurate supporting documentation.

7. Disbursements Documentation

It shall be the responsibility of the department to provide sufficient and accurate documentation to the Finance Department for prompt payment. Such documentation shall include itemized invoices, packing lists, and receiving forms or other evidence of receipt. Payments are not made from vendor statements.

Additional documentation is needed for the following types of payments:

For Non-Construction-Related Procurement Payments

Inclusion of the purchase order number (where applicable) or requisition number and contract number.

For Construction-Related Procurement Payments

Inclusion of the contract payment request form with project number, contract number, and contractor's payment application (or similar document) with remaining contract balance.

For Employee Reimbursement Payments

Inclusion of employee identification number and/or name. (Where applicable, state and federal requirements, such as HIPAA privacy regulations, will be followed). The time period for submittal is shown in the travel policy.

For Capital Asset Payments

Inclusion of asset's description and identifying number(s).

For Grant and Reimbursement Payments

Inclusion of the grant or reimbursement number (where applicable).

For Bond and Lease Payments

Inclusion of the bond or lease number (where applicable).

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8. Payment Minimum

Due to historical experience of checks for small amounts remaining uncashed, payments under a threshold established by the Finance Department, will not be issued unless requested. These amounts will be submitted to the State's unclaimed property division when due.

9. Timeframe for Vendor Payments

Departments are to obtain invoices from vendors as soon as services or goods are provided. During most of the year, payments to vendors generally occur within 30 days of invoice date. Prompt payment discounts are to be taken.

At fiscal year-end, payments need to occur by July 31 each year. (This abbreviated timeframe is necessary due to State's requirement that the City's annual financial records must be closed within 60 days.)

The City of Franklin does not make invoice payments prior to the due date and/or completed service or goods received unless it is specified in an agreement prior to the procurement or if moving the payment to an AP date closer to net 30 would make the invoice payment late.

10. Urgent Payment Requests

Prior to the beginning of a calendar year, the Finance Department distributes the accounts payable schedule to departments. However, urgent payment requests may arise from time to time.

When an urgent payment is needed, the department is to provide justification for the urgency. If the urgency is not verified by Finance, the payment will be made according to the regular accounts payable schedule.

11. Advance Payments to Vendors

Generally, payment for goods or services cannot be made until after goods are received or services are provided. However, payment or partial payments can be made in the following circumstances:

- a. registrations for conferences and seminars,
- b. purchases of postage,
- c. subscriptions to trade magazines and periodicals,
- d. membership dues,
- e. payments for monthly transit management services,

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- f. reservations and arrangements for City sponsored events,
- g. deposits or advance payments to vendors agreed to during the procurement process,
- h. purchases of items from specialty establishments requiring payment accompany the order, and
- i. benefit contributions, such as pension or insurance contributions.

12. Procedures

The Finance Department will implement procedures that are in accordance with this policy.

13. Exceptions to Policy/Reporting of Exceptions

If a valid payment request arises that is not covered within this policy, the City Administrator may authorize the payment request. The payment exception will be reported at the next available Board meeting as an action on behalf of the Board by the City Administrator.

14. ACH and Wire Fraud Protection

Upon receipt of a change of ACH or Wire information for AP, the City will always call the vendor, business partner, or colleague directly to verify the payment information. Previously known numbers we know are correct and not the numbers provided in an email or text request. The City will not initiate any changes based only on email or text communications.

15. De Minimis Amount

The City strives for payments to have complete backup. In some cases, backup may have minor deficiencies. This typically has been seen in the payment of small amounts for reimbursable expenses permitted in a contract. A de minimis amount of up to \$50 by Accounts Payable or up to \$100 by the City Comptroller may be authorized to be paid if the amount appears reasonable based on the type of payment.

16. Impact Fee Payment Certification

The City strives for payments to have complete backup. In the case of impact fee payments, documentation from subcontractors may not be to the same level of detail that might be available from primary contractors. A payment will be allowable if documentation can be assembled that provides reasonable assurance that the amount is accurate along with certification by the appropriate City impact fee administrator.

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17. Local Business Meals

If an employee is away from their regular work station for longer than a half day, a business meal is anticipated.

18. Lodging by Contractors

If a contractor is paid for local lodging, a rate should be obtained from a nationally recognized travel website. A two-star hotel or a three-star hotel at a comparable price should be used in most cases.

19. Rounding on Tip Calculations

To simplify calculation, the meal cost may be rounded up to the nearest dollar before calculation of the tip.

20. Tips on Rides by Ride-sharing app

Tips may be added to rides obtained through a ride-sharing app. The tip should not exceed 20% on either the ride amount or the ride amount rounded up to nearest dollar.

21. Retainage

Unless required by state law or the City's agreement, the City does not withhold retainage from vendor payments. Retainage is withheld from progress payments on the total project the vendor is to complete. Requesting invoices below \$500,000 or marking sub-parts of the project as completed work do not change retainage requirements. When withheld, retainage is vital tool to ensure the full project is complete. Also, the City may become obligated to finish the remainder of a project if vendor is being provided credit for complete work (to avoid retainage) prior to full completion.

22. Sales tax permitted on restaurant meal receipts within Tennessee.

Consistent with the travel policy, sales tax is permitted for meals purchased from either in-state fast food restaurants and in-state sit-down restaurants. However, the sales tax exemption certificate is to be presented for in-state catering from either a fast food or sit-down restaurant.