

## **Town of Pittsford Electronic Banking Policy**

The Town Board recognizes the use of various electronic banking transactions as a faster, easier, and more efficient substitute for paper transactions. Electronic banking uses computer and electronic technology to streamline the processing and recording of receipts and disbursements, while reducing the cost of processing these transactions. Receipts, disbursements and transfers in proper circumstances can be processed via electronic funds transfer (EFT) services, whether transferring funds from a savings to a checking account at the same bank, or making a payment to a vendor's bank across the country. Internal controls, such as written policies and procedures, authorizations, segregation of duties and monitoring, however, are still important in the new technological world.

The Town Board shall authorize the Finance / Personnel Office to engage in electronic banking in accordance with all applicable laws and regulations including General Municipal Law Section 5-a authorizing the use of electronic or wire transfers and in conformity with the guidelines established by this policy.

The Town Board also recognizes that most banking institutions no longer provide cancelled paper checks to their customers, but instead offer an electronic image obtained online or on a CD. As such, the Town Board authorizes the acceptance of these electronic images in lieu of cancelled checks as required by statute.

### **Scope**

Electronic banking activities will be used for, but not limited, to the following:

1. Online banking services (reviewing account balances, retrieving bank statements, downloading copies of cancelled checks, making stop payment orders, etc.)
2. Check fraud prevention services (Positive Pay – Payables Web Services)
3. Electronic depositing of checks received
4. Pre-authorized debit payments
5. ACH vendor payments
6. EFT or wire transfers
7. Electronic Federal Tax Payment System (EFTPS)
8. Electronic State Tax Payment System (Prompt Tax)

Online Banking Services are recognized as standard practice and procedure for maintaining an effective cash management program. Access to any of the Town's online bank accounts will be managed by the Finance / Personnel Office to allow other users restricted access as necessary for banking functions as needed. (Examples of various online banking functions include monitoring account balances, issuing stop payment orders, retrieving copies of cancelled checks, ordering deposit slips, etc.).

Check Fraud Prevention Services – To help protect against the threat of check fraud, a file of all Accounts Payable cash disbursement payments made by paper checks will be uploaded to the bank's web payables check fraud prevention system. This process provides details about checks the Town has written and compares that information to checks being processed to the bank for payment. The benefits include reducing the risk of check fraud by providing the Town with the ability to monitor and control checks presented against any Town account so only authorized items are paid.

Electronic Funds Transfers (EFT's) and wire payments can only be initiated by the Director of Finance or the Personnel Director. The recording of such transactions will be captured manually by the Finance Office through the use of journal entries. Dual approvals are required for any transaction with an end recipient not a Town of Pittsford account or in a different financial institution.

ACH Vendor Payments are authorized by the Director of Finance or the Personnel Director after standard processing and recording through the accounts payable transaction cycle and claims auditing process. Recording of ACH vendor payments will be the responsibility of the Director of Finance through the standard posting of the monthly cash disbursements journal. All payments made through this process are subject to the same claims audit process as exists currently with paper drawn checks. Releases of payments are made by the Director of Finance only after the completion of the approval and claims audit process.

Pre-authorized Debit Payments are authorized by the Personnel Director and are restricted to payroll related deduction payments to authorized third party administrators of the Town. Any such debit payments must be taken from the Payroll bank account. Recording of such transactions will be captured through the payroll system or manually by the Director of Finance through the use of journal entries.

#### Revenue Collection

1. Electronic Deposits of Checks by means of utilizing a secure banking check scanning device for checks received are authorized as delegated by the Director of Finance. The use of an electronic scanning device helps improve security, efficiency and cost effectiveness of making deposits. Recording of such deposits will be the responsibility of the department in which the transaction occurred through the standard posting of the cash receipts monthly journal.
2. Electronic payments received from customers are acceptable and may be recorded via manual journal entries or through the regular cash receipts transaction journal.

#### Physical Security

Token/Keyfob devices for accessing Town authorized on-line banking systems will be locked in the Finance / Personnel Department when not in use to prevent unauthorized access. Token/Keyfob devices will not be taken from the town's offices for use on non-town computers. All banking transaction for the Finance / Personnel Departments will be on a secure computer used only for on-line banking purposes.

#### Monitoring

The Director of Finance is responsible for implementing adequate internal controls for each of the electronic banking methods utilized. An effective internal control system includes, but is not limited to, segregation of duties, proper authorization, and adequate documentation for all electronic transactions.