# Safe Electronic Transfers and Payments, LMC Model Policy

*League models are thoughtfully developed by our staff for a city’s consideration. Models should be customized as appropriate for an individual city’s circumstances, in consultation with the city’s attorney. Helpful background information on this model may be found on the League’s web page, “*[*Electronic Funds Transfer Fraud*](https://www.lmc.org/resources/electronic-funds-transfer-fraud/)*”*

City of \_\_\_\_\_\_\_, Minnesota

\_\_\_\_\_\_\_ Policy

## Purpose

The purpose of this policy is to establish procedures to prevent fraudulent payments or transfers to employees, vendors, and contractors.

## Scope

This policy applies to all city departments and employees that have control over city disbursement transactions and governs the actions of all city employees.

## Background

Cities are becoming more transparent with information on the internet and electronic banking is becoming widely accepted. Effective internal control policies and procedures need to be adopted to protect city funds from fraudulently being disbursed.

Fraudsters are using techniques like social engineering tactics, such as impersonation and manipulation, to deceive employees with legitimate-looking correspondence or phone calls to obtain personal information such as bank accounts or address changes that will re-direct payments intended for an employee or vendor. Often a fraudster will follow city news to learn of newly contracted vendors, and use the information and proper timing to contact the city as the vendor impostor and request the first down payment. Cities should avoid listing dollar/percentage down payment details in city council public meeting information. Commonly used software allows fraudsters to copy or create legitimate looking vendor invoices that include slight changes to the name and address.

## Processes to prevent fraud

Employee portals and city intranets should utilize multiple authentication when available. Following are processes to prevent the fraudulent disbursement of public funds:

### Accounts payable

1. Vendor payment approvals
   1. Require at least two approvals within the city for all disbursements of funds.
   2. Require city manager/administrator or designee approval on large payments exceeding amounts set in city policy.
2. Update and review vendor files annually
   1. Review and correct duplicate vendors in system with minor differences, i.e., LLC or Inc.
   2. Annually review list of vendors and close or inactivate vendors not currently used by the city.
   3. Review for unusual activity such as fluctuation in payment amounts, activity for closed vendors, etc.

* 1. Compare vendor information such as phone numbers, address, and bank account information to employee records for other than employee expense reimbursements.
  2. Develop vendor change form for critical information such as electronic banking information, addresses, or billing practices. These forms should not be provided online, but requested from accounts payable and mailed to trusted information on file.
  3. Receive verbal communication using trusted information on file regarding all changes on critical information.

Determine the appropriate payment threshold for your city size and always perform a validation transfer (or test deposit) with a blind confirmation for all new vendors or vendors requesting a change in electronic banking information over the threshold.

1. Do not provide copies of contracts within council packets that are posted on the city website unless payment terms are hidden.
2. Do not provide copies of vendor invoices within council packets that are posted on the city website.
3. Always require a signed Form W-9 from every new payee in advance of making any payments or change in a mailing address. This can be confirmed online or directly with the IRS.
4. Require wire transfers to have dual approvals, electronic or verbal authentication, with the banking institution.

### Payroll

1. Receive both written and verbal communication from the employee, confirming any requested changes to direct deposit banking information.
2. Develop employee change forms for critical information such as direct deposit banking information. These forms should not be provided online but requested from finance/human resources or kept on a secure employee intranet. All payroll and records containing data covered by Minnesota Government Data Practices Act must be stored and transmitted securely.

## Review and Maintainence of Policy

The city finance department is responsible for maintaining and reviewing this INSERT NAME OF POLICY policy.

## Direct Deposit Enrollment/Change Form

INSERT CITY NAME

|  |
| --- |
| Contact Information: |
| Last Name, First Name (Please Print): |
| Last 4 Digits of SS# or Employee #: |

IMPORTANT You are responsible for completing this form accurately.

IMPORTANT: For your security, this form should be faxed, delivered, or sent via encrypted email.

Authorization Statement: I authorize the above-named entity to deposit any payroll amounts owed to me to my account(s) at the depository institutions listed below. For correcting an amount erroneously deposited, I authorize the city to reverse any amounts made to my accounts(s). I understand it is my responsibility to verify that payments issued by the city have been deposited to my account(s) before attempting to draw on the funds. I understand that this authorization will remain in effect until I change my account number(s) and notify the city in writing by completing a Direct Deposit Enrollment/Change Form.

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Signature Date

|  |  |  |  |
| --- | --- | --- | --- |
| Bank / Financial Institution Information: Account #1 | | | |
| Please attach voided check or savings deposit slip | Add  Change | Cancel |  |
| Bank Name: | | |
| Branch: | | |
| Nine-Digit Routing Number: | | |
| Account Number: | | |
| Type of Account: | Checking | Savings |
| Amount per Pay Period (please select one):  Specific Amount | Entire Net Pay | Remaining Net Pay |

|  |  |  |  |
| --- | --- | --- | --- |
| Bank / Financial Institution Information: Account #2 | | | |
| Please attach voided check or savings deposit slip | Add  Change | Cancel |  |
| Bank Name: | | |
| Branch: | | |
| Nine-Digit Routing Number: | | |
| Account Number: | | |
| Type of Account: | Checking | Savings |
| Amount per Pay Period (please select one):  Specific Amount | Entire Net Pay | Remaining Net Pay |

|  |  |  |  |
| --- | --- | --- | --- |
| Bank / Financial Institution Information: Account #3 | | | |
| Please attach voided check or savings deposit slip | Add  Change | Cancel |  |
| Bank Name: | | |
| Branch: | | |
| Nine-Digit Routing Number: | | |
| Account Number: | | |
| Type of Account: | Checking | Savings |
| Amount per Pay Period (please select one):  Specific Amount | Entire Net Pay | Remaining Net Pay |

* Any new request or changes to account information will be verified verbally and take at least one full pay period to become effective.
* You must immediately notify Finance if you make any changes to close/cancel any one of your accounts.
* You must be the owner of the account(s) to authorize direct deposit.
* For your security, this form will only be accepted via fax, hand or mail delivery, or via encrypted email.
* Any questions should be directed to the Human Resources department.

## Vendor ACH Authorization Form

INSERT CITY NAME

|  |  |  |
| --- | --- | --- |
| Please Check One: | | |
| New | Change | Cancel |

|  |
| --- |
| Vendor / Payee Information: |
| Vendor Name: |
| Address: |
| City, State Zip Code: |
| Contact Person’s Name (if other than payee): |
| Telephone Number: |
| Email Address: |

|  |  |  |
| --- | --- | --- |
| Financial Institution Information: | | |
| Bank Name: | | |
| Bank Address: | | |
| Name on Bank Account: | | |
| Bank Account Number: | | |
| Nine-Digit Routing / Transit Number: | | |
| Type of Account: | Checking | Savings |

|  |
| --- |
| On behalf of the above-named entity, I have authority to and certify that the information provided on this form is correct. I hereby authorize the city to make payment of written claims submitted to the city by electronic deposit to the account designated above. It is my responsibility to notify the city immediately if I believe there is a discrepancy between the amount deposited to my bank account and the amount of the invoice(s) paid. I understand that I must notify the city in writing immediately of any changes in status or banking information. I understand that this authorization will remain in full force and effect until the city has received written notification requesting a change or cancellation and has had reasonable opportunity to act on it. I understand that this authorization may take longer than fourteen (14) business days under certain circumstances.I hereby declare that written claims submitted to the city are and will continue to be just and correct, and that no written claim shall be submitted where such claim has already been paid. If any written claim submitted to the city has already been paid, I hereby authorize the city to electronically deduct from this account, after notice is given, any funds paid on a previous claim. The city is not responsible for any bank overdraft fees caused by a form filled out incorrectly. |
| Print Name: |
| Signature: |
| Date: |

Please submit form to:

|  |
| --- |
| City Information: |
| City Name: |
| Address: |
| City, State Zip Code: |
| Attn to: |
| Fax: |

\*\*If you have any questions regarding ACH payments, please call or email the city.

IMPORTANT: For your security, this form will only be accepted via fax, hand, or mail delivery, or via encrypted email.