PORT OF GALVESTON
REQUEST FOR DISCUSSION AND TRUSTEES ACTION

BUSINESS ITEM

PREPARED BY:  Mark Murchison  CFO  December 12, 2019

SUBJECT:  Consider and Approve Expense Control Policy of the Board of Trustees of the Galveston Wharves.

BACKGROUND:  Finance staff is in the process of evaluating, reviewing and updating current Policies in addition to creating new Policies as needed. This is an ongoing process. Staff shall submit Policies for Trustee consideration as they become available. Staff is submitting the Expense Control Policy for Board consideration. Staff will maintain procedures required to effectively manage this Policies. At the Board’s request, the staff-maintained procedures are attached.

RECOMMENDATIONS:  The Board of Trustees of the Galveston Wharves is respectfully requested to review the attached draft and approve the recommended Expense Control Policy.

ADDITIONAL INFORMATION ATTACHED:  X  Yes  □  No

Respectfully Submitted By:  

RODGER REES, Port Director/CEO

DATE ACTION TAKEN: 

Approved:  
Disapproved:  
Deferred To:  
Incorporated into Minutes:  

Motion By:  
Seconded By:  
Unanimous:  □  Yes  □  No  
By:  

PORT OF GALVESTON
Briefing

CONSIDER AND APPROVE PROPOSED EXPENSE CONTROL POLICY OF THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES OF THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES.

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Current Situation
Trustees instructed staff to review and update Policies then submit the revised Policies to the Trustees for approval. Attached is the proposed Expense Control Policy for Board consideration for review and approval. Staff will maintain procedures required to effectively manage this Policy.

Fiscal Impact
None

Staff Recommendation
The Board of Trustees of the Galveston Wharves is respectfully requested to review the attached draft Policy and approve the recommended Expense Control Policy.
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Current Situation
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Fiscal Impact
None

Staff Recommendation
The Board of Trustees of the Galveston Wharves is respectfully requested to review the attached draft Policy and approve the recommended Expense Control Policy.
EXPENSE CONTROL POLICY
OF
THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES

I. Policy
Determination of Port needs for goods and services, placement of orders, and receipt and acceptance of orders shall be governed by the Port Purchasing Policies, including Federal Grants Purchasing Policies. The rejection of goods and services, including return to vendor, shall also be controlled by the Purchasing Policies. All valid accounts payable transactions, and only those transactions, should be accurately recorded as accounts payable. Returns of goods transactions should also be adequately controlled, documented, and recorded. The liability for goods or services should be recorded in the same accounting period in which the goods are received or services are provided.

II. General
The recording of accounts payable liabilities should be performed by employees independent of the ordering function. The amounts recorded should be based on vendor invoices for the related goods or services. The vendor invoices should be in agreement with an approved purchase order. Furthermore, evidence of receipt or performance should be in the form of a system receipt before the vendor invoice can be processed except in the case of goods and services that do not flow through the standard purchasing process like utilities and rents. Invoices and the related general ledger account distribution should be reviewed before recording. When goods or services are rejected, a credit memo will be issued once the supplier has recognized the return of goods or services. At the end of accounting period, procedures should be in place to ascertain that the related liabilities for goods or services received during the accounting period are recorded in the same accounting period.

III. Procedures
The Galveston Wharves, under the direction of the CEO and CFO, will implement Expense Control Procedures that supplement this Policy. This Policy represents the overarching goals set by the Trustees. Procedures are steps needed to implement the Policy and are set under the direction of the Galveston Wharves CEO and CFO. If any Procedure is in conflict with any Policy, the Policy is enforceable and the Procedure should be changed to conform with the Policy as soon as it is discovered there is a conflict.

The Galveston Wharves, under the direction of the CEO and CFO, will set Procedures regarding Expense Control including:
A. Establishment of Accounts Payable Procedures
   7. Establishing Control Devices
   8. Processing Non-Purchase Order Bills (i.e., Utilities, Rents, etc.)
   9. Processing Purchase Order Bills by Matching Vendor Bills to Item Receipts
  10. Reconciliation of Accounts Payable Sub-ledger to General Ledger
  11. Review of Debit Balances in Accounts Payable
  12. Reconciliation of Subsidiary Records to Suppliers' Records

B. Establishment of Return of Goods and Incomplete or Insufficient Services Accounts Payable Procedures
   6. Notification by the Requisitioning Department to the Vendor and Accounts Payable
   7. Preparation of a Debit Memorandum
   8. Receipt of Credit Memorandum from Vendor
   9. Review of Unmatched Credit (Debit) Memorandum
  10. Review and Approval of Discrepancies in B.3 and B.4

C. Purchase Cut-Off Procedures
   1. Procedures for Proper Purchasing Cut-Off at End of Accounting Period
Appendix B

Purchasing Policies and Procedures
EXPENSE CONTROL PROCEDURES
OF
THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES

I. Procedure Statement
The following Expense Control Procedures are meant to supplement the Expense Control Policy as set by The Board of Trustees of the Galveston Wharves. The Policy represents the overarching goals set by the Trustees. The Procedures are steps needed to implement the Policy and are set under the direction of the Galveston Wharves CEO and CFO. If any Procedure is in conflict with any Policy, the Policy is enforceable and the Procedure should be changed to conform with the Policy as soon as it is discovered there is a conflict.

II. Associated Materials and Policies
Appendix A – Expense Control Policy of the Board of Trustees of the Galveston Wharves
Appendix B – Purchasing Policies and Procedures
Appendix C – Purchasing Procedure (Federal Grants)

III. Procedures
A. Establishment of Accounts Payable Procedures
1. Establishment of Control Devices
Control should be established over vendor invoices as soon as they are received. Failure to establish control may result in delays in recording the invoice and cause misstatements: of accounts payable and the related asset or expense accounts. Vendors should be instructed to Email or mail all invoices directly to the accounts payable department. More than one individual should have access to the accounts payable Email in case the primary individual is unavailable to receive invoices. Exceptions to this practice (i.e., items that are confidential), should be approved, in advance, by a Port Director.

2. Processing Non-Purchase Order Bills (i.e., Utilities, Rents, etc.)
The company may receive bills for goods or services received from vendors that do not go through the normal Purchasing cycle of Purchase Requisition, Purchase Order, and Item Receipt. The following procedures apply to the processing of these items:
   a. Accounts payable receives the invoice. If any other individual or any other department receives the invoices, they are to immediately forward it to the accounts payable department.
   b. Accounts payable makes a copy of the invoice and sends the original invoice to the appropriate department.
   c. The appropriate department head (or his or her designee for the applicable good or service) will review and approve the invoice, if appropriate. He or she will also code the bill with the proper account and dimension distribution. Expenditures related to projects should always include the appropriate project number and sub-project number.
d. If the department head (or his or her designee for the applicable good or service) determines that there is an error with the invoice, he or she will contact the vendor to reissue a corrected invoice. He or she will also notify the accounts payable department of the error and inform them to expect a corrected invoice.

e. Accounts payable reviews the invoice for proper approval and proper coding and enters the invoice into the accounting system. The non-purchase order bills should be reviewed and approved by a responsible, knowledgeable individual. Corrections may be sent back to accounts payable, if necessary, before posting. Each vendor bill entered into the system should include:

1) Vendor Number and Name  
2) Vendor Invoice Number  
3) Date of Vendor Invoice  
4) Amount of Invoice  
5) Discount, if applicable  
6) General Ledger Account  
7) Dimension and Project Codes  

f. The process of entering vendor bills into the account system and approving them automatically posts the invoice to the accounts payable sub-ledger and the general ledger.

3. Processing Purchase Order Bills by Matching Vendor Bills to Item Receipts

Accounts payable should follow the following procedures for processing purchase order bills:

a. The nature and quantity of goods ordered and the price per the vendor invoice should be compared to the system item receipt.

b. Calculations of the invoice, such as totals and extensions of quantities multiplied by unit price, should be recomputed, if there are differences from system calculations.

c. The general ledger account and dimension distribution should be verified.

d. Expenditures related to projects should always include the appropriate project number and project sub-category.

e. Accounts payable enters the invoice into the accounting system. The non-purchase order bills should be reviewed and approved by a responsible, knowledgeable individual. Corrections may be sent back to accounts payable, if necessary, before posting. Each vendor bill entered into the system should include:

1) Vendor Number and Name  
2) Vendor Invoice Number  
3) Date of Vendor Invoice  
4) Amount of Invoice  
5) Discount, if applicable  
6) General Ledger Account  
7) Dimension and Project Codes  

f. The process of entering vendor bills into the account system and approving them automatically posts the invoice to the accounts payable sub-ledger and the general ledger.

If the company is on a job cost system where purchases of goods and services are
for a specific job, the purchase order should contain the job number for the related purchase. The job number should also be listed on the voucher sheet so that the purchases can be charged to the appropriate job.

4. Reconciliation of A/P Sub-ledger to A/P General Ledger
At the end of each accounting period, the total amounts due to vendors per the accounts payable subsidiary ledger should be reconciled to the total per the accounts payable general ledger account (control account). All differences should be investigated and adjustments made as necessary. The reconciliation and the results of investigation of differences should be reviewed and approved by a responsible official other than the individual who posts to the accounts payable subsidiary ledger.

5. Review of Debit Balances in Accounts Payable
The accounts payable subsidiary ledger should be reviewed at regularly for debit balances (amounts vendors owe to the company). In reviewing debit balances, the designated employee should ascertain if the company will receive cash from the vendor or if an offset to another invoice is appropriate. If there is a significant dollar amount of debit balances in accounts payable, this debit balance should be removed from accounts payable and recorded in accounts receivable.

6. Reconciliation of A/P Subsidiary Records to Suppliers' Records
Accounts payable subsidiary records should be periodically reconciled to suppliers' records by comparison with suppliers' statements. Discussions with the vendor or requisitioning department may be necessary to resolve differences. Resolution of large differences should be reviewed and approved by a responsible, knowledgeable individual.

B. Establishment of Return of Goods and Incomplete or Insufficient Services

Accounts Payable Procedures

1. Notification by the Requisitioning Department to the Vendor and Accounts Payable
When a good is rejected or returned, or a service is incomplete or insufficient, the requisitioning department will notify both the vendor and accounts payable. Notification to the accounts payable department should be made by Email to ap@portofgalveston.com, and should include the purchase order number, item, reason for the rejected or returned good, or incomplete or insufficient service, and amount of the return.

2. Preparation of a Debit Memorandum
The accounts payable department will initiate a debit memorandum. The debit memorandum will be approved by the requisitioning department approver and be approved by a responsible, knowledgeable individual in accounting.

3. Receipt of Credit Memorandum from Vendor
The vendor will send a credit memorandum to the company acknowledging the receipt of the returned goods or incomplete or insufficient services, including the dollar amount of the credit given to the Port. The accounts payable department should compare the credit memorandum to the internally generated debit
memorandum. Differences should be investigated on a timely basis.

4. Review of Unmatched Credit (Debit) Memorandum
Periodically, the ledger of sequentially numbered debit memos should be reviewed to see if the credit memorandum has been received from the supplier. Follow-up with the supplier should be made for unmatched debit memos.

Furthermore, the accounts payable subsidiary ledger should be reviewed for debit balances (indicates that the vendor owes money to the company). If payments are expected from the vendor and have not been received on a timely basis, the vendor should be contacted.

5. Review and Approval of Discrepancies in B.3 and B.4
The results of the procedures in B.3 and B.4 and any adjustments to suppliers' accounts should be reviewed and approved by a responsible official.

C. Purchase Cut-Off Procedures
1. Procedures for Proper Purchasing Cut-Off at End of Accounting Period
Time delays in receiving and processing vendor invoices for goods and services can cause the Port to record the liabilities for the related goods and services in a subsequent accounting period. The Port should implement special procedures at the end of an accounting period to ascertain that all liabilities are recorded and a proper purchasing cut-off is achieved. These special procedures include the following:

   a. Closing of the accounting records should be delayed for a few days to allow receipt of vendor invoices.
   b. Purchasing and accounts payable should run an Open Purchase Orders report regularly. For items that were determined to be in error, paid by invoice, or no longer needed, the purchase order will be deleted.
   c. Accounts payable will run an A/P Aging report regularly and resolve issues with open invoices that are over 60 days.
   d. Accounts payable will review copies of vendor bills that were received that have not been received in the system or approved by the appropriate department head. Journal entries will be made for material items that were not booked to the accounts payable sub-ledger and general ledger. This entry should typically be made to reverse in the subsequent accounting period. The journal entry should be reviewed and approved by a responsible, knowledgeable individual.
Appendix A

Expense Control Policy of the Board of Trustees of the Galveston Wharves