

SOP: Payment Processing and Fund Disbursement

This SOP details the procedures for **payment processing and fund disbursement**, covering invoice verification, payment authorization, transaction recording, fund allocation, disbursement methods, internal controls, compliance with financial policies, and audit preparation. The aim is to ensure accurate, timely, and secure handling of payments while maintaining transparency and preventing errors or fraud.

1. Purpose

To outline the standardized steps for processing payments and disbursing funds in accordance with organizational policies and regulatory requirements.

2. Scope

This SOP applies to all departments and staff involved in payment processing and fund disbursement activities.

3. Responsibilities

- **Accounts Payable Team:** Invoice verification, payment processing, transaction recording.
- **Finance Manager:** Payment authorization, fund allocation, oversight of controls.
- **Internal Auditor:** Periodic compliance and fraud prevention review.
- **Department Heads:** Initial invoice confirmation and coding to correct budget lines.

4. Procedures

1. **Invoice Verification**
 - Receive invoices from vendors/suppliers.
 - Check for completeness, accuracy, and matching with purchase orders and receiving reports.
 - Resolve discrepancies with vendors and requesting departments.
2. **Payment Authorization**
 - Submit verified invoices to authorized signatories for approval.
 - Ensure expenditure aligns with budget allocations.
 - Document approvals (e.g., digital signatures, approval forms).
3. **Transaction Recording**
 - Enter payment details in accounting software, including invoice number, amount, vendor, and payment method.
 - Assign and code transactions to appropriate accounts and cost centers.
4. **Fund Allocation**
 - Ensure sufficient funds are available in related accounts prior to disbursement.
 - Transfer or allocate funds as necessary.
5. **Disbursement Methods**
 - Select appropriate payment method (e.g., bank transfer, check, ACH, wire transfer) as per policy and vendor agreement.
 - Execute payment and obtain confirmation/receipt.
6. **Internal Controls**
 - Segregate duties between initiation, authorization, and execution of payments.
 - Maintain and regularly review payment logs and supporting documents.
 - Implement system access controls and approval hierarchies.
7. **Compliance and Documentation**
 - Adhere to organizational financial policies and legal/regulatory requirements.
 - Retain all supporting documentation for internal and external audits.
8. **Audit Preparation**
 - Ensure documentation is organized, complete, and readily available.
 - Collaborate with auditors for sample selection and information provision.

5. Controls and Compliance

- Regular independent review of transactions by internal auditors.
- Immediate reporting and investigation of discrepancies or suspicious activities.
- Staff training on fraud prevention and compliance requirements.

6. Records Management

Document	Retention Period	Responsible
Invoices	7 years	Accounts Payable
Payment Authorization Forms	7 years	Finance Manager
Bank Statements	7 years	Finance Department
Audit Reports	Permanently	Internal Audit

7. Review and Amendments

This SOP should be reviewed annually or in response to significant changes in financial regulations, organizational structure, or internal controls.