



40.20

Acceptance of Electronic Funds by State Agencies

40.20.10

July 1, 2010

Methods of electronic funds acceptance

The acceptance of electronic funds includes all forms of receiving monies and/or payment information through electronic means.

These vehicles include, but are not limited to:

- Automated clearing house transfers
- Credit cards
- Debit cards
- Wire transfers
- Lockbox services
- Remote deposit services

40.20.15

July 1, 2011

Automated clearing house transfers

The preferred method for agencies accepting funds electronically is automated clearing house (ACH) transfers. This method is generally the least expensive method for accepting funds electronically, and works well for internet applications, recurring transactions, and one-time transactions.

Agencies are **required** to evaluate ACH as the primary option for accepting funds electronically.

ACH transfers through the Office of the State Treasurer (OST) **do not require** an economic feasibility study (EFS) to be submitted to the Office of Financial Management (OFM) for approval.

However, agencies are required to contact OST prior to implementing acceptance of ACH transfers:

- Prior approval from OST is required for any ACH deposited to the state treasury.

- If an entity (government or private) wishes to make payment to a state agency by ACH, the agency must provide its bank account information to the entity. Usually, the entity has a form that must be completed and returned before ACH payments can begin.

For deposits to the state treasury, the agency should complete the agency-related information on the form and forward it to OST's Cash Management Section to complete the banking information.

The form will then be returned to the agency to forward to the paying entity. This is necessary to ensure the funds are identified properly upon receipt and that the volume of receipts can be managed appropriately.

- Agencies planning to collect funds via ACH from a large number of customers (i.e., tax payments, license fees, etc.) must work with OST to determine the most appropriate and cost effective method for collection. This may include outsourcing the ACH file creation process to a third party vendor or assisting the agencies in developing systems to create their own ACH file and processing it through the state treasury, and if so, an **EFS is required**. Refer to Section 40.40 for information related to preparing an EFS. This process requires coordination and testing between the agency and OST.
- Acceptance of ACH into local accounts must be on the list of services in the master contract that has been negotiated by OST with the local bank. If it is not, contact OST to amend the contract. Refer to Chapter 65 for information related to banking services.

40.20.20

July 1, 2010

Credit cards and debit cards

Unless specifically authorized by law, all new projects to accept credit cards and/or debit cards **must be approved** by the Office of Financial Management (OFM) **prior to** implementation. This **requires** an economic feasibility study (EFS) to be submitted to OFM. Refer to Section 40.40 for information related to preparing an EFS.

If a project is limited to the acceptance of credit cards and/or debit cards, and does not include automated clearing house (ACH) transfers, the Business Case of the EFS is **required** to explain why ACH would not be a viable option for the agency's project.

Credit cards and/or debit cards may be processed either by retail methods or over the internet. Retail methods are also called point of sale and include transactions over the counter, through an interactive voice response system, over the phone, by fax, or by mail.

Expansions of existing processes **may require** approval by OFM as well. Agencies planning an expansion should contact their assigned OFM Accounting Consultant to determine if an EFS is needed.

State agencies accepting credit cards and/or debit cards must comply with Payment Card Industry – Data Security Standards (PCI-DSS) to safeguard cardholder data. Additional guidance is available on OFM’s E-Commerce Resources website at: <http://www.ofm.wa.gov/resources/ecommerce.asp>.

Each agency accepting credit cards and/or debit cards **must** reconcile its card activity daily.

Generally agencies may not accept credit cards, commonly referred to as purchase cards, from other state agencies.

Exceptions to this are as follows:

- When prior written approval is received from OFM based on the requirements in Subsection 40.40.10; or,
- When the paying and/or receiving account is a local account, and the receiving agency has agreed to accept the inter-agency purchase card payments. Refer to Subsection 45.10.40 for acceptable use of purchase cards.

Refer to Subsection 85.36.20 for further information on methods of payment available for interagency payments.

40.20.30

October 1, 2011

Wire transfers, lockbox services, remote deposit services, and other electronic technologies

40.20.30.a

In general, in addition to credit cards and/or debit cards, unless specifically authorized by law, all other forms of acceptance or electronic transfer of funds and/or payment information by state agencies **must be approved** by the Office of Financial Management (OFM) **prior to** implementation. This **requires** an economic feasibility study (EFS) to be submitted to OFM. Refer to Section 40.40 for information related to preparing an EFS.

Expansions of existing processes **may also require** approval by OFM. Agencies planning an expansion should contact their assigned OFM Accounting Consultant to determine if an EFS is needed.

If a project is limited to these other electronic technologies, and does not include automated clearing house (ACH) transfers, the Business Case of the EFS is required to explain why ACH would not be a viable option for their project.

40.20.30.b

Electronic payment types where an EFS is **required** include, but are not limited to:

- **ACH transfers not performed directly through the Office of the State Treasurer (OST).** Any ACH transfer where the processing and settlement occur outside the state treasury.
- **Lockbox services.** Contact the OST Cash Management Section for information on services available through the Master Lockbox and Automated Remittance Advice Services Contract. A contract amendment is required to add a new agency or to change existing agency specific requirements. Lockboxes often have an electronic component. Contact OST and OFM to determine if an EFS approval is needed for the specific project.
- **Remote deposit services.** The use of imaging software to capture and transfer an image of a paper check to the bank for deposit. May also be referred to as Check 21 deposits. Contact OST's Cash Management Section regarding available contracts.

40.20.30.c

Electronic payment types where an EFS is **NOT required** include, but are not limited to:

- **Wire transfers:**

- Acceptance of wire transfers can be expensive and therefore should not be used routinely. Wire transfers can be processed into treasury and treasury trust accounts under special circumstances. Wires which are needed immediately and singular in nature do not require an EFS.

However, agencies considering a recurring or routine wire transfer **must complete** an EFS, and the agency must work with OST to ensure that there is not a less expensive alternative available.

- Acceptance of wire transfers into local accounts must be on the list of services in the master contract that has been negotiated by OST with the local bank. If it is not, contact OST to amend the contract. Refer to Chapter 65 for information related to banking services.

- **Inter-agency payments (IAP).** IAP is the preferred method to pay other state agencies or to allocate or transfer costs between accounts, programs, etc., within an agency when both the paying and receiving accounts are either treasury or treasury trust accounts.
- **Interfund transfers (IFT).** IFT is the preferred method in AFRS for transferring cash between treasury and/or treasury trust accounts within the same agency. IFT transactions are used during the fiscal year to allocate or transfer costs between accounts, within an agency when both the paying and receiving accounts are either treasury or treasury trust accounts. IFT transactions are not valid in the adjustment months of 99 and 25.