



40.30 Disbursement of Electronic Funds/Benefits by State Agencies

40.30.10

July 1, 2011

Methods of electronic funds disbursement

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

These vehicles include, but are not limited to:

- Automated clearing house (ACH) transfers
- Wire transfers
- Electronic benefit transfers (EBTs)
- Payroll cards
- Stored value cards

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Automated clearing house (ACH) transfers

The preferred method for agencies disbursing funds electronically is ACH transfers. This method is generally the least expensive method for disbursing funds electronically.

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

An economic feasibility study (EFS) is **not required** to be submitted to the Office of Financial Management (OFM) for approval for the following:

- Disbursement of funds by ACH through the Office of the State Treasurer (OST).
- Direct deposit (ACH) of employee's earnings. Refer to Subsection 25.70.20.

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

- Agencies must coordinate with OST to ensure compliance with National Automated Clearing House Association (NACHA) rules.
- Agencies must ensure that all contract amendments needed on the Agreement for Concentration Account Services for treasury and treasury trust accounts have been made, or, if a local account is being utilized, ensure that disbursement by ACH is included in the list of services on the master contract negotiated by OST with the local bank.
- Coordination with OST for testing of the ACH file and other necessary procedures must also be undertaken.

Refer to Subsection 85.36.20 for additional information related to ACH disbursements. Refer to Chapter 65 for further information related to banking services.

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Wire transfers

Disbursement by wire transfer can be expensive and therefore should not be used routinely. Wire transfers can be processed from 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.

Disbursement by wire transfers out of local accounts must be on the list of services on the master contract negotiated by OST with the local bank. If it is not, contact OST to amend the contract. Refer to Chapter 65.

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Electronic benefit transfers, payroll cards, stored value cards, and other electronic technologies

40.30.30.a

In general, unless specifically authorized by law, agencies wishing to disburse funds/benefits via electronic benefit transfers (EBTs), stored value cards, or any other electronic technology **must receive OFM approval prior to** implementation.

Payroll cards and expansions of existing processes **may also require** approval by OFM.

40.30.30.b

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

- **Electronic benefit transfers (EBTs).** EBTs are a method for making disbursements to benefit recipients. EBT is similar in nature to a debit card. The recipient's benefits are encoded on a magnetic stripe card.
- **Stored value cards.** A card for which the prefunded value is associated with a bank account, which must be accessed for payment authorization. These cards can be reloadable or disposable, and include cards such as prepaid cards, gift cards, flexible spending account cards, government benefit cards, etc. Contact OST's Cash Management Section regarding available contracts.

40.30.30.c

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

- **Payroll cards.** A card for which employee's net pay is loaded and made accessible to an employee. Payroll cards are a form of a stored value card. Contact OST's Cash Management Section regarding available contracts. Refer to Section 25.70 for more information regarding employee payment options.
- **Expansions of existing processes.** Agencies planning an expansion should contact their assigned OFM Accounting Consultant to determine if an EFS is needed. Contact OST's Cash Management Section regarding available master contracts.

40.30.30.d

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

- **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 or 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.

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Purchase cards

Generally agencies may not pay other state agencies with credit cards, commonly referred to as purchase cards.

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.

Agencies must follow the policies and procedures in Chapter 45 on the use of purchase cards. No type of credit card and/or debit card (including store credit cards) other than the state charge card system and the fuel card program authorized by the Department of General Administration (GA) may be used by agencies.

For further information on the state charge card system, refer to Subsection 10.10.45 and GA, Office of State Procurement (OSP).

Refer to Subsection 85.36.20 for additional information related to disbursement mechanisms.

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State travel cards

Agencies must follow the policies and procedures in Subsections 10.10.45, 10.30.60, and 10.50.40 on the use of state travel cards. No type of credit card and/or debit card other than the state charge card system and the fuel card program authorized by GA may be used by agencies.

For further information on state travel cards, refer to GA, OSP.

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Fuel cards

Agencies must follow the policies and procedures in Subsection 85.36.20 on the use of fuel cards. No type of credit card and/or debit card (including specific gas station credit cards) other than the state charge card system and the fuel card program authorized by GA may be used by agencies.

For further information on the fuel card program, contact GA, OSP.