



40.30

Disbursement of Electronic Funds/Benefits by State Agencies

40.30.10

October 1, 2016

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 transfers
- Wire transfers
- Electronic benefit transfers
- Payroll cards
- Stored value cards
- State Purchase Card
- State Travel Card
- Fuel Cards

40.30.15

July 1, 2011

Automated clearing house transfers

The preferred method for agencies disbursing funds electronically is automated clearing house (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 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.

40.30.20
July 1, 2010

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.

40.30.30

October 1, 2016

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 approval** by the Office of Financial Management (OFM) **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 economic feasibility study (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, 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.
- **Gift cards.** Gift cards may be used by agencies as a convenient means for incentives or administering special programs. The agency must ensure adequate internal controls are in place to safeguard the assets. Refer to Chapter 20 for more information on internal controls.

40.30.40

October 1, 2016

Purchase cards

40.30.40.a

Requirements

Agencies may only use credit and/or debit cards issued through the state charge card system and the fuel card program authorized by the Department of Enterprise Services (DES), unless there is specific authority which authorized an agency to independently contract for purchase card services.

Agencies must follow the DES policies and procedures on the use of purchase cards.

Purchase cards are to be used within the same statutes, rules, policies, and procedures as purchases by any other means of payment.

Agencies must develop internal policies and procedures in line with the purchase card policies and procedures set by DES. Internal policy should include, but not limited to:

- Internal control requirements in line with SAAM Chapter 20 and DES's policies and procedures.

- The agency established purchase card reporting structure/hierarchy for the agency and ensuring proper separation of duties. For example, a card user may not be the reviewer or approving official for their own transactions.
- Consideration of the State ethics laws.
- Disciplinary procedures related to unauthorized use of cards and card renewal procedures.

40.30.40.b

Restrictions

Agencies may not use the purchase card to pay other state agencies or to make payments between internal departments within an agency.

Exceptions to this are as follows:

- When prior written approval is received from the Office of Financial Management 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, or
- The Department of Transportation's *Good To Go!* Prepaid toll accounts. Agencies should actively manage/monitor their *Good To Go!* account. Agencies may not auto-replenish accounts. When replenishing the account, agencies should not exceed one month's estimated usage.

40.30.40.c

Rebate/incentive programs

Each agency should establish a policy for accounting for any rebates/incentives received from any merchants or the issuing bank. The policy should address the individual business needs of the agency and should cover how the rebates are to be recorded. Note that all merchant losses on agency accounts may be deducted by the issuing bank when determining agency rebate amounts. Therefore an agency should make a reasonable effort to ensure that unauthorized or disputed transactions are promptly reported.

Rebates should be recorded as either a recovery of expenditures or miscellaneous revenue depending on the timing of the receipt of the rebate and/or the source of funds expended for the purchase card transactions.

For further information on the state charge card system, refer to Subsection 10.10.45 or contact DES at (360) 902-7400.

For additional information related to disbursement mechanisms, refer to Subsection 85.36.20.

40.30.50

January 1, 2012

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 the Department of Enterprise Services (DES) may be used by agencies.

For further information on state travel cards, contact DES at (360) 902-7400.

40.30.60

January 1, 2012

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 the Department of Enterprise Services (DES) may be used by agencies.

For further information on the fuel card program, contact DES at (360) 902-7400.