



Chapter 40 - E-Commerce: Electronic Acceptance and Disbursement of State Funds/Benefits

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E-Commerce

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40.10 General Provisions

40.10.10

Oct. 1, 2000

Policies in this chapter are minimum standards

This chapter contains policies and requirements for the acceptance and/or disbursement by state agencies of state funds/benefits via electronic means, including Internet transactions, also referred to as electronic commerce (e-commerce). This includes, but is not limited to, acceptance of credit cards and debit cards, use of purchase cards, and payments by electronic fund transfer (EFT) and electronic benefit transfer (EBT). The policies and procedures in this chapter are the minimum requirements that all state agencies must meet. An agency may establish additional policies and requirements, as long as the agency meets the required minimum standards.

40.10.20

June 1, 2004

Authority for these policies

40.10.20a

RCW 43.41.110(14) states that:

“The office of financial management shall be the official state agency to estimate and manage the cash flow of all public funds as provided in chapter 43.88 RCW. To this end, the office shall adopt rules as are necessary to manage the cash flow of public funds.”

40.10.20.b

RCW 43.41.180 states that:

"(1) The office of financial management is authorized to approve the use of electronic and other technological means to transfer both funds and information whenever economically feasible, to eliminate paper documentation wherever possible, and to provide greater fiscal responsibility. This authorization includes but is not limited to the authority to approve use of electronic means to transfer payroll, vendor payments, and benefit payments and acceptance of credit cards, debit cards, and other consumer debt instruments for payment of taxes, licenses, and fees. The office of financial management shall adopt rules under RCW 43.41.110(14) to specify the manner in which electronic and other technological means, including credit cards, are available to state agencies.

(2) No state agency may use electronic or other technological means, including credit cards, without specific continuing authorization from the office of financial management."

40.10.20.c RCW 43.08.015 states that:

"Within the policies and procedures established pursuant to RCW 43.41.110 (14) and 43.88.160 (1), the state treasurer shall take such actions as are necessary to ensure the effective cash management of public funds. This cash management shall include the authority to represent the state in all contractual relationships with financial institutions. The state treasurer may delegate cash management responsibilities to the affected agencies with the concurrence of the office of financial management."

40.10.20.d RCW 43.88.160 (5d) states that:

"The treasurer shall coordinate agencies' acceptance and use of credit cards and other payment methods, if the agencies have received authorization under RCW 43.41.180."

40.10.30

Oct. 1, 2000

Applicability

This section applies to all agencies of the state of Washington, unless otherwise exempted by statute or rule. The Budget and Accounting Act (RCW 43.88.020) defines the term "agency" to mean and include "every state office, officer, each institution, whether educational, correctional, or other, and every department, division, board and commission, except as otherwise provided."

Agencies may request a waiver from complying with specific requirements of this chapter. Refer to Subsection 1.10.40 for information on how to request a waiver.

40.10.40

June 1, 2004

Responsibilities of the Office of Financial Management

The Office of Financial Management (OFM) has the following responsibilities related to e-commerce activities by state agencies:

1. Develop administrative and accounting policies and procedures for acceptance and/or disbursement of state funds/benefits via electronic means.
2. Approve, prior to implementation, the application and its expansions, if appropriate, for acceptance and/or disbursement of state funds/benefits via electronic means when economically feasible. Approval is required for both pilot and permanent applications.
3. Provide assistance to agencies in preparing an economic feasibility

study (EFS) for e-commerce activities. Agencies are encouraged to work closely with their assigned OFM Accounting Consultant and the OFM E-Government Accounting Consultant. Additional resources are available on the OFM Administrative and Accounting Resources website at <http://www.ofm.wa.gov/resources/default.asp>.

4. Work with the Office of State Treasurer (OST) to respond to requests for fiscal information, as needed, on the usage of electronic transfers of funds/benefits.

40.10.50

June 1, 2004

Responsibilities of the Office of the State Treasurer

The OST has the following responsibilities related to electronic transfers of funds/benefits:

1. Negotiate master contracts or other contracts for receipts and disbursements by credit cards, debit cards, EFT, or other electronic or technological means. Master contracts negotiated include, but are not limited to, depository and banking services, credit and debit card acceptance, lockbox and automated remittance advice services, and automated clearing house (ACH) file processing. This responsibility may be delegated to agencies with OFM's concurrence. An agency delegated this responsibility should use its best efforts to minimize the financial impact of electronic transfers on the state agency, taxpayers, and the public who use its services.
2. Work with OFM and state agencies in implementing new technologies for acceptance and/or disbursement of state funds/benefits via electronic means which include, but are not limited, to the following:
 - EFTs for both revenue collections and disbursements; and,
 - Credit cards and/or debit cards used with Internet and/or point of sale (POS) applications.
3. Advise agencies of new cash management techniques, practices, procedures, and other efficient methods of collecting and disbursing state money to ensure maximum return on state investments.



40.20 Acceptance of Electronic Funds by State Agencies

40.20.10

June 1, 2004

Electronic funds that agencies might accept

The acceptance of electronic funds includes all forms of receiving monies and/or payment information through electronic means. These vehicles might include, but are not limited to, credit cards, debit cards, electronic fund transfers (EFTs) utilizing the automated clearing house (ACH) network, wire transfers, lock boxes, electronic checks, smart cards, and stored value cards.

40.20.20

June 1, 2004

Acceptance of credit cards and debit cards

All new applications 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 additional information related to preparing an EFS. 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. 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 (POS) and include transactions over the counter, through an Interactive Voice Response (IVR) system, over the phone, by facsimile (fax), or by mail.

Due to the availability of less expensive methods of payment, agencies may not accept credit cards, commonly referred to as purchase cards, from other state agencies. Refer to Chapter 45 for further information related to purchase cards. Refer to Subsection 85.36.20 for further information on methods of payment available for interagency payments.

40.20.30

June 1, 2004

Acceptance of other than credit cards and debit cards

In general, in addition to credit cards and debit cards, all other forms of acceptance or electronic transfer of funds and/or payment information by state agencies must be approved by OFM prior to implementation. 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.

Agencies may not need to prepare an EFS for the acceptance of EFTs via the ACH Network into treasury and treasury trust accounts, depending upon the volume and type of receipt. Contact OFM and the Office of the State Treasurer (OST) Cash Management Division to determine if approval is needed for the specific application or its expansion. Contact with and approval from OST is required for any EFT deposited to the State Concentration Account.

If an entity (government or private) wishes to make payment to a state agency by EFT via the ACH Network, the agency must provide its bank account information to the entity. Usually, the entity has a form that must be completed and returned before EFT payments can begin. The agency should complete the agency-related information on the form and forward it to OST Cash Management Division 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 EFT, utilizing the ACH Network, 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. This process requires coordination and testing between the agency, OST, and the State Concentration Bank as well as a contract amendment with the State's Concentration Bank.

Acceptance of EFTs via the ACH Network 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 further information related to banking services. These applications may also require an EFS. Contact OFM to determine whether approval is needed for the proposed application or expansion.

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. Because they are the exception, usually needed immediately and singular in nature, they do not require an EFS. The agency must work with OST, however, 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 further information related to banking services.

Lock boxes often have an electronic component. Contact OFM and OST to determine if approval is needed for the specific application. Contact OST Cash Management Division for information on services available through the Master Lock box and Automated Remittance Advice Services Contract. A contract amendment is required to add a new agency or to change existing agency specific requirements.

For all other forms of acceptance of electronic payment or payment information, OFM approval is required.

40.20.40

June 1, 2004

Steps to request approval from the Office of Financial Management

- 1) It is recommended that the agency work with its internal information services, program and fiscal staff, as well as the agency's assigned OFM Accounting Consultant and OFM Budget Analyst to define the project, analyze its viability, and receive training and assistance in preparing an EFS. Additional guidance is available in Section 40.40 and at the OFM Administrative and Accounting Resources website at <http://www.ofm.wa.gov/resources/default.asp>
- 2) Consider conducting a survey or some other form of evaluation to help determine the needs and usage of the application by potential customers.
- 3) For new endeavors, consider undertaking a pilot project with limited scope, location and complexity to help determine its overall feasibility. Approval from OFM is required for both pilot and permanent applications.
- 4) If the electronic payment feature of the application can be separated from the entire project, the EFS should be prepared on the payment piece only.

- 5) Contact the OST Outreach Coordinator to discuss contracts, merchant IDs, equipment, software, and rates for electronic payments. Other banking agreements and applicable cash management laws should also be addressed. Refer to Chapter 65 for further information related to banking services.
- 6) Contact the Public Deposit Protection Commission to discuss any potential out of state banking issues and any other depository concerns.
- 7) If the application involves the Internet, consider contacting the agency's Department of Information Services (DIS) Senior Technology Consultant.
- 8) Consider consulting with the agency's Assistant Attorney General on any legal issues.
- 9) In conjunction with your assigned OFM Accounting Consultant and the OFM E-Government Accounting Consultant, prepare an EFS. Additional guidance is available in Section 40.40 and at the OFM Administrative and Accounting Resources website at <http://www.ofm.wa.gov/resources/default.asp>
- 10) Send the final copy of your EFS signed by an Assistant Director, or equivalent agency official, to the Assistant Director, Accounting Division, OFM. Also, provide a copy to the OST Outreach Coordinator.
- 11) OFM will approve or reject your final EFS within 15 business days of receipt of the completed information from the agency.

40.20.50

Oct. 1, 2000

Steps after approval is obtained

- 1) For all applications, contact the OST Outreach Coordinator.
- 2) Set up procedures to account for the discount fees and other banking costs associated with the transfer of electronic funds/benefits. Agencies operating in appropriated funds are to record costs associated with the transfer of electronic funds/benefits as expenditures. Such information should be readily available when requested.
- 3) Set up procedures to reconcile receipts with the amounts reported by outside entities.

- 4) If the application involves the Internet, create an application design and test it prior to implementation.
- 5) Train personnel and market the application as appropriate.
- 6) Collect data on the actual usage, revenue, cost, etc. of the application. Such information is useful for determining ongoing economic feasibility.



40.30 Disbursement of Electronic Funds/Benefits by State Agencies

40.30.10

July 1, 2005

Electronic funds transfer via the automated clearing house network

The Office of Financial Management (OFM) has approved disbursement through the Agency Financial Reporting System (AFRS) of funds by electronic fund transfer (EFT) via the automated clearing house (ACH) network for treasury and treasury trust accounts. Generally, agencies do not need to seek additional approval from OFM to use this payment mechanism. However, if an agency is proposing to process a large volume of activity through AFRS EFT or if an agency is proposing to initiate an ACH file, the agency will need to prepare an economic feasibility study (EFS) following the steps in Subsection 40.20.40. An agency must also coordinate with the Office of State Treasurer (OST) to ensure compliance with National Automated Clearing House Association (NACHA) rules, 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 EFT is included in the list of services on the master contract negotiated by OST with the local bank. Coordination with OST and the concentration bank 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 EFT disbursements. Refer to Chapter 65 for further information related to banking services.

40.30.20

June 1, 2004

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. Because they are the exception, usually needed immediately and singular in nature, they do not require an EFS. The agency must work with OST, however to ensure that there is not a less expensive alternative available.

The use of wire transfers to disburse funds 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 for further information related to banking services.

40.30.30

June 1, 2004

Electronic benefit transfers, electronic checks, and other electronic technologies

Agencies wishing to undertake electronic benefit transfers (EBTs), electronic check (e-check) applications, or any other electronic technology in disbursing funds/benefits should follow the steps for acceptance of electronic funds under Subsection 40.20.40. Contact OFM to determine if an expansion of existing services requires a new EFS. Contact OST Cash Management Division regarding available master contracts.

40.30.40

June 1, 2004

Purchase cards

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 other than the state charge card system and the fuel card program authorized by the Department of General Administration may be used by agencies. Due to the availability of less expensive methods of payment, agencies may not use their purchase cards to pay for items from other Washington state agencies. For further information on the state charge card system, refer to Subsection 10.10.45 and the Department of General Administration, Office of State Procurement. Refer to Subsection 85.36.20 for additional information related to disbursement mechanisms.

40.30.50

June 1, 2004

State travel cards

Agencies must follow the policies and procedures in Subsections 10.10.45 and 10.30.60 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 General Administration may be used by agencies. For further information on the state travel cards, refer to Subsection 10.10.45 and the Department of General Administration, Office of State Procurement.

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June 1, 2004

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 other than the state charge card system and the fuel card program authorized by the Department of General Administration may be used by agencies. For further information on the fuel card program, contact the Department of General Administration, Office of State Procurement.



40.40 Economic Feasibility Study

40.40.10

June 1, 2004

Purpose and components of an economic feasibility study

The economic feasibility study (EFS) should demonstrate the net benefit of the proposed application in light of the benefits and costs to the agency, other state agencies, and the general public as a whole. The agency must submit its EFS and request for approval to the Office of Financial Management (OFM) prior to accepting or disbursing electronic funds/benefits. Approval from OFM is required for pilot and permanent applications, and both Internet and retail applications. When completing the EFS, the agency should consider only those portions of the proposed application that are related to electronic payment processing.

The EFS is composed of a cover letter, a business case, and analytical worksheets. In addition, supporting documentation can provide additional detail on the elements and may be included in the EFS if necessary to support the other components of the EFS.

For very small applications and certain expansions to existing processes, the business case and analytical information may be presented in the cover letter. Contact OFM to determine if this may be done for your application.

40.40.20

June 1, 2004

Cover letter

The cover letter is addressed to the Assistant Director of the Accounting Division of OFM and must be signed by an Assistant Director, or equivalent agency official at the requesting agency. It should contain the name, telephone number, fax number and e-mail address of a contact person at the agency proposing the application. A brief description of the proposal and payment method should be included, as well as a statement as to whether this is a new method of service delivery or an enhancement of a current mechanism. The letter should also state whether this is a pilot or permanent project. A copy of this cover letter should also be sent to the OST Outreach Coordinator.

40.40.30

June 1, 2004

Business case

The business case should provide an analysis of the business environment including, but not limited to, a description of who the expected customers are, the nature of the business, how the payment is currently being processed, if applicable, and the current and expected volume and timing of transactions. The business case should include a description of the assumptions made in the EFS and the reasoning behind those assumptions. Other alternative processes considered should be noted and the consequences of not implementing the proposed application should be explained. The business case should also discuss the benefits of the proposed project.

A summary of the agency's economic feasibility elements and the potential need for funding should be included. A summary of the feasibility elements for other state agencies and the public should also be included in the business case. Additional guidance is available below in Subsection 40.40.40 and at the OFM Administrative and Accounting Resources website at <http://www.ofm.wa.gov/resources/default.asp>.

40.40.40

June 1, 2004

Economic feasibility elements

Economic feasibility elements can be expressed quantitatively in the analytical worksheets and summarized in the business case, if possible, or they can be expressed qualitatively in the business case.

The elements include, but are not limited to:

- a) Increased agency revenue;
- b) Decreased agency revenue;
- c) Increased agency costs;
- d) Decreased agency costs;
- e) Increased revenue to other agencies and/or the general public;
- f) Decreased revenue to other agencies and/or the general public;
- g) Increased costs to other agencies and/or the general public;
- h) Decreased costs to other agencies and/or the general public;
- i) Other public benefits

The elements for the agency should be separated from those of other state agencies and the general public so that the potential funding requirements can be discerned.

Additional guidance on economic feasibility elements is available at the OFM Administrative and Accounting Resources website at <http://www.ofm.wa.gov/resources/default.asp>.

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June 1, 2004

Analytical worksheets and supporting documentation

Analytical worksheets are spreadsheets that summarize the revenues and costs involved with the proposed project. The amounts on the analytical worksheets should support the amounts and assumptions in the business case. An analytical worksheet summarizing the impact to the agency, other state agencies, and the general public should also be included, as applicable.

Suggested formats and guidelines for analytical worksheets are available at the OFM Administrative and Accounting Resources website at <http://www.ofm.wa.gov/resources/default.asp>. These are illustrative only. Agencies have the option of expanding or revising the suggested formats based on the nature and scope of the proposed project.

Additional supporting documentation that provides further detail on the economic feasibility elements may be included in the EFS if necessary to support the other components of the EFS.



40.50 Privacy Issues

40.50.10

Oct. 1, 2000

General provisions

Agencies should develop policies and procedures to implement state and federal laws governing privacy protections. These laws pertain to both Internet and non-Internet electronic applications.

Privacy Notice: Safeguarding and disposition of personal information must be consistent with Executive Order 00-03, April 25, 2000, and RCW 42.17.310.