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Automated Clearing House (ACH) processing allows vendors to be paid through direct deposit to their bank account instead of being issued a warrant. This provides a more expedient and cost effective means of paying vendors who do business with the State of Arizona.

Vendors doing business with the State of Arizona who desire to receive ACH payments must complete an ACH Vendor Authorization Form (GAO-618). This form is used by the General Accounting Office (GAO) to update the vendor profile with the required bank information. Only authorized GAO personnel will be able to update or view the vendor's bank information on the Arizona Financial Information System (AFIS).

After the vendor's ACH information is added to the statewide vendor profile, a prenote record is generated and sent to the bank. The purpose of the prenote record is to confirm the accuracy and validity of the vendor's bank information.

When an agency pays a vendor who desires to receive payments via the ACH, the following steps are required:


1. Obtain the vendor number and mail code for the vendor that has been approved for ACH payments
2. Use the proper ACH transaction code (TC) on the claim (Appendix H)
3. Be in the proper user class for the ACH transaction code (TC) (Appendix H)
4. Enter and release the claim

Assuming the claim is error free and sufficient cash is available, an ACH record is generated instead of a warrant. Each agency receives a control report for their ACH generated payments.

After each successful batch run, the GAO sends a file containing ACH payments and related information to the State servicing bank with details of the ACH payments. The State servicing bank transmits the information to the Arizona Clearing House Association (ACHA). Using the unique 9-digit routing number assigned to each financial institution, the ACHA determines the routing for each ACH payment to properly credit the vendor's account. The State servicing bank also sends a confirmation file back to the GAO indicating the number of records accepted or rejected. The GAO uses this confirmation file to update the settlement date on the payment control table for those ACH payments. The settlement date is two business days after the file is successfully transmitted to the State servicing bank.

On the settlement date, the vendor's receiving depository financial institution (RDFI) credits the vendor's individual account. ACH payments will be redeemed in AFIS on the settlement date and redemption transactions are system generated.

Agency personnel can inquire on the status of ACH payments via the same screens used for warrants. ACH payments can also be reversed following similar procedures as cancelling warrants, however there is a two week time limitation for ACH reversals. The proper reversing transaction(s) will be system generated when an ACH payment is reversed. See Section 9 of this chapter for more information on reversals.

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GLOSSARY OF TERMS

ACH (Automated Clearing House) - the direct deposit system operated by the Federal Reserve Bank.

ACHA (Arizona Clearing House Association) - the regional association that provides rules and guidelines for the efficient operation of the ACH Network.

ACH Reversal - a request by the paying agency to reverse a payment to the vendor. (GAO PM – ACH 1)

ACH Operator - an ACH Network processor that receives ACH files from ODFIs and processes them for delivery to RDFIs.

AFIS (Arizona Financial Information System) - the State of Arizona’s accounting system, used to make payments to vendors.

Business Day - any day on which financial institutions are open for business with the public.

Confirmation Notice – a letter that is sent out to the vendor after the first ACH payment is made to verify the payment was received by the vendor and that the addendum records were sufficient to identify the payment.

Credit Entry - an electronic funds transfer that the Comptroller initiates to deposit funds into an EFT account.

CTX – the format of the addenda information allowing up to 9,999 addendum records per payment record.

Debit Entry - a reversal of a credit entry.

EFT Account - an account that has been designated in accordance with this section to receive credit entries from State agencies making payments.


Federal Reserve Bank - the processor or clearing house for the direct deposit system.

GAO – General Accounting Office

NACHA (National Automated Clearing House Association) - the organization that sets the operating rules and procedures for users of the ACH direct deposit system.

ODFI - originating depository financial institution. The financial institution that deposits ACH files on behalf of the originator into the ACH network (i.e. the State servicing bank).

Originator - a company or an entity that initiates an ACH transaction (e.g. the State of Arizona).

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GLOSSARY OF TERMS

Payee - any individual or business receiving payments from the State of Arizona.

PDT (Payment Distribution Type) - a field that identifies how claim transactions should be combined for warrants or ACH payments.

Prenote - a \$0.00 test transmittal of each payee's direct deposit information. Prenotes are sent for setups, changes of bank information or activation of vendor profiles.

Prenote Date - the day direct deposit vendor profiles can be approved for ACH processing. It is 15 calendar days from the date a setup or change is processed by the General Accounting Office.

RDFI - receiving depository financial institution. The financial institution to which an ACH entry is sent.

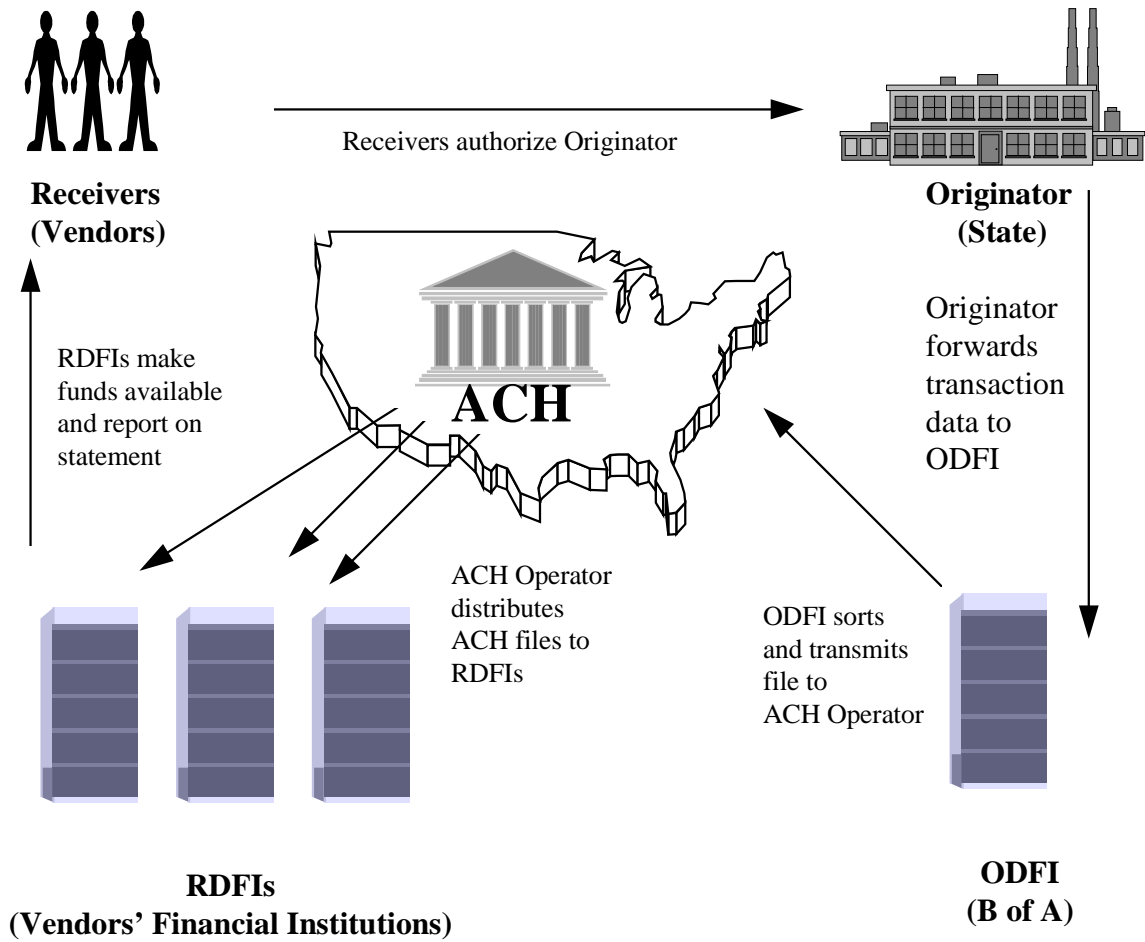
Returned Monies - direct deposit payments that are returned to the State of Arizona as a result of a closed account or other reasons for which the RDFI is unable to post the payments.


Reversal - request by the paying agency to recover a payment made erroneously to the vendor.

Routing Transit Number - a 9-digit number identifying each financial institution. Also referred to as a bank code or transit code.

Vendor - any individual or business receiving payments from the State of Arizona.

The ACH Flow



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AGENCY REQUIREMENTS

Any state agency whose vendors request payment by direct deposit and are paid from the State Treasury funds may participate in ACH processing. There is no minimum number of payees or claims required before an agency can participate. With proper security, agency personnel may enter ACH claims on-line. Interface agencies should contact the GAO prior to interfacing ACH claims.

When an agency pays a vendor who desires an ACH payment, the following steps are required:


1. Obtain the vendor number and mail code for the vendor that has been approved for ACH payments
2. Use the proper ACH transaction code (TC) on the claim
3. When entering the ACH claim on-line, use the proper user class for the ACH transaction code (TC)
4. Enter and release the claim

Section 6-A of this chapter explains each of the above steps in more detail.

Each agency's security administrator is responsible for approving and submitting requests to the GAO security section for access to AFIS. Because all ACH processing will be limited to certain user classes, the security administrator will need to determine which employees will need access to these user classes. Any employee being granted access to the ACH user classes is required to attend the ACH Processing Training Class. See Section II-K of the State of Arizona Accounting Manual for information regarding Applications Security.

Appendix H identifies the user classes and transaction codes that are valid for ACH processing.

Note: If an agency is paying a vendor with Federal Grant monies, it is important to make the ACH payment early in the week, not Thursday or Friday because the two-day settlement date added to the weekend will extend the interest timing for CMIA purposes.

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VENDOR REQUIREMENTS

Vendors doing business with the State of Arizona who desire to receive ACH payments must complete an ACH Vendor Authorization form (GAO-618). This form is part of the Vendor Information Packet that vendors receive when they request information regarding ACH processing. A sample of this packet is in Appendix J and both packet and form are available on the GAO website at www.gao.state.az.us (see the ACH Info button). The vendor returns the completed ACH Vendor Authorization form (GAO-618) directly to the GAO. The GAO will be responsible for entering the information into the Statewide vendor file. If the vendor number already exists on the Statewide vendor file, the bank information will be added to the appropriate mail code.

The Vendor Add/Change form is completed by the agency in order to establish the vendor in AFIS. If the vendor does not exist on the statewide vendor file, the vendor must also complete the Substitute Form W-9 or W-8. The Substitute W-9 and W-8 forms should be submitted to the state agency which will complete the Vendor Add/Change form (GAO-617) using information from the Substitute W-9 or W-8. Substitute Form W-9 verifies the correct vendor tax ID number and the Substitute Form W-8 verifies a foreign person's status. The agency will then send the Vendor Add/Change form (GAO-617), with a copy of the Substitute W-9 or W-8 attached, directly to the GAO. The vendor sends the ACH Vendor Authorization Form (GAO-618) directly to the GAO for review and input. Samples of these forms are shown in Appendix I and are also available on the GAO website at www.gao.state.az.us.


Vendors may receive these forms and the Vendor Information Packet either from the state agency with which they do business, directly from the GAO Vendor Section, or they can be found on the GAO website at www.gao.state.az.us.

The vendor should be willing to receive all ACH payments into a single checking or savings account. Any requests for ACH payments to be made into multiple accounts should be submitted to the GAO Vendor Section. The State Comptroller will determine on a case-by-case basis whether to approve ACH payments to multiple accounts.

The payment records provided to the bank from the State contain the following CTX information:

- Payment Amount
- Vendor Bank Information
- ACH Payment Number
- Paying Agency
- Claim Document Number
- Purchase Order Number, if included on the claim as part of the encumbrance number
- Invoice Date and Number, if included on the claim

Vendors should contact their financial institution to determine how the financial institution will pass the CTX records to their customers.


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ACH AUTHORIZATION FORM

Vendors doing business with the State of Arizona who desire to receive ACH payments must complete an ACH Vendor Authorization Form (GAO-618). This form is included in the Vendor Information Packet which is available to all vendors who wish to receive ACH payments. A copy of this form is shown in Appendix I followed by instructions for completing the form. A copy of the Vendor Information Packet is in Appendix J and also available on the GAO website at www.gao.state.az.us.

A vendor will only have to complete one ACH Vendor Authorization Form (GAO-618) to receive payments from any State agency.

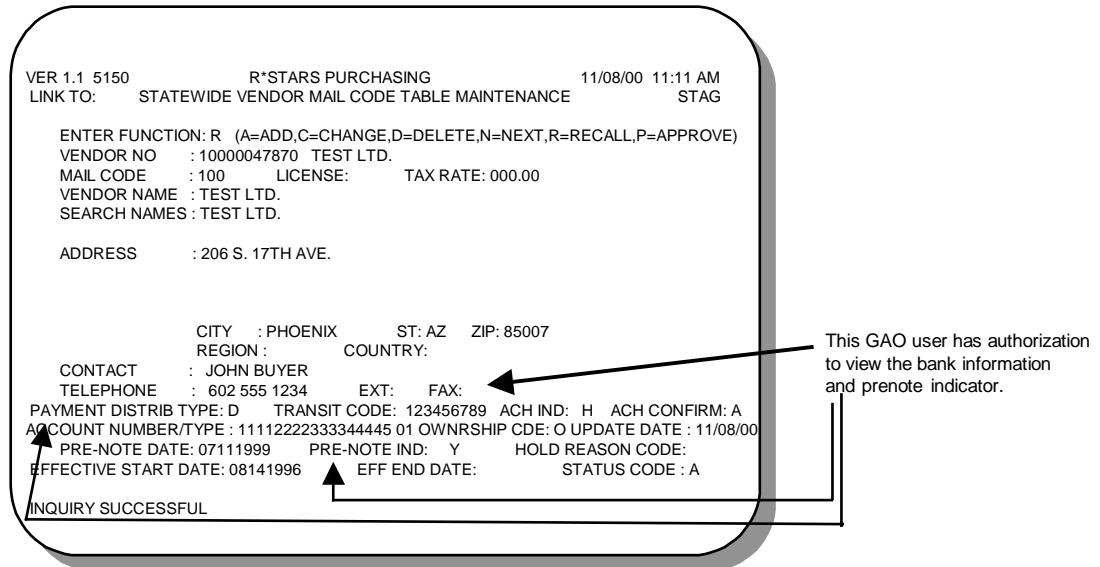
The vendor, the vendor's financial institution and the GAO are responsible for completing the ACH Vendor Authorization Form (GAO-618). The vendor submits the original copy of the form to the GAO and retains a copy for their records.

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All additions and modifications to the vendor file for ACH processing will be done at the GAO. Certain fields on the vendor file will be restricted to authorized users to safeguard the confidentiality of vendors' bank information. The following fields on the vendor file are utilized for ACH processing:

1. Account Number/Type (restricted) - identifies the vendor's bank account number and account type (checking or savings).
2. Transit Code (restricted) - identifies the 9-digit routing number assigned to each financial institution.
3. Prenote Indicator (restricted) - identifies whether a prenote record has been generated for the vendor. See Section 4 of this chapter for information regarding the prenote process.
4. Prenote Date - identifies the first date a vendor could be approved for ACH processing. See Section 4 of this chapter for information regarding the prenote process.
5. ACH indicator - identifies whether a vendor has been approved for ACH processing. When a vendor has been approved, the value is updated to an 'A' (approved status).
6. PDT (Payment Distribution Type) - all ACH vendors will be added with PDT = 'D'. This PDT defaults on the claim transaction and indicates an ACH payment should be generated instead of a warrant. See Section 6 of this chapter for information regarding the ACH claim process.
7. ACH Confirm Indicator – this field notifies the user if the first ACH payment has been confirmed by the vendor as being correctly received and applied. See Sections 5 and 8 of this chapter for information regarding the ACH Confirmation process.

Screen 5150 is used to establish vendor mail codes in AFIS and is where the ACH information is entered. Only authorized GAO personnel will have access to establish and to view the bank information and prenote indicator.



VER 1.1 5150 R*STARS PURCHASING 11/08/00 11:11 AM
LINK TO: STATEWIDE VENDOR MAIL CODE TABLE MAINTENANCE STAG

ENTER FUNCTION: R (A=ADD,C=CHANGE,D=DELETE,N=NEXT,R=RECALL,P=APPROVE)
VENDOR NO : 10000047870 TEST LTD.
MAIL CODE : 100 LICENSE: TAX RATE: 000.00
VENDOR NAME : TEST LTD.
SEARCH NAMES : TEST LTD.

ADDRESS : 206 S. 17TH AVE.

CITY : PHOENIX ST: AZ ZIP: 85007
REGION : COUNTRY:

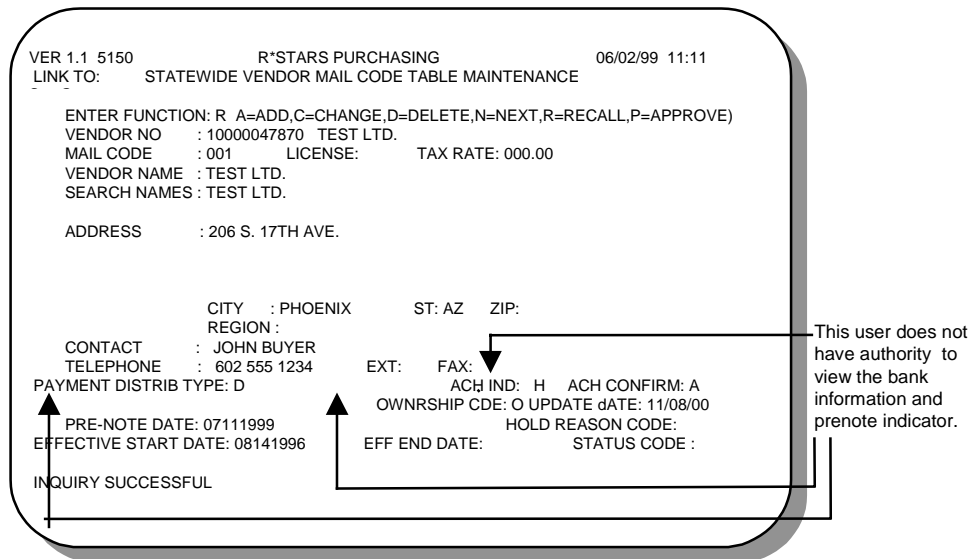
CONTACT : JOHN BUYER
TELEPHONE : 602 555 1234 EXT: FAX:

PAYMENT DISTRIB TYPE: D TRANSIT CODE: 123456789 ACH IND: H ACH CONFIRM: A
ACCOUNT NUMBER/TYPE : 11112222333344445 01 OWNERSHIP CDE: O UPDATE DATE : 11/08/00
PRE-NOTE DATE: 07111999 PRE-NOTE IND: Y HOLD REASON CODE:
EFFECTIVE START DATE: 08141996 EFF END DATE: STATUS CODE : A

INQUIRY SUCCESSFUL

This GAO user has authorization to view the bank information and prenote indicator.

When non-authorized users recall a vendor, the bank information and prenote indicator are not displayed.



VER 1.1 5150 R*STARS PURCHASING 06/02/99 11:11
LINK TO: STATEWIDE VENDOR MAIL CODE TABLE MAINTENANCE

ENTER FUNCTION: R A=ADD,C=CHANGE,D=DELETE,N=NEXT,R=RECALL,P=APPROVE)
VENDOR NO : 10000047870 TEST LTD.
MAIL CODE : 001 LICENSE: TAX RATE: 000.00
VENDOR NAME : TEST LTD.
SEARCH NAMES : TEST LTD.

ADDRESS : 206 S. 17TH AVE.


CITY : PHOENIX ST: AZ ZIP:
REGION :

CONTACT : JOHN BUYER
TELEPHONE : 602 555 1234 EXT: FAX:

PAYMENT DISTRIB TYPE: D ACH IND: H ACH CONFIRM: A
OWNERSHIP CDE: O UPDATE DATE: 11/08/00
PRE-NOTE DATE: 07111999 HOLD REASON CODE:
EFFECTIVE START DATE: 08141996 EFF END DATE: STATUS CODE :

INQUIRY SUCCESSFUL

This user does not have authority to view the bank information and prenote indicator.

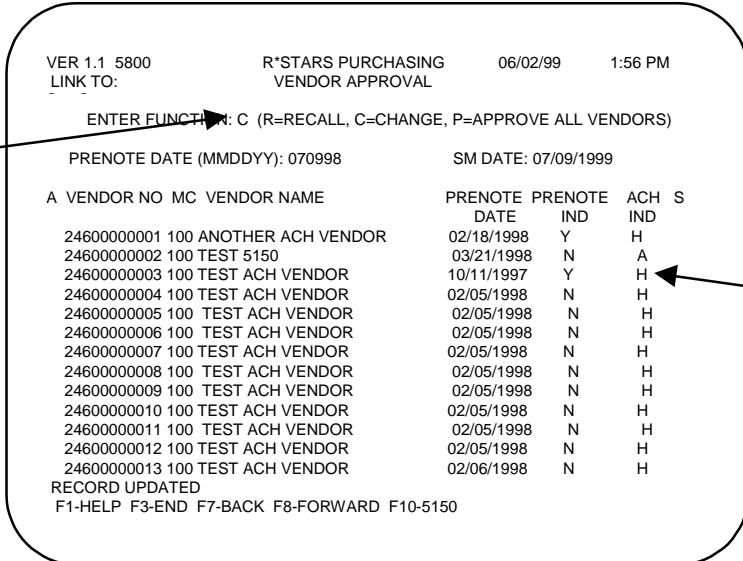
| | | | | |
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| SUBJECT: ACH PROCESSING: PRENOTE PROCESS | | | | |

The ACH system requires that a \$0.00 test (prenote) be sent to the vendor's receiving depository financial institution (RDFI) before a payment can be transmitted to the vendor. This test is called a prenotification. The purpose of the prenote is to confirm the accuracy and validity of the ACH information on the AFIS Statewide vendor file against the payee's RDFI.

Once an ACH vendor is added to the vendor file, the prenote indicator on the vendor record is set to 'Y' indicating that a prenote record must be generated. The prenote date on the vendor record is set to the current date the bank information is entered into AFIS by the GAO plus 15 days. The ACH indicator is set to 'H' (hold status) until the prenote process is completed. The prenote date is the first date that the vendor can be approved for ACH processing. Once a prenote record has been system generated, the prenote indicator is automatically set to 'N'.

The purpose for this 15-day prenote period is to allow enough time for the vendor's RDFI to respond to the prenote test. The RDFI only provides negative responses so, if no response is received by the prenote date, the vendor can be approved for ACH processing. If a response is received, the GAO will contact the vendor to obtain the correct information. When the GAO updates the vendor's record with this corrected information, another prenote record is then generated to test the new information.

After the prenote date has passed, the vendor can be approved for ACH processing. Vendors will be approved by authorized GAO personnel using Screen 5800 'Vendor Approval'. This screen displays all unapproved vendors with prenote dates not later than the current date. The GAO user will have the option of approving a selected vendor or all vendors on that screen. This screen can be viewed by the GAO only.



VER 1.1 5800 R*STARS PURCHASING 06/02/99 1:56 PM
LINK TO: VENDOR APPROVAL

ENTER FUNCTION: C (R=RECALL, C=CHANGE, P=APPROVE ALL VENDORS)

PRENOTE DATE (MMDDYY): 070998 SM DATE: 07/09/1999

| A | VENDOR NO | MC | VENDOR NAME | PRENOTE DATE | PRENOTE IND | ACH IND | S |
|---|-------------|-----|--------------------|--------------|-------------|---------|---|
| | 24600000001 | 100 | ANOTHER ACH VENDOR | 02/18/1998 | Y | H | |
| | 24600000002 | 100 | TEST 5150 | 03/21/1998 | N | A | |
| | 24600000003 | 100 | TEST ACH VENDOR | 10/11/1997 | Y | H | |
| | 24600000004 | 100 | TEST ACH VENDOR | 02/05/1998 | N | H | |
| | 24600000005 | 100 | TEST ACH VENDOR | 02/05/1998 | N | H | |
| | 24600000006 | 100 | TEST ACH VENDOR | 02/05/1998 | N | H | |
| | 24600000007 | 100 | TEST ACH VENDOR | 02/05/1998 | N | H | |
| | 24600000008 | 100 | TEST ACH VENDOR | 02/05/1998 | N | H | |
| | 24600000009 | 100 | TEST ACH VENDOR | 02/05/1998 | N | H | |
| | 24600000010 | 100 | TEST ACH VENDOR | 02/05/1998 | N | H | |
| | 24600000011 | 100 | TEST ACH VENDOR | 02/05/1998 | N | H | |
| | 24600000012 | 100 | TEST ACH VENDOR | 02/05/1998 | N | H | |
| | 24600000013 | 100 | TEST ACH VENDOR | 02/06/1998 | N | H | |

RECORD UPDATED
F1-HELP F3-END F7-BACK F8-FORWARD F10-5150

Once a vendor has been approved, the ACH indicator on the vendor record is updated to the value 'A' for approved. Vendors with the ACH indicator equal to 'A' and confirmation indicator equal to 'C' can be used for continuous ACH payments. All users can use the Vendor Alpha Inquiry Screen (3A), the Vendor Number Inquiry Screen (3N) or the Vendor Profile Screen (S034) to view the ACH indicator and confirm indicators to determine whether a particular vendor can be used to issue an ACH payment on a claim. Screen 5150 Statewide Vendor Mail Code Table Maintenance also displays the ACH indicator and confirm indicators.

Once the GAO receives a completed ACH Authorization Form (GAO-618), the vendor should be approved within 15 working days, unless the prenote test was not successful. Any questions regarding the status of an ACH vendor should be directed to the GAO Vendor Section at (602) 542-1679.

The following pages discuss the new, revised versions of the AFIS screens 3A (Vendor Alpha Search) and 3N (Vendor Numeric Search).

Vendor Alpha Inquiry (Screen 3A)

ARIZ S03A UNIFORM STATEWIDE ACCOUNTING SYSTEM 08/30/99 03:13 PM
VENDOR ALPHA INQUIRY STAG

SELECT VENDORS FROM: S (S=STATEWIDE, A=AGENCY)

SEARCH NAME: TEST ACH AGY: ACH (P/B/N): N ← New ACH Filter

| S | VENDOR NO/MC | VENDOR NAME | ADDRESS 1 | ACH | CNF | PDT | ST |
|-------------|--------------|-------------------|-------------------|-----|-----|-----|----|
| 10000000005 | 000 | TEST ACH | 123 W MAIN | | R | A | |
| 10000000005 | 001 | TEST ACH | 123 W MAIN | | R | A | |
| 10000000005 | 100 | TEST ACH | 123 W MAIN | A | A | D | A |
| 24600000006 | 000 | TEST ACH | 9710 E MISSION LN | | R | A | |
| 24600000006 | 001 | TEST ACH | 9710 E MISSION LN | | R | A | |
| 24600000006 | 200 | TEST ACH | 9710 E MISSION LN | H | | D | A |
| 000 | TEST ACH | 9710 E MISSION LN | | | R | A | |
| 000 | TEST ACH | 9710 E MISSION LN | | | R | A | |
| 24600000001 | 000 | TEST ACH VENDOR | 123 W MAIN | | R | A | |
| 24600000001 | 100 | TEST ACH VENDOR | CHANGE ADDRESS | A | B | D | A |
| 24600000002 | 100 | TEST ACH VENDOR | CHANGE ADDRESS | A | C | D | A |
| 24600000011 | 001 | TEST ACH VENDOR | GAO | A | C | D | A |

Z06 RECORD SUCCESSFULLY RECALLED

F1-HELP F3-END F4-INTERRUPT F6-PROCESS F7-PREVIOUS F8-NEXT

Vendor Number Inquiry (Screen 3N)

ARIZ S03N UNIFORM STATEWIDE ACCOUNTING SYSTEM 08/30/99 03:21 PM
VENDOR NUMBER INQUIRY STAG

VENDOR NO: 10000000005 AGY: ACH (P/B/N): N ← New ACH Filter

| S | VENDOR NO/MC | VENDOR NAME | ADDRESS 1 | ACH | CNF | PDT | ST |
|-------------|--------------|--------------------|------------------|-----|-----|-----|----|
| 10000000005 | 000 | TEST ACH | 123 W MAIN | | R | A | |
| 10000000005 | 001 | TEST ACH | 123 W MAIN | | R | A | |
| 10000000005 | 058 | TEST ACH | 123 W MAIN | A | A | D | A |
| 10000001111 | 000 | TESTLTD | 1112 ANY STREET | | R | A | |
| 10000001111 | 001 | TEST VENDOR | 1112 ANY STREET | | R | A | |
| 10000022222 | 000 | TEST LTD | 1111 ANY STREET | A | B | D | A |
| 10000022222 | 001 | TEST VENDOR#2 | 2222 ANY STREET | | R | A | |
| 10000022222 | 002 | TEST VENDOR#2 | 1111 ANY STREET | A | C | D | A |
| 10000047870 | 000 | TEST LTD. | 206 S. 17TH AVE. | | R | A | |
| 10000047870 | 001 | ADOT POD CUSTODIAN | 206 S. 17TH AVE | | RF | A | |
| 10000047870 | 060 | ADOT POD CUSTODIAN | 206 S. 17TH AVE | | RF | A | |
| 10000047870 | 064 | ADOT POD CUSTODIAN | 1 E ADAMS | | RF | A | |
| 10000047870 | 058 | TEST LTD. | 206 S. 17TH AVE. | H | | D | A |
| 10001110005 | 000 | TEST PURGE D | GAO | | R | | |
| 10001110005 | 001 | LIVES IN AZ | GAO | | R | | |

Z06 RECORD SUCCESSFULLY RECALLED

F1-HELP F3-END F4-INTERRUPT F6-PROCESS F7-PREVIOUS F8-NEXT

The 3A and 3N screens have added a new feature that will allow an ACH filter (or search) on vendors according to the following elements:

- N = no ACH filter
- P = Shows ACH vendors that have completed the pre-note process (ACH = A)
- B = Shows ACH vendors that meet the requirements of having BOTH the pre-note process completed AND had the first ACH payment confirmed (ACH = A and CNF = C)

The ACH indicator can be one of the following:

- Blank = Non-ACH vendor
- H = ACH vendor awaiting approval after the 15 day pre-note process is completed
- A = ACH vendor has been approved for ACH processing (the 15 day pre-note process is completed)

The CNF (confirmation) indicator can be one of the following:

- A = New ACH vendor that has not yet received an ACH payment
- B = ACH vendor has been issued the first ACH payment – in this case, the vendor is put on “hold” status until confirmation has been received from the vendor (by the GAO) that this first payment was properly received into the account.
- C = ACH vendor has been approved and confirmed for future ACH payments

Vendor Profile (Screen 34)


ARIZ S034 UNIFORM STATEWIDE ACCOUNTING SYSTEM 08/30/99 03:32 PM
LINK TO: VENDOR PROFILE STAG

ACTION: R (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)

AGENCY:
VENDOR NO/MAIL CODE: 1000000005 001 VENDOR TYPE:
VENDOR NAME: TEST ACH
ALT NAME: TEST ACH
ADDRESS1: 123 W MAIN
ADDRESS2:
ADDRESS3:
ADDRESS4:
CITY: MONTREAL, CANADA STATE: XX ZIP CODE: 12345
PHONE: ACH Confirm: A IMBI:
OWNERSHIP CODE: F PAYMENT DIST CODE: D ACH IND: A PRENOT DATE: 19991107

This screen shows the ACH Confirm, ACH Indicator and Prenote Date fields

1099: Y 5150 STATUS: A STATUS CODE: A
EFF START DATE: 08141996 EFF END DATE: LAST PROC DATE: 08191999
Z06 RECORD SUCCESSFULLY RECALLED
PLEASE ENTER FUNCTION

| | | | | |
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| SUBJECT: ACH PROCESSING: CLAIMS | | | | |

PROCESSING REQUIREMENTS

To pay a vendor via ACH payment, the following steps are required:

1. Obtain the ACH vendor number and mail code:

ACH claims can be processed only for ACH approved vendors. The status of a vendor can be determined by recalling the vendor on one of three screens: Vendor Alpha Inquiry Screen (3A), Vendor Number Inquiry Screen (3N), or Vendor Profile Screen (S034). If the ACH Indicator equals 'A' and the confirmation indicator equals 'A' or 'C', then the vendor is approved for ACH processing.

2. Use the proper ACH transaction code (TC) on the claim:

Only ACH transaction codes can be used to process ACH claims. Appendix H contains a list of the ACH transaction codes.

3. Use the proper user class for the ACH transaction code (TC):

Separate user classes have been established for ACH processing. ACH claims can only be entered in these user classes. Appendix H contains a list of the ACH user classes. These user classes also include non-ACH claim TC's so a user could enter one batch of ACH claims and one batch of non-ACH claims while in the same user class, or transactions may be split between ACH claims and non-ACH claims within a single batch.


4. Enter and release the claim:

Enter the claim the same way as entering non-ACH claims. The release authority is consistent with non-ACH claim release authority. For example, the GAO will need to release administrative adjustment and capital project ACH claims.

The PDT (Payment Distribution Type) identifies how claim transactions should be combined to produce warrants or ACH payments. All ACH vendors are established in the vendor file with PDT = 'D'. This PDT defaults on the claim transaction. It can be overridden by entering a PDT on the claim transaction. Valid ACH PDT's are:

- D** Do not combine documents or funds
- DD** Combine documents within a fund
- DF** Combine documents and funds
- DT** Combine funds within a document

Vendors established as ACH vendors can be issued a warrant if desired. In this case, a non-ACH PDT such as 'R' would be entered on the claim to override the default value from the vendor file and a regular (non-ACH) transaction code would also be used.


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PROCESSING REQUIREMENTS

Valid non-ACH PDT's are:

- R** Do not combine documents or funds
- RD** Combine documents within a fund
- RF** Combine documents and funds
- RT** Combine funds within a document

Note that if the default PDT from the vendor record is 'R ', the PDT cannot be overridden with an ACH PDT. The vendor has not been set up as an ACH vendor and therefore cannot receive ACH payments. If however the PDT is a "D" then it can be overwritten with an "R" to issue a regular warrant.

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CONTROL REPORTS

ACH processing generates control reports that are used by the GAO, the State Treasurer and the paying agencies to verify payment generation. The reports are described below and samples are shown on pages B-2 through B-4 of this section.

DAFR3641 Payment Number Assignment


This report lists every payment generated each night including warrants and ACH payments. The report sorts by payment number and is maintained at the GAO. It is not distributed to the agencies.

DAFR3691 ACH Payees by Agency

This report is sorted by agency and distributed to each agency along with the warrant reports. This report identifies all of the ACH payments generated for the agency each day. The report includes the following fields: Vendor number/ mail code, vendor name, current document number, transaction ID, transaction amount, payment amount, payment distribution type, and ACH payment number.

DAFR805A ACH Payment Transmittal Report

This report summarizes the ACH activity. It includes the total number of ACH payments issued, the total amount, the issue date and the settlement date. Before the report is distributed to the State Treasurer, the GAO will stamp the report with a signature stamp, which validates the ACH payments.

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CONTROL REPORTS

DAFR3691 ACH PAYEES BY AGENCY

```

DAFR3691 000 USAS 01          *****
                                USAS OPERATIONS CONTROL
                                ACH PAYEES BY AGENCY
02/27/01 (18.44) CYCLE 4174 *****
04/03/01 (SYS MGMT EFFECTIVE DATE) *****
AGENCY TAS TEST AGENCY - TRACY *****
*****
VENDOR NO/MC ***** VENDOR NAME ***** CUR DOC# TRANSACTION ID ***** TRANS AMT R PAYMENT AMOUNT PGT STD NO
*****
25600000001 001 DONNA S ACH TESTING 25678910 TAS022601410000001 100.00 2,100.00 D 000005974
25600000001 001 DONNA S ACH TESTING 25678910 TAS022601410000002 700.00 2,100.00 D 000005974
25600000001 001 DONNA S ACH TESTING 25678910 TAS022601410000003 700.00 2,100.00 D 000005974
25600000001 001 DONNA S ACH TESTING 25678910 TAS022601410000004 200.00 2,100.00 D 000005974
25600000001 001 DONNA S ACH TESTING 25678910 TAS022601410000005 400.00 2,100.00 D 000005974
TOTAL AMOUNT 2,100.00

```




SUBJECT: ACH PROCESSING: CLAIMS

CONTROL REPORTS
DAFR805A ACH PAYMENT TRANSMITTAL REPORT

DAFR805A 000 USAS 01 *****
02/27/01 (18 44) CYCLE 4174 *****
04/03/01 (SYS MGMT EFFECTIVE DATE) *****
TOTAL COUNT TOTAL AMOUNT ISSUE DATE SETTLEMENT DATE
0000000001 \$2,100.00 04/03/2001 04/05/2001
USAS OPERATIONS CONTROL
ACH PAYMENT TRANSMITTAL REPORT
*****AGCY NUMBER 000
PAGE 1

AUTHORIZED SIGNATURES

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PAYMENT PROCESSING

When an ACH payment is issued, AFIS generates related transactions that are recorded in the financial tables to reflect the disbursement. For example, for each ACH claim payable transaction (TC280) that is released and error free, the system generates a TC481, ACH Payment Liquidation Expenditure.

TC280 Accounting Impact:


DR 3501 Accrued Expenditure
 CR 1211 Claims Payable

TC481 Accounting Impact:

DR 3500 Cash Expenditure
 CR 3501 Accrued Expenditure
 DR 1211 Claims Payable
 CR 1012 ACH Outstanding

The system-generated payment liquidation transactions are posted in the second input, edit, update (IEU) cycle.

For more information regarding the payment processing sub-system, see Chapter IV of this manual.

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BANK FILE

Each night, AFIS generates a file to transmit to the State servicing bank. The file contains three types of records:

- Prenote Records
- Payment Records
- Reversal Records

Prenote Records

Prenote records are generated when a new ACH vendor is added to the statewide vendor profile or if certain fields of an existing vendor profile are updated. The amount on the record is \$0.00. The purpose of a prenote record is to validate the vendor's bank information.

Payment Records


Each night, payment records are created for each ACH payment generated. The payment records contain the following CTX information:

- Payment Amount
- Vendor Bank Information
- ACH Payment Number
- Paying Agency
- Claim Document Number
- Purchase Order Number, if included on the claim as part of the encumbrance number
- Invoice Date and Number, if included on the claim

Vendors should contact their financial institution to determine how the financial institution will pass the CTX records to their customers.

Reversal Records

Reversal records are generated as a result of an ACH payment being reversed after the settlement date has passed. The vendor's financial institution will return the funds to the GAO who will then return the funds to the agency. See Section 9 of this chapter for more information regarding reversals of ACH payments.


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BANK CONFIRMATION FILE

After the bank reads the file that the State transmits, they transmit a confirmation file back to the State. The confirmation file indicates the status of the records sent as either being accepted or rejected. This is only a format check. It does not confirm the vendor has received the payment. Rejected items will be researched by the GAO.

For the records accepted by the bank, the settlement date is updated on the payment control table. The settlement date identifies when the funds will be made available to the vendors. This date also determines when the ACH payments are redeemed in the system.

Control reports are generated for use by the GAO to monitor and verify the ACH processing.


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PAYMENT REDEMPTION

ACH payments are automatically redeemed when the status of the payment is 'I' (issued) and the settlement date is less than or equal to the current effective date. AFIS generates transactions to record the redemption activity. TC486, ACH Payment Redemption, is generated with the following accounting impact:


DR 1012 ACH Outstanding
 CR 0070 Cash on Deposit with Treasurer

The ACH redemption activity is shown on the existing payment redemption reports. The GAO uses these reports to monitor payment redemption activity.

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| SUBJECT: ACH PROCESSING: VENDOR CONFIRMATION PROCESS | | | | |

The GAO will send a confirmation letter when the first ACH payment is made to a new vendor participating in the ACH process for the first time. The letter will identify the payment information (invoice number, amount and payment number) and will request the vendor to verify the deposit was credited properly to the correct bank account and that the addendum information was sufficient to identify the payment. No future ACH payments will be made until the letter is approved and returned to the GAO. A sample copy of the confirmation notice is included on the next page.

If a vendor has not yet been confirmed, an agency may, however, continue making payments to the vendor through the normal warrant process by using a non-ACH transaction code and changing the PDT to R, RD, RF, or RT.

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JANE DEE HULL
GOVERNOR

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DIRECTOR

ARIZONA DEPARTMENT OF ADMINISTRATION

FINANCIAL SERVICES DIVISION • GENERAL ACCOUNTING OFFICE

STATE CAPITOL • 1700 WEST WASHINGTON • ROOM 290

PHOENIX, ARIZONA 85007

Phone: (602) 542-5601 • Fax: (602) 542-5749

DATE: 2/6/01

TEST LTD.
206 S. 17TH AVE.
PHOENIX AZ 85007

CONFIRMATION NOTICE

You have requested that payments to your organization be made via ACH. As a final verification to this process we request you verify the deposit shown below has been properly credited to your bank account through the Automated Clearing House (ACH) payment process. If the payment was processed correctly, please have the authorized signer of the bank account sign this form and return it to the address shown on the back:

*****NO FUTURE ACH PAYMENTS WILL BE MADE UNTIL THIS FORM IS APPROVED AND RETURNED TO THE ADDRESS SHOWN ON THE BACK OF THIS FORM.*****

Approve to continue this method of payment:

Signature of Authorized Signer of Bank Account

Date

Print Name of Authorized Signer of Bank Account


Title

Payment Information:

Invoice

Payment Amt

ACH No

| | | | | |
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| SUBJECT: ACH PROCESSING: REVERSALS | | | | |

Occasionally ACH payments must be reversed for various reasons. Reversal requests are submitted to the GAO within 5 days of payment issuance on form GAO PM-ACH1 'ACH Payment Reversal'. See Appendix I for a sample of this form.

After the GAO personnel review the reversal request, the Reversal is entered on-line via screen 47 by changing the status of the payment from 'P' (paid) to 'V' (reversed). A Reversal record is generated and sent to the State servicing bank. The GAO will transmit an electronic debit entry to the State servicing bank for the erroneous payment. The State servicing bank credits the State's account and transmits the debit entry to the vendor's financial institution. Upon verification that the vendor's financial institution returned the funds to the State servicing bank, the GAO will enter a transfer to move the funds to the appropriate agency. **NOTE: (If the bank is not able to recover the money from the vendor, the State servicing bank debits the State's account and the agency must then contact the vendor to recover the money.)**

```

ARIZ S047      UNIFORM STATEWIDE ACCOUNTING SYSTEM  08/26/99 03:01 PM
LINK TO:      PAYMENT CONTROL TABLE STATUS MAINTENANCE SCREEN

ACTION: R (C=CHANGE, N=NEXT, R=RECALL)

WARRANT INFORMATION:

WARRANT NUMBER: 000005751  STATUS MAINTENANCE:
CLEARANCE DATE: 08091999  (MMDDYYYY)

CLEARANCE FISCAL: 0200  TRAN. GENERATED FLAG: Y
CURRENT STATUS: P
STOP DATE:
WARRANT ISSUE DATE: 04191999
WARRANT EXPIRATION DATE: 10161999
VENDOR/MC: 10000000001 200
VENDOR NAME: SHERATON
FISCAL YR: 99
AMOUNT: 5.05
CROSS REFERENCE NUMBER: STATUS: REWRITE/DUPLICATE IND:

Z06 RECORD SUCCESSFULLY RECALLED
PLEASE ENTER FUNCTION
F1-HELP F3-END F4-INTERRUPT F6-PROCESS

```

STATUS WOULD BE CHANGED TO 'V' TO CANCEL THIS PAYMENT



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| SUBJECT: ACH PROCESSING: RETURNED ITEMS | | | | |

Occasionally the bank will not be able to process a vendor's payment. For example, the account may have been closed. These cases are called returned items. The bank notifies the GAO of these instances and the payment is canceled via screen 44. Transactions are system-generated to record the accounting impact as follows:

DR 0583 ACH Returned Item Clearing
CR 3500 Cash Expenditures

The bank returns the cash to the State Treasurer who deposits it into a GAO Clearing Fund. Once the GAO determines which agency and fund the cash belongs to, a transfer is entered to return the cash to the agency. The agency's side of the transfer is as follows:

DR 0070 Cash
CR 0583 ACH Returned Item Clearing

The GAO will notify the agency that issued the payment and will remove the bank information from the vendor record for ACH payment until the vendor provides corrected bank account information. Note that after the vendor provides the corrected information, another prenote will be generated to verify the information.