



Statewide Accounting Policy & Procedure

Accounting Manual Reference:

Section: Source to Settle
Sub-section: Payment Method Policy

Effective Date: 08/01/2012

Revision Date: 08/01/2012

Index:

Background

Policy

Policy Rationale

Business Process Policy

Monitoring

Authority

Applicability

Definitions

Background:

Historically, the State has primarily paid for goods or services via paper check. While paper checks are an effective means to make payments, alternative methods, which provide cost and financing benefits such as ACH payments, are also available to the State. Beginning in fiscal year 2011, SAO and certain State agencies undertook an initiative to systematically convert from paying vendors with paper checks to making electronic payments. This policy establishes the State's policy with respect to these payment methods.

Policy

The State's policy is to pay for goods and services in the most efficient, effective, and least costly manner possible while providing adequate controls over the processing of vendor invoices and payments.

- Vendor Payments:
 - The policy of the State is to make payments to vendors electronically and to avoid the associated costs of issuing a paper check when practical. In addition, payments for goods and services greater than \$5,000 should be made via ACH and purchases for less than \$5,000 may be made on a merchant services card device, such as a P-card or e-Payables. Payments to vendors by check should be done on an exception basis only.
 - Guidance on the use of P-card and e-Payable solutions will be provided within a joint policy issued by the Department of Administrative Services and SAO subsequent to the effective date of this policy.
- Employee Reimbursements:
 - As of August 15, 2012, if employees receive their regular salary payments via direct deposit, their reimbursement payments shall also be made via ACH. If employees currently receive their regular salary payments by an alternative method such as check or paycard, their reimbursement payments should be made via the same method.

Policy Rationale

Streamlining of the payment process is important to ensure payments are being made in the most cost-conscious way possible. Industry benchmarks continuously suggest that processing electronic payments such as ACH transactions are less costly than paper checks. Accordingly, the State of Georgia's goal is to eradicate paper, provide a secure payment method, reliable audit trail, and reduce costs by applying electronic payments to as many transactions as possible. It has become a common practice within the market over the past few years to transfer payments electronically because of the advantages outlined above.

Some benefits to your agency, vendors, and employees include:

Agency Benefits

- ✓ Eliminates manual check preparation
- ✓ Avoids additional costs associated with paper checks
- ✓ Improves cash management by removing the uncertainty of check float
- ✓ ACH payments can simplify the operating account reconciliation process
- ✓ ACH payment option eliminates the operating check escheatment process

Vendor/Employee Benefits

- ✓ ACH payments never get lost and are rarely delayed in transit
- ✓ ACH is more confidential
- ✓ Check float is eliminated as ACH gives employees access to their money faster than check deposits

Business Process Policy:

The following business policies apply to vendor payments and employee reimbursements:

- Vendor Payments
 - Purchase orders and vouchers should be generated using the payment method consistent with this policy.
 - In order to assist with compliance with this policy, agency personnel can refer to the vendor master file for assistance. Vendors that have agreed to receive ACH payments from the State have “ACH-Primary” listed in location #1 of the vendor master file. Accordingly, the payment method default for these vendors has been set to ACH and payment by check is not expected.
- Employee Reimbursements
 - Beginning September 5, 2012, banking information will be synchronized between TeamWorks HCM and Financials applications. As a result, the employees will be able to manage their reimbursement bank account through on-line self-service functionality. The payment method default for these vendors will be set to ACH and payment by check is not expected.

Monitoring

In order to measure progress related to each cash flow improvement initiative above, various key performance indicator reports are being developed and will be monitored. An initial monitoring report will calculate the payment method used as compared to the method required by this policy as well as an estimated cost impact to the State as a result of the methods used.

Authority:

Official Code of Georgia Annotated (OCGA) 50-5B-3 – Duties of the state accounting officer include:

- Prescribing the manner in which disbursements shall be made by state government organizations;
- Developing processes and systems to improve accountability and enhance efficiency for disbursement of funds and management of accounts payable.

Applicability:

All state agencies, departments, authorities, or institutions within the State.

Definitions:

Electronic Payment: Payment made to vendor without the need to generate paper such as ACH, P-cards, and wires.

e-Payables: Ghost card process marketed and branded by a bank.

Ghost cards: Merchant services payment solution which provides a credit card number that can be used by a vendor to receive payment for goods/services. These cards are referred to as “ghost” cards since a physical card is not issued.

Procurement Cards (P-card): Merchant service card used to pay for goods or services at the point of sale.

DRAFT