



Policy Number	Section Name	Policy Name	Effective Date	Revised Date
CM-100003	Cash Management	Payment Cancellation		

I. Purpose

The purpose of this policy is to provide guidelines for State agencies when requesting cancellations of Accounts Payable or Payroll checks that have been lost, stolen, or mutilated.

II. Background

Agencies on Streamlined Banking will not have access to Wachovia Connection disbursement activity. The State Accounting Office (SAO) Cash Management Group will be responsible for processing all stop payments electronically through the bank proprietary system on behalf of State agencies for both Accounts Payable and Payroll. All requests for stop payments and check reissues must be submitted to the State Accounting Office via a web-based form. Agencies will continue to process Payroll payment cancellations in the PeopleSoft HCM System; however cancellations for Accounts Payable will be managed by SAO Cash Management Group. Additionally, procedures for processing EFT and ACH reversals are outlined below.

III. Policy

- A. The State Accounting Office will process all voids and stop payments for Accounts Payable on the bank proprietary system.
- B. The State Accounting Office will process all stop payments for Payroll HCM on the bank proprietary system; agencies will continue to void Payroll checks in PeopleSoft HCM.
- C. The State Accounting Office will investigate returned items (checks, bank reversals), bank errors, and adjustments on a daily basis. The State Accounting Office will communicate any discrepancies to the agency for resolution.
- D. Agencies will manage their own bank communications with local banks (excluding Bank of America). Streamlined Banking accounts will be managed by the State Accounting Office.
- E. Positive pay files will be electronically submitted to the bank on a nightly basis; void and stop payment information will be included.

IV. Payroll Cancellation Procedures for Streamlined Banking Agencies

A. Payroll: Voids

1. To void a payroll check, the agency must have the original paper check.
2. The agency will enter the reversal/void information into the HCM Off-Cycle Pay Sheet.
3. The agency must forward the original paper check to SAO Cash Management Group for record retention purposes at the following address:
State Accounting Office
200 Piedmont Avenue
Suite 1604 West Tower
Atlanta, Georgia 30334-9010

Attach documentation regarding the reason for cancellation and if applicable, provide the reissued check number.

B. Payroll: Stop Payments

1. The stop payment process is applied when the agency does not have the original paper check.
2. The agency will contact the SAO Cash Management Group via web-based form, ([Payroll Stop Payment Request Form](#)). Any requests received before 2:00 P.M. will be processed the same business day.
3. SAO will verify that the questioned check is still outstanding on the HCM Manage Bank Recon Records Panel and through Wachovia Connection.
4. If the check has not been honored by the bank, SAO Cash Management Group will communicate a stop payment request to the bank via the bank proprietary system.
 - A. The stop payment confirmation number and other details will be forwarded to the issuing agency.
 - B. Upon receipt of the stop payment confirmation, the agency will enter the reversal/void information into the HCM Off-Cycle Pay Sheet. If necessary, the agency will re-issue the check to the employee. Prior to reissuance, the agency should confirm calculations and the Payroll entries in PeopleSoft HCM.
 - C. SAO Cash Management Group will generate the corrected payment and return the reissued check to the agency for distribution to the employee. *(See CM-100005, Payroll Disbursement)*
5. If the check has been honored by the bank, SAO Cash Management Group will obtain a copy of the front and back of the cancelled check. These copies will be provided to the agency via email.

C. Payroll: ACH Reversal (Direct Deposit)

1. If the agency identifies a direct deposit reversal, they should contact SAO Cash Management Group via the web-based form. ([Payroll Stop Payment Request](#))

2. If the SAO Cash Management Group identifies the ACH returned items via the Wachovia Connection website, SAO will contact the agency.
 - A. Agencies should determine the number of banking distributions.
 - a. If the ACH had a single bank distribution, the entire payroll advice will be reversed (voided) by the agency.
 - b. If the ACH had multiple banking distributions, the agency should only correct and reverse the distribution(s) which are in error. Use the new deduction code, REVACH, to ensure that earnings are not duplicated.
 - c. The agency should determine if the check should be reissued. If so, the agency will generate an HCM Off-Cycle manual check entry using the new deduction code, REVACH, to clear the general ledger.
3. SAO Cash Management Group will periodically review the Direct Deposit Register to assure that ACH reversals have been corrected. SAO will also generate the HCM ACH Reversal Deduction query reports to verify that the agency properly recorded the ACH reversal.
4. Agencies should refer to **(CM-100005, Payroll Disbursement)** for procedures to reissue On-line (Express) checks.

D. Payroll Pre-Note

1. The Agency is responsible for completing and retaining employee enrollment request(s) for direct deposit.
2. Prior to the first direct deposit of an employee's net pay, SAO Cash Management Group must verify the authenticity of employee banking information. This is accomplished through the issuance of a Pre-Note.
3. Pre-Notes are electronically transmitted by SAO Cash Management Group to Wachovia prior to the end of each pay period. The bank will confirm the accuracy of the information. If any Pre-Note information is incorrect, the rejected item will appear on the Wachovia Connection Daily Report.
4. SAO Cash Management Group will review the file daily and work with the agency to determine the error and assist the agency with any necessary corrections.
5. Employees will automatically receive a paper check for any wages until all direct deposit information is verified.

V. AP Cancellation Procedures for Streamlined Banking Agencies

A. Accounts Payable: Voids

1. In order to void an Accounts Payable check, either SAO or the issuing agency must have the check in hand.
2. When checks are returned directly to the agency, the agency must physically write "VOID" on the check, and forward the actual check to SAO Cash Management Group.

3. When checks are returned to SAO, SAO Cash Management Group will physically write "VOID" on the check and place the check on "HOLD" in the PeopleSoft system.
4. SAO will notify the agency to investigate the reason(s) for the return (e.g. wrong address/payee name, incorrect amount, etc.)
5. Upon determination, the agency must review the voucher information and determine if the voucher should be Re-Open Voucher(s)/Re-Issue, or Do Not Reissue/Close Liability in PeopleSoft.
6. The Payment Activity Report will be automatically generated by a batch process to display all voids and stop payments for agencies. Agencies can also utilize the Payment Inquiry Page in PeopleSoft Financials to determine the status of a check.
7. If a reissue is needed, SAO Cash Management Group will generate and distribute checks by mail the next day for any reissuing payments. *(See CM-100004, Accounts Payable Disbursement)*

B. Accounts Payable: Stop Payments

1. When an agency does not have the check in hand, the agency must request a stop payment from SAO.
2. The agency must submit the web-based [\(Accounts Payable Stop Payment/Cancellation Request Form\)](#) to SAO and select the payment status of "STOP".
3. SAO Cash Management Group will research the bank proprietary system and the Payment Inquiry Page to verify that the check is still outstanding and has not been presented.
4. SAO Cash Management Group will place a stop payment in the bank proprietary system.
5. Positive pay files will be sent to the bank nightly including all voids and stop payments.
6. On the Payment Cancellation page in PeopleSoft, SAO will select the payment status of "STOP" and one of three options on the request form: Reopen Voucher(s)/Put on Hold, Re-Open Voucher(s)/Re-Issue, or Do Not Reissue/Close Liability.
7. The Payment Activity Report will be automatically generated by a batch process to display all voids and stop payments for agencies. Agencies can also utilize the Payment Inquiry Page in PeopleSoft Financials to determine the status of a check.
8. If a reissue is needed, SAO Cash Management Group will generate and distribute checks by mail the next day for any reissuing payments.*(See CM-100004, Accounts Payable Disbursement)*

C. Accounts Payable: ACH Reversals

1. Once an ACH Wire has been identified for a stop payment, the agency will notify SAO Cash Management Group via the web based [\(Accounts Payable Stop Payment/Cancellation Request Form\)](#). The State Accounting Office will notify the bank and ensure the payment has not been processed.

2. Once an ACH Wire has been identified as returned due to incorrect information, Wachovia Bank will notify SAO that the ACH payment is being returned.
3. SAO Cash Management Group will communicate the ACH returns to each agency which initiated the ACH payment, via email.
4. The agency in coordination with SAO will determine the cause for the ACH wire return.
- ~~2.5.~~ Per instructions by the agency, SAO Cash Management Group will void the payments, and place on hold, or reissue the ACH payment in PeopleSoft AP. (Note: In order to reverse an ACH, the entry must be un-reconciled)
- ~~3.6.~~ If the ACH payment needs to be corrected and reissued, the agency will correct the voucher and take the voucher off hold for payment.
- ~~4.7.~~ SAO Cash Management Group will create the new ACH payment and submit to the bank.
- ~~5.8.~~ The agency can run the Payment Activity Report or Payment Inquiry Page to display all ACH payments which have been voided or placed on stop payment status.

VI. Definitions

ACH file – An electronic file that contains the necessary clearinghouse information and sending the file to a clearinghouse. The clearinghouse then sends the payments to the vendor's bank for payment. (Note: EFT payment method in PeopleSoft AP module is equivalent to ACH payment.)

ACH Reversal (Return) – ACH payments, direct deposit, which are returned to a payer because of bank account errors.

Adjustment (debit and credit memos) - A bank initiated debit or credit transaction to correct a posting error that occurred when the original item was processed.

Bank Administration Institute (BAI) file - Bank file includes balance, activity summary and individual transaction information for your accounts at financial institutions. BAI file includes prior day and current day bank account activities. BAI file is used to communicate activity to the GPFS from the bank.

NSF check- A bank check having insufficient funds in the bank holder's account.

Positive Pay File - Positive Pay can best be described as a fraud prevention program or tool. Positive Pay files are an electronic file that contains detailed check information for issued checks. The file is provided to the bank electronically. Banks compare agency's record of checks issued with checks presented for payment. Suspicious checks are referred to the check issuer for approval.

Prenote - Pre-notes are used to establish the validity of bank routing information when initiating direct deposit of an employee's pay into his/her individual bank account. The process verifies the account information directly with the employee's bank.

Returned Item - A check or ACH transaction that is rejected by the institution on which it is drawn.

REVACH- New deduction code used in HCM Financials to signify a reversing entry

Reversing Entry- An entry made to reverse a prior entry

Stale date- References the time period (e.g. 180 days) after which a check is no longer valid.

Stop payment- A notification given by the payor to dishonor a check when it is presented for payment.

Void Check- Cancellation of the check by the payor which is no longer valid.

See Also:

- [CM- A/P Disbursement](#)
- [CM- Payroll Disbursement](#)
- [CM- NSF Policy](#)
- [CM- Bank Settlement \(Wires\)](#)

VII. Approval

Statewide Accounting	
Financial Systems	
State Accounting Officer	

VIII. Revision History

Version	Date
1	