



## Statewide Accounting Policy & Procedure

**Accounting Manual Reference:**

Section: Vendor Management  
Sub-section: Payment Method

**Effective Date:** 02/01/2013

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**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.

We have configured Bank of America, Sun Trust, Wells Fargo, and Columbus Bank & Trust bank accounts, within TeamWorks, to accept ACH payments. SAO continues to configure additional bank accounts in TeamWorks to accept ACH. If your agency's bank has not yet been configured, your agency will not be considered to be in violation of this policy.

**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***

- 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.
- Agencies should encourage employees receiving paper checks for payroll to receive expense reimbursement payments via ACH.

**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***

- The ACH process eliminates manual check preparation.
- Electronic payments avoid additional costs associated with paper checks.
- ACH payments improve cash management by removing the uncertainty of check float.
- ACH payments can simplify the operating account reconciliation process.
- The 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***

- Banking information is synchronized between TeamWorks HCM and Financials applications. As a result, employees are able to manage their reimbursement bank

accounts through on-line self-service functionality. The payment method default for these vendors is 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:**

This accounting policy applies to all organizations included in the State of Georgia reporting entity, including component units and all organizations of State government meaning, without limitation, any agency, authority, department, institution, board, bureau, commission, committee, office, or instrumentality of the State of Georgia. At these reporting organizations, all personnel with accounting and financial reporting responsibilities should be knowledgeable of this policy.

### **Definitions:**

***Electronic Payment*** – Secure payment made to a vendor using a banking process which eliminates the need to generate a paper check; e.g., ACH, P-cards, and wires.

***e-Payables*** – Ghost card payment process specifically marketed and branded by Bank of America.

***Ghost Cards*** – A secure payment method which establishes a cardless P-Card account for the payment of monthly or other periodic charges to an established vendor of a State entity.

***Purchasing Card (P-card)*** – Charge cards and commercial purchasing card accounts designed to enable authorized, permanent State of Georgia employees to make purchases of supplies, materials, equipment, and services for State business use, eliminating the administrative burdens and costs associated with traditional methods of payment. The State of Georgia Purchasing Card (P-Card) Program is administered by the Georgia Department of Administrative Services.