



Statewide Accounting Policy & Procedure

Accounting Manual Reference:

Section: Vendor Management

Sub-section: Payment Method

Effective Date: 12/10/2015**Revision Date:** 12/10/2015**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.

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 payments. 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 or wire transfer 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.

- **Wire Transfers**

- As a general policy, wire transfers should be used only as a payment means of last resort since this option results in the highest cost and risk.
- Protocols for payment processing utilizing online bank proprietary systems:
 - i. Bank proprietary system features should allow agencies to assign authorization rights to execute wires to individual agency users. A system administrator should be selected to set up users and grant their rights. It is recommended that more than one individual be required to approve user rights (e.g. initiate payments, approve payments, approve templates, etc.). The system administrator should NOT be granted wire transfer rights. An administrator may be used to approve payment templates.

(Note: If agency management believes resource constraints impact their ability to segregate this system administrator, initiator, and approver roles, an exemption request may be submitted to SAO. Specific controls should be identified to ensure that wire transfer are only executed for approved transactions to appropriate vendors.)

- ii. Dual Approval is preferred – one person within the agency initiates a wire transfer and another person approves the payment before it is released by the bank.
- iii. If dual approval is not utilized:
 - 1. Personnel initiating wire transfer should only be able to select from pre-authorized vendors and locations.
 - 2. “FREE FORM” WIRE templates which allow for wires to be sent to any location should not be utilized.
 - 3. Vendors and wire templates should be approved by someone other than the person initiating the wire and preferably someone outside of the A/P Department.
- iv. Preauthorization:
 - 1. Preauthorize wire limits - daily aggregate wire limits by agency and individual users within the agency.
 - 2. Preauthorize transaction limits - define per wire transaction limits by template and by individual users.
 - 3. International wires should be prohibited by an agency unless the agency head determines such wires are absolutely necessary. Such prohibition can be easily implemented by restricting international wires in the payment platform. Agencies with agency head approval authorizing certain international wires should select specific individuals who are granted the ability to initiate or approve initiating international wires (no single person should be allowed to both initiate and approve wires).

- **Additional information for agencies NOT on TeamWorks:**

- Agencies Controls should implement processes and controls similar to those identified above to ensure that payments are made only for goods and services received, only after receiving proper approval, and only to vendors and vendor locations which have been previously verified.
- Agencies should consider utilizing the following bank account control examples:
 - Positive Pay
 - ACH Fraud Filters (ACH Debit Block)

- Stop Filters for payment types not utilized (e.g., turn off check clearing for entities which do not make payments by check, international payments, etc.)
- Agencies should utilize online bank proprietary system features to enhance controls and implement segregation of duties for payment approvals.

- ***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 may continue to be made via the same method.

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

Regardless of payment method, proper approval is required and verification of receipt of goods and services is necessary before disbursing funds. Agency personal should never disburse funds if they are unsure whether these two events have taken place.

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:

Approver – Agency personnel responsible for approving wire transfer in the bank’s proprietary wire transfer software. Should not also be responsible for initiating the wire or administering user rights within the software.

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.

Initiator – Agency personal who begins the wire transfer process by entering the transaction in the bank’s proprietary wire transfer software.

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.

System Administrator – agency personnel responsible for assigning user rights within the bank’s proprietary wire transfer software. The system administrator should not be involved in initiation or approval of wire transfers.