Arizona Department of Transportation

Engineering Consultants Section
205 S. 17th Ave. Phoenix, Arizona 85007.3213
Phone 602.712.7525 Fax 602.712.7424

Jane Dee Hull
Governor

Mary E. Peters
Director

Dick Wright
State Engineer

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INFORMATION BULLETIN NO. 01-12

TO: ADOT Project Managers/Monitors, Resident Engineers And Consultant Engineering Firms

FROM: Engineering Consultants Section

SUBJECT: CONSULTANT PAYMENTS -- DIRECT DEPOSIT OPTION

The General Accounting Office (GAO) and the Department is offering the option to all ADOT vendors to utilize ACH (Automated Clearing House) for payment reimbursement.

ACH forms are to be completed by the vendor and their financial institution representative. Completed forms are to be submitted directly to GAO for further processing.

For further information on ACH and/or to obtain appropriate forms, please visit the GAO-DOA Internet Website (http://www.gao.state.az.us/index.asp).

If you chose this option of payment, we would appreciate receiving courtesy notification of your ACH submittal so we may document our contract file and inform ADOT Cost Accounting.

If you should have any further questions, please feel free to call this office.

Catherine J. Hegel
Contract Administrator

STATE OF ARIZONA

ELECTRONIC PAYMENTS

- ACH VENDOR PAYMENTS-

INTRODUCTION

Effective February, 2001 — Vendors that are regularly doing business with the State of Arizona may be considered for ACH Payments.

ACH is an alternative to issuing warrants to vendors. The Arizona Clearing House Association (ACHA) serves as the clearing house and processes electronic payments to the vendors' bank accounts.

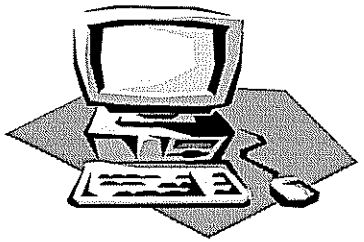
The ACHA authorizes only certain financial institutions to originate electronic payments through their systems. Therefore, the GAO uses an authorized originator, the State servicing bank, to process these payments through the ACH system.

This electronic payment method will enhance our current payment program and improve our overall payment service.

The bank will make the electronic (ACH) payments available to vendors one business day after the date the ACH payment information is transmitted to the State servicing bank.

EXAMPLE

- DAY 1 (Friday): Agency processes ACH claim.
- DAY 2 (Monday): The GAO will transmit ACH payment file to State Servicing Bank.
- DAY 3 (Tuesday): Monies will be available to vendors in their bank accounts.



When agencies pay vendors that conduct business with the State of Arizona, the GAO functions as the central payment distributor and is responsible for the ACH program.

After completing a simple set-up procedure, qualifying vendors will receive ACH payments with detailed supporting addendum records that will assist vendors in identifying the payments.

Vendors should contact their financial institutions to ensure that the addendum records will be available to them. The GAO uses the CTX format to provide the State servicing bank with the addendum records when transmitting the payment records.

PROCEDURES

Vendors who desire to receive ACH payments must complete and return one ACH Vendor Authorization form (GAO-618) to receive payments from one or from multiple State agencies.

All concerned parties must carefully read and understand the content of the ACH Vendor Authorization form (GAO-618). For specific questions regarding this form, please call the GAO Vendor Section at (602) 542-1679.

To receive setup information, contact the State agency or go to the GAO Website at **www.gao.state.az.us** and select the ACH Info button.

The steps of the ACH payment cycle are:

Step 1: A State agency will provide the ACH Vendor Authorization form (GAO-618) to a vendor along with a vendor setup package. Or the vendor can print the information from the GAO Website.

Step 2: The vendor will fill out the form and forward it to its financial institution for completion. The vendor shall then submit the original copy of the form to the GAO Vendor Section.

Step 3: The GAO will be responsible for verifying and confirming data and will process the request by updating the State Vendor File.

Step 4: After a successful update, the GAO will transmit a prenote record to the State servicing bank. The State servicing bank will process the prenote record for verification of the account.

Step 5: The GAO will allow 15 days for the prenote to be verified. After this time, the vendor will be approved for ACH payment processing provided no negative notification is received from the State servicing bank.

Step 6: State agencies submit their vendor claims for ACH payment issuance, through AFIS (Arizona Financial Information System), using the ACH approved vendor mail code on the claim.

Step 7: The GAO transmits a daily file with detailed ACH payment data to the State servicing bank. The State servicing bank transmits the information to ACHA.

Step 8: On the settlement date of the electronic payment, the vendor's financial institution credits the vendor's individual account.

Step 9: Following the first ACH payment, an ACH confirmation letter is sent directly to the vendor to verify the payment was successfully transmitted to its account. This confirmation must be returned before any further ACH payments will be made.

How ACH Payments Will Affect and Benefit VENDORS, FINANCIAL INSTITUTIONS, and STATE AGENCIES

Vendors

Vendors that regularly conduct business with State agencies can receive their money more quickly by using the ACH process. To do this, they must supply the financial institution information required to direct funds into a single checking or savings account. Following the first ACH payment, an ACH confirmation letter will be sent to the Vendor to verify accuracy of the electronic payment. Additional ACH payments will NOT be remitted until this confirmation has been returned to the GAO and processed.

Vendors must work with their financial institutions to determine:

- ✓ If the financial institution is able to provide the required remittance information (whether they have CTX capabilities).
- ✓ How and when they will receive the remittance information.

The benefits of receiving Vendor payments electronically include:

- ✓ Eliminating the possibility of mail and deposit delays.
- ✓ Allowing the immediate availability of funds.
- ✓ Producing payments that are fully traceable.
- ✓ Eliminating the possibility of lost, stolen, or misplaced checks.
- ✓ Reducing the possibility of fraud.
- ✓ Vendors will only have to complete one authorization form to receive payments from more than one State Agency.

Financial Institutions

Per NACHA Ruling - financial institutions must make payment-related information available, upon request, to their customers who receive payments through certain ACH formats, including CTX. Additionally, they should work to ensure remittance information is passed along to their customers.

Financial institutions should determine:

- ✓ What information will be provided.
- ✓ How and when the information will be passed to their customer.

The benefits of receiving these payments electronically include :

- ✓ Reducing manual operations associated with check processing.
- ✓ Meeting your customers' needs.
- ✓ Reducing the possibility of fraud.

State Agencies

As a State agency, you should convert payments of vendors that are frequently paid from warrants to ACH payments by following the prescribed ADOA-GAO process.

The benefits of making your payments electronically include :

- ✓ Reducing operating costs by reducing manual payment processing.
- ✓ Streamlining financial operations.
- ✓ Eliminating postage fees for mailing checks.
- ✓ Reducing the possibility of fraud.

The Arizona Department of Administration complies with and supports the Americans with Disabilities Act and Arizona Executive Order 75-5 which mandates equal opportunities for all persons, regardless of race, color, religion, sex, age, national origin or political affiliation.
This document is available in an alternative format upon request.

STATE OF ARIZONA

DEPARTMENT OF ADMINISTRATION (ADOA)

FINANCIAL SERVICES DIVISION (FSD)

GENERAL ACCOUNTING OFFICE (GAO)

AUTOMATED CLEARING HOUSE (ACH) VENDOR PAYMENTS

ELECTRONIC PAYMENTS
Are a Good Investment!

CUSTOMER FOCUS
We strive to understand and anticipate our customers' needs and deliver services that exceed their expectations

STATE OF ARIZONA
ELECTRONIC COMMERCE
ACH PAYMENT

VENDOR INFORMATION PACKET

Robert Rocha
State Comptroller

STATE OF ARIZONA
AUTOMATED CLEARING HOUSE (ACH) PAYMENT
VENDOR INFORMATION PACKET

SECTION 1. DEFINITIONS

The following terms used in this information packet have the meanings indicated unless the context clearly indicates otherwise.

ACH - Automated Clearing House - a central distribution and settlement point for clearing the electronic credit and debit transactions between financial institutions.

ACHA – Arizona Clearing House Association – a regional association to provide rules and guidelines for the efficient operation of the ACH network.

ACH payment - a payment made to a vendor by way of direct deposit to the vendor's bank account as an alternative to issuing a warrant.

Addendum Record - an ACH record type that carries supplemental data needed to completely identify an account holder or to provide information concerning an ACH payment.

AFIS - Arizona Financial Information System - the accounting system used by the State of Arizona for making payments to vendors.

A.R.S. - Arizona Revised Statutes.

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

Comptroller - the State Comptroller for the State of Arizona.

Confirmation Notice – a letter sent by the Comptroller to verify the accuracy of the first ACH payment generated for a vendor.

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

CTX Format – 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 paying State agencies

GAO - General Accounting Office - part of the Department of Administration, Financial Services Division, responsible for oversight of the payment processing system including ACH.

NACHA – National Automated Clearing House Association – sets the operating rules and procedures for users of the ACH direct deposit system.

Paying State Agency - with respect to a particular credit or debit entry, the State agency that requests the State Comptroller to initiate the entry

Prenote Record – 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.

Rules - the requirements of the National Automated Clearing House Association, Arizona Clearing House Association, Federal Reserve System's Regulation E and the State Comptroller's Rules for ACH payment.

Settlement Date - the date the vendor's financial institution credits the vendor's individual account.

STATE OF ARIZONA
AUTOMATED CLEARING HOUSE (ACH) PAYMENT
VENDOR INFORMATION PACKET

State - the State of Arizona.

State Agency - any Department, Authority, Board, Commission, Council, Administration, Court, Registrar, Office, Institution or other Arizona entity in the Executive, Legislative, or Judicial branch. In general for ACH purposes, a State agency will also process claims for payments to vendors through AFIS.

Vendor/Payee – an individual, entity, annuitant or state employee that receives a payment from the State of Arizona.

SECTION 2. THE ELECTRONIC SYSTEM

The State of Arizona implemented ACH payment processing throughout the State in February, 2001.

The electronic payment method used by the GAO and State Treasurer is called the Automated Clearing House (ACH), which is an alternative to issuing warrants to the vendors. The ACHA serves as the clearing house and processes electronic payments to the vendors' accounts.

The GAO and State Treasurer use the Arizona Clearing House Association's ACH system. The ACHA authorizes only certain financial institutions to originate electronic payments through their systems. Therefore, the GAO uses an authorized originator, the State servicing bank, to process these payments through the ACH system.

The various steps of an ACH payment from the GAO to a vendor's account are indicated below:

Step 1: State agencies submit their vendor claims for ACH payment issuance through AFIS using the ACH approved vendor number and mail code on the claim.

Step 2: The GAO transmits a daily file with detailed ACH payment data to the State servicing bank. The State servicing bank transmits the information to the ACHA.

Step 3: On the settlement date of the electronic payment, the vendor's financial institution credits the vendor's bank account. The ACHA determines the routing for each ACH payment to properly credit the vendor's account by using the unique 9-digit routing number assigned to each financial institution.

STATE OF ARIZONA
AUTOMATED CLEARING HOUSE (ACH) PAYMENT
VENDOR INFORMATION PACKET

SECTION 3. PARTICIPATION REQUIREMENTS

Vendors doing business with the State of Arizona who desire to receive ACH payments must complete an ACH Vendor Authorization Form (GAO 618). A copy of this form is included with this packet.

The State Agencies will provide the ACH Vendor Authorization Form (GAO 618) to a new ACH vendor along with a vendor setup package. Vendors can obtain a copy of this form at the GAO's website at www.gao.state.az.us. The vendor sends all pages of the ACH Vendor Authorization Form (GAO 618) directly to the GAO for review and input. A vendor only completes one ACH Vendor Authorization Form (GAO 618) to receive payments from more than one State agency. The instructions for completing the form are on the back of the form. General ACH inquiries can be made by contacting the State agency. Specific questions regarding the form can be directed to the GAO, Vendor Setup Section at (602) 542-1679. Please note any changes in bank institution or account number will require new ACH Vendor Authorization Form (GAO 618).

The vendor, the vendor's financial institution and the GAO are responsible for completing the ACH Vendor Authorization Form (GAO 618). After completion, the vendor should submit the original (white copy) of the form to the GAO Vendor Setup Section and retain the duplicate (yellow copy).

The GAO will be responsible for verifying and confirming the data on the ACH Vendor Authorization Form (GAO 618) The vendor will not be set up for ACH payments until the ACH Vendor Authorization Form (GAO 618) is correctly completed and processed by the GAO.

The GAO will be responsible for updating the State vendor file in AFIS. After a successful update, the GAO will transmit a prenote record to the State servicing bank. The State servicing bank will process the prenote record through the ACHA for verification of the account.

GAO will allow 15 days for the prenote to be verified. If no negative notification is received from the State servicing bank, the vendor will be approved for ACH processing after the 15 day waiting period.

Vendors will receive ACH payments with supporting detailed information in the addendum records that accompany the payments.

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

STATE OF ARIZONA
AUTOMATED CLEARING HOUSE (ACH) PAYMENT
VENDOR INFORMATION PACKET

SECTION 4. ACH PAYMENTS

A. General.

Three factors directly affect the financial institutions:

(1) Electronic transfers of credit payments occur on a daily basis.

(2) The daily electronic payments are accompanied by addendum record, in the NACHA "CTX" format. The addendum record assists the vendor in identifying the source and reason for the payment.

(3) To recover payments made in error by a State agency to the vendor's account, the GAO generates electronic debits.

B. Credit Entries.

A State agency must enter a claim into AFIS to issue a payment to a State vendor. The ACH payment information is transmitted electronically to the State servicing bank daily.

In addition to ACH payments, the electronic transfer contains addendum records that will assist vendors in identifying the source of payments. (See Section 5 for more information about the addendum records.) Vendors should contact their financial institution to ensure that the addendum records will be available to them.

The bank will make the ACH payments available to the vendors one business day after the ACH payment information is transmitted to the State servicing bank. Financial institutions should make these funds available to the vendor at the opening of business on the settlement day. Vendors should contact their financial institution to determine their policies for posting ACH payments.

C. Debit Entries.

If the paying State agency determines that an erroneous credit ACH entry was made to a vendor, the State agency will immediately contact the GAO to reverse the credit. 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 transfer the funds to the appropriate agency.

D. Confirmation Process.

The GAO will send out a confirmation letter when the first ACH payment is made to a vendor participating in the ACH process. The letter will identify payment information (invoice number, amount and payment number) for the vendor to verify the deposit was credited properly to the correct bank account. No future ACH payments will be made until the letter is approved and returned back to the GAO. An agency may, however, continue making payments to the vendor through the normal warrant process.

SECTION 5. THE ADDENDUM RECORD

An addendum record is supplemental information transmitted with the ACH payments for identifying credit payments from State agencies to their vendors. The layout and size of the addendum record is controlled by the ACH rules. The information contained in the addendum records will include:

- Agency
- The State agency's claim number
- The State agency's purchase order number (if entered as the encumbrance number on the claim)
- Invoice number and date (if entered on the claim)
- Payment amount

There is no guarantee that the addendum records will be transmitted to the vendors by their financial institutions. However, this will not affect the timeliness of the ACH payments nor the amount of the payment. Financial institutions are encouraged to provide this valuable service to their customers. Vendors should contact their financial institutions to ensure they provide this service.

SECTION 6. RESPONSIBILITY STATEMENTS

VENDORS
Vendors who desire to receive ACH payments must complete and return an accurate ACH Vendor Authorization Form (GAO 618) to the GAO.

GENERAL ACCOUNTING OFFICE
The GAO will review and confirm the data on all ACH Vendor Authorization Forms (GAO 618). Complete and accurate forms will be processed and approved for ACH processing within 15 working days. The GAO will transmit correct ACH payment information to the State servicing bank.

FINANCIAL INSTITUTIONS
The financial institutions will make ACH payments available to the vendors one business day after the correct payment information is transmitted to the State servicing bank. They will also make available (if possible) the addendum information received with the ACH payment.

STATE OF ARIZONA - DEPARTMENT OF ADMINISTRATION - GENERAL ACCOUNTING OFFICE (GAO)

ACH VENDOR AUTHORIZATION - Attn: Vendor Setup - 1700 W Washington, Room 290, Phoenix, AZ 85007

TRANSACTION TYPE - Check the applicable transaction(s) and complete the sections indicated For further instructions see the attached

SECTION 1

Please complete Sections 2 and 3, below; your financial institution ***must*** complete Section 4 prior to returning the form to the GAO

☐ **New ACH setup** ☐ **Change account number**

☐ **Change Financial Institution** ☐ **Change account type**

If you are requesting a *Cancellation*, please check the box below and complete Sections 2, 3 and 5, then return this form to the GAO

☐ **Cancellation Request**

SECTION 2

PAYEE IDENTIFICATION

1 Federal Employer's Identification Number (EIN) |__|__|-|__|__|__|__|__|__|__|

or Social Security Number (SSN) |__|__|__| -|__|__|-|__|__|__|__|

Disclosure of your social security number is voluntary pursuant to 42 U S C 405(c)(2)(C) * The State of Arizona will use your SSN or EIN to file required information returns with the Internal Revenue Service

2 Payee's Name:

3 Business Phone (Area code and number): (|__|__|__|) |__|__|__| - |__|__|__|__| Ext |__|__|__|__|

4 Address:

5 City: State: |__|__| Zip Code: |__|__|__|__|__| - |__|__|__|__|

SECTION 3

AUTHORIZATION FOR SETUP, CHANGES OR CANCELLATION

6 Pursuant to A R S Sec 35-185 I authorize the Arizona Department of Administration (ADOA), General Accounting Office (GAO) to process payments owed to me by the State of Arizona (State) via Automated Clearing House (ACH) deposits The State shall deposit the ACH payments in the financial institution and account designated below * **I recognize that if I fail to provide complete and accurate information** on this authorization form, the processing of the form may be delayed or made impossible, or my electronic payments may be erroneously made

I authorize the State to withdraw from the designated account all amounts deposited electronically in error. If the designated account is closed or has an insufficient balance to allow withdrawal, then I authorize the State to withhold any payment owed to me by the State until the erroneous deposited amounts are repaid If I decide to change or revoke this authorization, I recognize that I must forward such notice to the ADOA-GAO The change or revocation is effective on the day the ADOA-GAO processes the request

I certify that I have read and agree to comply with the State's rules governing payments and electronic transfers as they exist on the date of my signature on this form or as subsequently adopted, amended, or repealed I consent to, and agree to, comply with these rules even if they conflict with this authorization form

I authorize the State to stop making electronic transfers to my account without advance notice

I certify that I am authorized to contract for the entity receiving deposits pursuant to this agreement, that all information provided is accurate.

The financial institution can process CTX payments /transactions along with addendum information. YES ☐ NO ☐

7 Signature (Required) | 8 Title : | 9 Date:

SECTION 4

FINANCIAL INSTITUTION (Must be completed by financial institution representative.)

10 Name:

11 Address:

12 City: State: |__|__| Zip Code: |__|__|__|__|__| - |__|__|__|__|

13 Routing transit number: |__|__|__|__| - |__|__|__|__|__|__| - |__|

14 Customer account number: |__|__|__|__|__|__|__|__|__|__|__|__|__|__|__|__|__|__|__|__|

15 Type of account: ☐ Checking ☐ Savings

16 Financial institution representative name (Please print): | 17 Title: | 18 Phone (Area code and number): (|__|__|__|) |__|__|__| - |__|__|__|__|

19 Signature (Required) | 20 Date:

SEC 5

CANCELLATION

21 Reason: | 22 Date:

GAO USE ONLY

SECTION 6

23 Entered by & Date: | 24 Vendor #: | 25 MC: | 26 Approved & Verified by:

27 Prenote Date: | 28 Comments: | 29 Date: