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TO: ADOT Project Managers
Resident Engineers
and Consultant Engineering Firms

FROM: Engineering Consultants Section

SUBJECT: CONSULTANT PAYMENTS – DIRECT DEPOSIT OPTION

ADOT vendors have the option to utilize ACH (Automated Clearing House) for payment reimbursement.

The General Accounting Office (GAO) Website address has changed and the forms have been updated. The current forms are attached for your information. For further information on ACH, please visit the GAO Internet Website: http://www.gao.az.gov/Vendor/payment_options_home.asp.

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

If you should have any further questions, please call (602) 712-7525.

A handwritten signature in black ink, appearing to read "Vivien Lattibeaudiere", is written over a horizontal line.

Vivien Lattibeaudiere, Ph.D.
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State of Arizona-General Accounting Office (GAO) AUTOMATED CLEARING HOUSE (ACH) VENDOR PAYMENTS

INTRODUCTION

ACH has been available to vendors doing recurring business with the State of Arizona since February, 2001.

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 enhances our payment program and improves our overall payment service.

Most banks 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 them in identifying the payments. Not all ACH payment formats provided by the State provide detailed payment information. Refer to the vendor information packet for more details. Detailed payment information can also be viewed online at <http://www.venpay.gao.azdoa.gov>.

Vendors should contact their financial institutions to ensure that the addendum records will be available to them. The GAO uses the CTX, CCD or CCD+ formats 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 the GAO 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 contact the GAO Vendor Section at vendors@azdoa.gov.

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.

AUTOMATED CLEARING HOUSE (ACH) VENDOR PAYMENTS *continued*

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:

- ✓ 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

The National Automatic Clearing House Association (NACHA) is a non-profit association that oversees the ACH network. Per NACHA ruling, financial institutions must make payment-related information available, upon request, to their customers who receive payments through certain ACH formats. Detailed payment information can also be viewed online at <http://www.venpay.gao.azdoa.gov>.

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 warrants
- ✓ 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.

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.

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

American Clearing House Association (ACHA) - a regional association that provides 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.

Arizona Financial Information System (AFIS) - 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.

CCD - cash concentration or disbursement, the format of ACH payment without any addenda information.

CCD+ - cash concentration or disbursement, the format of ACH payment with addenda information allowing up to one addendum record per payment record. Due to the limitation on the length of the addendum record, only the contact telephone number of the paying entity is included as payment related information.

Confirmation Letter - a letter sent by the GAO Vendor Group that verifies the accuracy of the first ACH payment generated for a vendor.

Credit Entry - an electronic funds transfer (EFT) to deposit funds into an EFT account.

CTX Format - the format of ACH payment with addenda information allowing up to 9,999 addendum records per payment record.

Debit Entry - a reversal of a credit entry.

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EFT Account - an account that had been designated in accordance with this section to receive credit entries from paying State agencies.

General Accounting Office (GAO) - part of the Department of Administration responsible for oversight of the payment processing system including ACH.

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

Payee - see Vendor.

Paying State Agency - with respect to a particular credit or debit entry, the State agency that initiates the entry.

Pre-note Record - a \$0.00 test transmittal of each vendor's direct deposit information. Pre-notes are sent for initial ACH setup, changes in financial institution or account information and re-activation of vendor ACH 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 payments.

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

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.

Vendor - an individual, entity, annuitant or state employee (for non-payroll transactions) that receives a payment from the State of Arizona.

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SECTION 2. THE ELECTRONIC SYSTEM

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

The electronic payment method used by the State is called the Automated Clearing House (ACH), which is an alternative to issuing warrants to vendors for payment. The State uses the American Clearing House Association's (ACHA) ACH system. The ACHA serves as the clearing house and processes electronic payments to the vendors' 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.

SECTION 3. ACH APPROVAL PROCESS

Vendors doing business with the State of Arizona who desire to receive ACH payments must complete an ACH Vendor Authorization Form (GAO-618). The state agencies will provide the ACH Vendor Authorization Form (GAO-618) to new ACH vendors along with a vendor set up package. Vendors can also obtain a copy of this form at the GAO's website at www.gao.state.az.us. After completion, the form should be submitted to the GAO for processing. Vendors only need to complete one ACH Vendor Authorization Form (GAO-618) to receive payments from multiple state agencies. Any changes in financial institution or account number will require a new ACH Vendor Authorization Form (GAO-618).

Vendors should be willing to receive all ACH payments into a single checking or savings account. Approval for requests to receive ACH payments into multiple accounts will be determined on a case-by-case basis by the State Comptroller.

Vendors will receive ACH payments with the format indicated on their ACH Vendor Authorization Form (GAO-618). The acceptable ACH formats are CTX, CCD, and CCD+. These addendum records contain the detailed supporting payment information such as the name of the paying agency, the claim number, the purchase order number, the vendor invoice number/date and the payment amount. Detailed payment information can also be viewed online at <http://venpay.gao.azdoa.gov>

The GAO will verify the completeness of the data on the ACH Vendor Authorization Form (GAO-618) and for update to the AFIS vendor file. After a successful update, the GAO will transmit a pre-note record to the State servicing bank. The State servicing bank will process the pre-note record through the ACHA for verification of the vendor's account. The GAO will allow 15 days for the pre-note to be verified. If negative notification is not received, the vendor will be approved to receive their first ACH payment after the 15 day pre-note period.

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The GAO will send a confirmation letter to each vendor after the first ACH payment has been made. The letter will identify payment information (invoice number, amount and payment number) for the vendor to verify that the deposit was credited properly to the correct bank account. Vendors must sign and return the confirmation letter to GAO within 90 days of their first ACH payment. No future ACH payments will be made until a signed confirmation letter has been returned by the vendor. If the vendor does not sign and return the confirmation letter within 90 days, the GAO will inactivate the vendor's ACH mail code. Vendors with inactivated ACH mail codes will need to submit a new ACH Authorization Form (GAO-618) to restart the ACH approval process.

SECTION 4: ACH PAYMENT PROCESS

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. 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.

Step 3: On the settlement date of the electronic payment, two business days after transmission to the State servicing bank, the vendor's financial institution will credit the vendor's bank account. The funds should be available to vendors at the opening of business on the settlement date. Vendors should contact their financial institutions to determine their policies for posting ACH payments.

It should be noted that if the paying State agency determines that an erroneous credit ACH entry was made to a vendor, the State agency must immediately submit an ACH Payment Reversal Form (GAO PM-ACH1) to the GAO to reverse the credit. The GAO will then transmit an electronic debit entry to the State servicing bank for the erroneous payment. The State servicing bank will credit the State's account and transmit 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 back to the appropriate State agency.



State of Arizona - Department of Administration - General Accounting Office (GAO)
ACH Vendor Authorization - Attn: Vendor Setup - 100 N 15th Ave, STE 302, Phoenix, AZ 85007

Please notify all State agencies that you do business with of any ACH requests

Section 1	REQUEST TYPE			
	<input type="radio"/> New <input type="radio"/> Change <input type="radio"/> Cancellation, Cancellation Reason: 			
Section 2	PAYEE IDENTIFICATION			
	Federal Employer's Identification Number (EIN) - 		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.	
	OR State Employee EIN 			
	OR Social Security Number (SSN) - - 			
	Payee's Name		Phone	Ext
	Address		City	State Zip Code
Section 3	CHANGE INFORMATION-FOR CHANGE REQUEST ONLY			
	Changing: <input type="checkbox"/> Financial Institution <input type="checkbox"/> Account Type <input type="checkbox"/> Account Number <input type="checkbox"/> Authorized Signers			
	Previous Financial Institution: 		Previous Account Type: 	
			<input type="radio"/> Checking <input type="radio"/> Savings 	
Section 4	AUTHORIZATION FOR NEW SETUP, CHANGE(S) OR CANCELLATION			
	Pursuit 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 amount 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.			
	Name	Authorized Signature (Required)	Title	Date
	Additional Authorized Signers			
	Name	Authorized Signature	Title	Date
	Name	Authorized Signature	Title	Date
	Name	Authorized Signature	Title	Date
	Name	Authorized Signature	Title	Date
	I would like to receive addendum records in the following format: <input type="radio"/> CTX <input type="radio"/> CCD <input type="radio"/> CCD+			
	Please Note: If your financial institution is unable to receive addendum information, detailed information can be obtained online at http://venpay.gao.azdoa.gov.			
	-----If State Employee, attach a cancelled check here-----			
Section 5	FINANCIAL INSTITUTION (Must be completed by a financial institution representative) -FOR NEW OR CHANGE REQUEST ONLY			
	Financial Institution Name		Phone	Ext
	Address		City	State Zip Code
	Routing Transit #		Customer Account #	Account Type <input type="radio"/> Checking <input type="radio"/> Savings
	Financial Institution Representative Name		Title	
	Signature (Required)		Date	Phone Ext
GAO USE ONLY				
Section 6	Verified by and date		Entered by and date	Vendor # MC
	Prenote date		Input verified by	Approved by