



Memorandum

To: State Agency Directors, Budget and Financial Officers, Board and Committee Chairpersons, State Agency Accounts Payable Staff

From: Shane Osborn, State Treasurer
Carlos Castillo, Director of Department of Administrative Services

RE: New mandated limits for Automated Clearing House (ACH) direct deposit payments to the State of Nebraska vendors

Date: November 7, 2007

The cost of issuing and processing State Treasury warrants continues to increase with postage and printing. Further, warrants face possible postage delays, loss, and theft.

The State is able to significantly reduce costs and risks of paying vendors via Automated Clearing House (ACH). The State has estimated that there is currently a cost savings of at least \$0.55 per ACH payment issued in lieu of a State Treasury warrant. Further, the new ACH services contract reduces these State fees by approximately an additional 40% over the prior contract.

The Department of Administrative Services and the Treasurer's Office have a record of working together to reduce state expenses and risk by requiring the use of direct deposit for payments to high-dollar state vendors. **(State vendors have been defined as business entities doing business with the State of Nebraska and its agencies, boards, and commissions.)** Previously, unless provided an exception by the Treasurer's Office and Administrative Services, Accounting Division, all agencies were required to make all vendor payments in excess of \$250,000 electronically via the ACH direct deposit process. In 2000, the mandate limit was dropped to \$75,000.

Today, our offices are working together to implement the following phased in mandates regarding payments to state vendors. This implementation is being staged in order to allow agencies adequate time to contact vendors and get the vendors enrolled to receive payments electronically.

January 1, 2008: Absent exceptional circumstances, all vendors receiving payments from the State of Nebraska in excess of \$50,000 will be required to be signed up and receive payment electronically via Automated Clearing House (ACH) payment. Further, all vendors receiving multiple payments a year are requested to be signed up and receive payments electronically via AHC payment.

June 1, 2008: All vendors receiving payments from the State of Nebraska in excess of \$25,000 will be required to be signed up and receive payment electronically via Automated Clearing House (ACH) payment.

This ACH requirement does not include warrants for tax refunds, welfare benefits, legal settlements, or claims against the State of Nebraska or state entities; however, agencies are encouraged to pay by ACH for large-dollar and reoccurring payments whenever possible. Further, if you have existing contracts in place or are negotiating contracts your agency should include language that allows the state to require entities to receive payments from the State of Nebraska electronically through ACH.

The Automated Clearing House (ACH) enrollment form that all vendors are required to complete can be viewed at the following websites:

<http://www.treasurer.state.ne.us/ie/documents/pubachform.pdf>


<http://www.das.state.ne.us/accounting/forms/achenrol.pdf>

Vendors are required to submit this paperwork in order to be paid via ACH direct deposit to the vendor selected bank account. The vendor should fill in the section that applies to their entity and then have their financial institution (bank) fill in the necessary information. Both the bank and vendor signatures are required. The state vendors are able to receive the payment information from their bank just as they received a payment advice attached to the State Treasurer warrant.

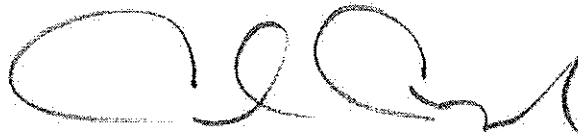
All vendors should request that information from their bank as they complete the setup paperwork. Banks are required per National Automated Clearing House Association (NACHA) rules to provide that information to their customer if the customer (state vendor) requests it. During the set up process please specify to vendors that these payments are ACH payments NOT wires. In the past, the mislabeling of these electronic payments has caused a great deal of confusion with state vendors. Once the enrollment form paperwork is submitted to State Accounting it takes approximately 10 business days for the banking instructions to become active in the State's payment process.

Once the above listed mandates are in place within the State Accounting System, all payments in excess of the above amounts, or reoccurring vendor transactions, should not be issued by warrant unless special circumstances exist.

If your agency needs assistance or has questions about this mandate, please contact the Treasury Management Division of the State Treasurer's Office by email at tmstaff@treasurer.org and a staff member will get in touch with you to address your agency concerns or assist with individual vendor enrollment issues.



Shane Osborn, Treasurer
State of Nebraska



Carlos Castillo, Director
Dept. of Administrative Services