

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](http://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.