



North Carolina Department of Human Resources

101 Blair Drive · Post Office Box 29526 · Raleigh, North Carolina 27626-0526

(919) 733-4534 · Courier # 56-20-25

James B. Hunt, Jr., Governor
Secretary

C. Robin Britt, Sr.,

September 20, 1995

MEMORANDUM

To: County Managers
County Finance Officers

From: Joyce H. Johnson [signed]
Controller

Subject: Electronic Funds Transfer

The State Controller recently issued a Cash Management Directive for the electronic transfer of funds (EFT) between the State and local units of government. This directive was issued under the authority granted the State Controller under the Executive Budget Act, G.S. 143-3, G.S. 143-28, and the Statewide Cash Management Statute, G.S. 147-86.1(h). Under this directive, EFT applies to certain payments categorized by the State Controller as "required payments". The same criteria applies to both "required payments" to be disbursed by State agencies and "required payments" to be collected by State agencies. A copy of the Directive is attached for your review.

All State agencies that disburse funds or receive payments from local governments are moving to EFT for those transactions. For example, the Department of Revenue will begin using EFT for transfer of tax distributions and reimbursements to local governments in October. Recently, the N.C. Association of County Commissioners sent a reminder to county finance officers regarding the Department of Revenue's program.

Currently, several Department of Human Resources (DHR) divisions are utilizing the State Treasurer's STEPS-OUT program to transmit funds electronically to local programs. With the issuance of this directive, other DHR divisions making disbursements/collections that have been categorized by the State Controller as "required payments" must start transmitting/collecting these "required payments" by EFT by October 1, 1995 in order to be in compliance with the cash management directive. DHR will be requesting an extension of time for the implementation of the directive to allow sufficient time to modify applicable subsystems so the subsystems can generate either a notice of intent to draft or a notice of EFT payments as required by the new Cash Management Directive. In addition to EFT payments DHR divisions are currently making, the Division of Social Services' (DSS) payments to counties for county administration, as well as collections made by DSS and the Division of Medical Assistance (DMA) from counties for the counties' share of public assistance and Medicaid payments, have been determined to meet the criteria of "required payments" under the definition set forth in the directive.

To implement EFT using the State Treasurer's STEPS-OUT and STEPS-IN Program, we are required to provide each local unit of government with an "authorization form" to obtain the necessary banking information needed to complete the EFT transaction and the signature of the Finance Officer. In the past, each DHR division has used a division specific authorization form. For better efficiency, the State Treasurer's Office has worked with DHR in developing one authorization form for DHR divisions in disbursing/collecting funds through EFT. We are attaching a copy of the form and are requesting that the Finance Officer complete the form, sign in the designated space, and return within 30 days to the address on the form.

Prior to a DHR division disbursing funds to a county by EFT, the division will notify the county of the amount to be disbursed and type payment the funds represent. Also, a DHR division will give a county at least 5 business days' notice of the amount and type of funds that will be drafted from the county's account by EFT. The date the funds are to be drafted becomes the due date for the receivable. The Cash Management Directive requires that "any payments remitted to the State agency by check or otherwise, which is not paid on a timely basis, shall be subject to the interest and penalties provision as set forth in G.S. 147-86.23".

We believe EFT is a more efficient way to transfer funds between units of government and will prove to be beneficial to both parties. EFT will in no way affect the interim payments counties now receive from DSS, other than the disbursement will be by EFT, the same as a county's interim payment is now made by the Division of Child Development.

My office looks forward to working with counties to make this new concept in disbursing/collecting funds work. If you have any questions relative to any of the above, please contact my office.

Attachments

Cc:	David Reavis	Mike Barham	Fiscal Officers
	Jim Edgerton	Division Directors	Ed Regan
	Gary Fuquay	Tom Washburn	

Attachment 1

Cash Management Directive

For The Electronic Transfer of Funds

Between the State and Local Units of Government

Purpose: The purpose of this directive is to insure that certain payments between the State and local units of government are made by electronic funds transfer when it is determined to be mutually beneficial to both parties.

Statutory Authority: The authority under which this directive is issued is the Executive Budget Act (GS 143-3, GS 143-28) and the Statewide Cash Management Statute [GS 147-86.1(h)].

Applicability: This directive shall apply to certain payments categorized as "Required Payments" by the State Controller.

Effective Date: July 1, 1995

Procedure:

Annual Review of Payment Types

- At least annually, prior to June 1 of each year, the State Controller shall review the types of payments being disbursed by the various State agencies to local units, and the types of payments being collected by the various State agencies from the local units.
- The payments which are deemed economically beneficial to be disbursed and collected through EFT shall be identified.
- The State Controller shall consult with the State Treasurer, the program agency, the North Carolina League of Municipalities and the North Carolina Association of County Commissioners and make a determination as to which payment types are to be categorized as "required payments" to be disbursed and collected through EFT.

Criteria For Categorizing a Payment as a "Required Payment"

• The criteria which shall be used to categorize a payment type as a "required payment" to be disbursed by State agencies through EFT shall be as follows:

1. The number of local units receiving the payments is 20 or greater.
2. The aggregate total of all payments to the local units is greater than \$250,000 per payment period; or \$3 million per year.
3. The payments are considered recurring and not a one-time payment.

• The criteria which shall be used to categorize a payment type as a "required payment" to be collected by State agencies through EFT shall be as follows:

1. The number of units from which the payments are collected is 20 or greater.
2. The aggregate total of all payments collected from the local units is greater than \$250,000 per payment period; or \$3 million per year.

3. The payments are considered recurring and not a one-time collection.

4. The payments are for reimbursement of State funds disbursed by the State agency; or represent a matching share of funds disbursed or being disbursed by the State agency.

5. The State agency performs the calculations of the payment amount to be collected from the local unit, and has the capability of notifying the local unit of the amount due at least 5 business days prior to the effective date of the payment to be effected electronically.

Directive to State Agency

- Upon determining that a payment type is categorized a "required payment" and is to be disbursed or collected through EFT, the State Controller shall issue a directive to the State agency to comply with the procedures established by the State Treasurer to facilitate the electronic disbursements or collections.

- The State agency shall comply with the directive and have procedures in place to effect the disbursements or collections electronically within 90 days of the date of the directive.

Authorization Form

- The State agency shall notify each local unit to which a "required payment" is to be disbursed, or from which a "required payment" is to be collected, that the payment type has been categorized as a "required payment" pursuant to these policies and procedures.

- The State agency shall provide the appropriate authorization form in the format specified by the State Treasurer's Office, on which the local unit shall specify the necessary bank account information to effect the disbursements/collections through EFT.

- The State agency shall instruct the local unit to complete the authorization form and return it to the State agency within 30 days.

- Should a local unit not return the authorization form:

1. The State agency shall inform the State Controller of the non-receipt, and shall provide a copy of the notice to the Local Government Commission.

2. Upon being notified, the State Controller shall inform the local unit of the requirement and the consequences of not executing the form as specified in the directive and shall provide a copy of the notice to the Local Government Commission.

3. In the case of a payment to be made by the State agency, should the local unit fail to return the authorization form after notification by the State Controller, the State Controller may authorize the payment to be made by the issuance of a disbursing account warrant. However, the State Controller may delay the issuance of the warrant up to 10 business days after the date the payment would have been disbursed through EFT.

4. In case of a payment to be collected by the State agency, should the local unit fail to return the authorization form after notification by the State Controller, the State agency may request from the State Controller the authority to discontinue or exclude any future disbursements from the State agency to the local unit through EFT. The State Controller may make such determination and provide notice to the local unit and the Local Government Commission.

5. Where applicable, any payment remitted to the State agency by check or otherwise, which is not paid on a timely basis, shall be subject to the interest and penalties provisions as set forth in G.S. 147-86.23. The remedies for collection shall be pursuant to the Statewide Accounts Receivable Law (G.S 147-86) or other prevailing general statute.

Voluntary Programs

- With the approval of the State Treasurer, a State agency may elect to make disbursements and receive funds through EFT for payment types that have not been designated by the State Controller as a "required payment." However, participation in these programs shall be voluntary on behalf of the local unit.

Specific EFT Authority

- Should a State agency have a specific statutory authority to operate or require the use of an electronic funds transfer program, any provisions in these policies and procedures in conflict with the statutes shall not apply.

**North Carolina Department of Health & Human Services
State Treasurer’s Electronic Payments System (STEPS)
EFT Authorization Form**

Date: Check One: Initial Signup Change Effective

PARTICIPATING ENTITY INFORMATION

ID # : (Assigned by Department of Health
& Human Services)

Name: Entity

() Entity Address: Fax # :

FINANCIAL INSTITUTION ACCT. INFO.:

STEPS IN (Payments To State)

Institution

Name: _____

Institution Address:

Transit/Routing #:

Bank or NCCMT Acct. #

(include any leading zeros)

Type of Acct. : _____ Checking _____ Savings

NCCMT (Check One)

STEPS OUT (Payments From State)

Institution Name:

Institution

Address: _____

Transit/Routing #:

Bank or NCCMT Acct. #

(include any leading zeros)

Type of Acct.: _____ Checking _____ Savings

NCCMT (Check One)

PARTICIPATING ENTITY AUTHORIZATION:

I, on behalf of the participating entity indicated above, hereby authorize the North Carolina State Treasurer, his successors and his agents, at the direction of the North Carolina Department of Health & Human Services (DHHS), to:

For STEPS-OUT: initiate ACH credit entries to the above designated bank and/or NCCMT account for payments due from DHHS for all payment types designated by the State Controller as being "required" to be remitted via EFT, pursuant to the "Established Operational Procedures For State Treasurer's Electronic Payments System," which may be in effect from time to time. I (we) also authorize any necessary ACH debit entries or adjustments for any ACH credit entries made in error to the account; and/or

For STEPS-IN: (a) redeem shares of the above designated NCCMT account and to instruct the NCCMT, its transfer agent, or any of their agents to send the proceeds of such redemptions to any account designated by the State Treasurer; and/or (b) initiate ACH debit entries against the designated bank account, for moneys due DHHS for all payment types designated by the State Controller as being "required" to be collected via EFT, pursuant to the "Established Operational Procedures For State Treasurer's Electronic payments System," which may be in effect from time to time.

This authorization is to remain in full effect until the Department of Health & Human Services and State Treasurer have received written notification from me of its termination.

Finance Officer's Name:

Tel:

Signature

Date:

MAIL COMPLETED FORM TO:	DHHS Use Only	State Treas. Use Only:
NC Department of Health & Human Services		
Controller's Office		
616 Oberlin Road		
Raleigh, NC 27605		