




Management Directive

Commonwealth of Pennsylvania

Governor's Office

Management Directive 310.40 – Automated Clearing House (ACH) Payments

Date: July 16, 2021

By Direction of: 
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This directive establishes policy, responsibilities, and procedures for Automated Clearing House (ACH) Payments for all non-payroll payments paid by the Commonwealth of Pennsylvania's Treasury Department (Treasury).

1. PURPOSE.

To establish policy, responsibilities, and procedures for ACH Payments for all non-payroll payments paid by Treasury.

2. SCOPE.

This directive applies to all departments, offices, boards, commissions, and councils under the Governor's jurisdiction and to those independent agencies using SAP as the agency financial accounting system (hereinafter referred to as "agencies").

3. OBJECTIVE.

To establish policy regarding ACH Payments for all non-payroll payments paid by Treasury, which eliminates the need to print and mail a check; ensures that a payee receives payment by a specific date; provides an efficient, cost effective, and payee-friendly means of making payments; reduces the use of paper, postage, office supplies, processing time, and storage space; and provides payees with an option to receive remittance data electronically via Electronic Addenda or email (E-Remittance).

4. DEFINITIONS.

- a. **Automated Clearing House (ACH).** An electronic funds transfer system that operates as a central clearing facility for all electronic funds transfers (EFT) on behalf of its member financial institutions, including the electronic transfer of direct deposit credit transactions from the Commonwealth's account at the originating financial institution to an account designated by an employee at a receiving financial institution.
- b. **ACH Payments.** Commonly known as direct deposit. ACH Payments are remittance to individuals or entities that are made electronically within the banking system.
- c. **Electronic Addenda.** Payment identification data included in ACH transactions sent to banks, replacing the paper remittance.
- d. **Eligible Payments.** Non-payroll payments paid by Treasury via ACH in accordance with Commonwealth policy.
- e. **Master Database.** A central database where a unique number is assigned to each customer, vendor, and business partner, and which contains information necessary for the accounts payable and receivable and reporting functions in SAP.

5. POLICY.

- a. All Commonwealth procurement contracts, purchase orders (POs), grant agreements and other legal agreements shall be paid via ACH. (See Enclosure 1 for provisions for Legal Agreements).
- b. Waivers to provisions in Enclosure 1 may be requested by agencies on a case by case basis; however, such waivers are discouraged and should only be used in very limited circumstances and only when strong justification exists for such a waiver. Waivers shall be requested using the appropriate grant or purchase order advance payment form located on the [Bureau of Payable Services' Customer Service Portal](#) and must be approved by both the agency head or designee and the Office of Comptroller Operations, Bureau of Payable Services (BPS).
- c. All payments not covered in Section 5.a. above shall be paid via ACH if valid bank information is available.

6. RESPONSIBILITIES.

- a. **Agencies** shall:
 - (1) Promote and support ACH Payments for all payees and enforce ACH as outlined in this directive for all payees as indicated in Section 5.
 - (2) For non-PO invoices entered by the agency, select the ACH payment method in SAP when ACH banking information exists in the Master Database.

b. BPS shall:

- (1) Ensure legal agreements include a provision requiring payees to participate in ACH.
- (2) Strongly encourage the use of ACH, Electronic Addenda and E-Remittance for payees of Eligible Payments not covered in Section 5.a. above and facilitate their enrollment in ACH.
- (3) Select the ACH payment method in SAP when ACH banking information exists in the Master Database.
- (4) Enforce ACH policy when entering and auditing invoices for payment.
- (5) Approve payment methods other than ACH, if supported by the appropriate and approved grant or purchase order advance payment form.

7. PROCEDURES.

a. Agencies:

- (1) Include the applicable provision in Enclosure 1 in legal agreements.
- (2) Direct payees to the [Office of the Budget, Services for Vendors](#) page to add or update their ACH bank data in the Master Database.
- (3) Obtain ACH bank data from business partners, if a lending agency, and submit to the Office of the Budget, Office of Comptroller Operations, Bureau of Accounting and Financial Management (BAFM) in accordance with *Management Directive 310.38, Commonwealth Loan Accounting, Financial Management, and Reporting*.
- (4) Request waivers to the provision in Enclosure 1 by preparing the appropriate grant or purchase order advance payment form and obtain approval of the agency head or designee and BPS.
- (5) For Non-PO invoices entered by the agency, select the ACH payment method in SAP when ACH banking information exists in the Master Database.

b. BPS:

- (1) Receive ACH bank data regarding a payee and review for completeness and accuracy.
- (2) Update the payee record in the Master Database to reflect ACH information.
- (3) Enforce ACH policy when entering and auditing invoices for payment.
- (4) Enforce ACH policy when approving legal agreements.

Enclosure 1: Provisions for Procurement Contracts, Purchase Orders, Grant Agreements, and Other Legal Agreements Regarding ACH Payments.

Enclosure 1

Provisions for Procurement Contracts, Purchase Orders, Grant Agreements, and Other Legal Agreements Regarding ACH Payments.

Required Language for Procurement Contracts and Purchase Orders:

- a. The Commonwealth will make contract payments through Automated Clearing House (ACH). Within 10 days of award of the contract or purchase order, the contractor must submit or must have already submitted their ACH information within their user profile in the Commonwealth's procurement system (SRM).
- b. The contractor must submit a unique invoice number with each invoice submitted. The unique invoice number will be listed on the Commonwealth of Pennsylvania's ACH remittance advice to enable the contractor to properly apply the state agency's payment to the invoice submitted.
- c. It is the responsibility of the contractor to ensure that the ACH information contained in SRM is accurate and complete. Failure to maintain accurate and complete information may result in delays in payments.

Recommended Language for Grant and Other Legal Agreements*:

- a. The Commonwealth will make payments to the recipient through ACH. Within 10 days of the grant award, the grantee must submit or must have already established its ACH information in the Commonwealth's Master Database. The grantee will also be able to enroll to receive remittance information via electronic addenda and email (e-Remittance). ACH and e-Remittance information is available at <https://www.budget.pa.gov/Services/ForVendors/Pages/Direct-Deposit-and-e-Remittance.aspx>.
- b. The recipient must submit a unique invoice number with each invoice submitted. The unique invoice number will be listed on the Commonwealth's ACH remittance advice to enable the recipient to properly apply the state agency's payment to the respective invoice or program.
- c. It is the responsibility of the recipient to ensure that the ACH information contained in the Commonwealth's Master Database is accurate and complete. Failure to maintain accurate and complete information may result in delays in payments.

* Legal agreements may include, but are not limited to, contracts, grant agreements, and loan agreements. Agencies shall consult with agency legal counsel to determine if a document is a legal agreement.