

MANAGEMENT DIRECTIVE

Commonwealth of Pennsylvania Governor's Office

Subject:

Pennsylvania Electronic Payment Program (PEPP)

Number:

310.30 Amended

Date:

May 22, 2009

By Direction of:

Mary A. Soderberg, Secretary of the Budget

Contact Agency:

Office of the Budget, Office of Comptroller Operations, Bureau of Payable Services, Telephone 717-425-6538

This directive establishes policy and defines responsibilities for the use of the Automated Clearing House Network for the processing of non-payroll payments. This amendment updates purpose, definitions, policy and responsibilities to address electronic addenda and encourages the use of electronic addenda to replace paper remittance advice. The Electronic Addenda User Acceptance Agreement is included as an enclosure. This amendment also updates procedures and references resulting from the Office of Comptroller Operations reorganization. Marginal dots are excluded due to major changes.

- 1. PURPOSE.** To promote the use of the Automated Clearing House (ACH) Network for the payment of all non-payroll payments not made by the purchasing card.
- 2. SCOPE.** Applies to all agencies under the Governor's jurisdiction. Other agencies are encouraged to adopt similar policies.
- 3. OBJECTIVE.** To establish ACH and electronic addenda as the preferred payment method for non-payroll payments that cannot be made using the commonwealth purchasing card. The purchasing card is the preferred method of payment for eligible payments equal to or less than \$5,000.
- 4. DEFINITIONS.**
 - a. Automated Clearing House (ACH) Network.** A highly reliable and efficient nationwide batch-oriented electronic funds transfer system governed by the NACHA Operating Rules which provide for the interbank clearing of electronic payments for participating depository financial institutions. The Federal Reserve and Electronic Payments Network act as ACH Operators, central clearing facilities through which financial institutions transmit or receive ACH entries. Under this process, a payment is transferred electronically from a commonwealth bank account to a payee-designated bank account.

- b. ACH Payments.** Electronic remittance to individuals or entities that are made electronically within the banking system; eliminate the need to print and mail a check; ensure that a payee receives payment by a specific date; provide an efficient, cost effective, and payee-friendly means of making payments; are environmentally friendly through the reduced use of paper, postage, office supplies, processing time, and storage space; and provide payees with an option to receive electronic addenda.
 - c. Eligible Payments.** Non-payroll payments that can be made via ACH in accordance with commonwealth policy. Eligible payments for ACH include those over \$5,000 or those which cannot be made with the purchasing card.
 - d. Direct Payments.** Payments not associated with a purchase order or not entered via an interface.
 - e. Electronic Addenda.** Payment identification data included in the ACH transaction sent to the bank, replacing the paper remittance.
- 5. POLICY.** The Pennsylvania Electronic Payment Program (PEPP) establishes ACH and electronic addenda as the preferred method of payment in lieu of issuing checks and mailing remittance advices. Agencies shall adopt and promote ACH and electronic addenda as the preferred method of payment for eligible payments not made by the purchasing card. Both procurement and non-procurement agreements shall contain provisions that establish ACH as the required method of payment. Electronic addenda should be promoted with ACH but is not required. Agencies may grant waivers to these provisions on a case-by-case basis; however, such waivers are strongly discouraged.

6. RESPONSIBILITIES.

a. Agencies are responsible for:

- (1)** Including a provision in contracts and grant agreements that requires the payee to participate in PEPP (see Enclosure 1); including a copy of the PEPP enrollment form (see Enclosure 2) or listing the website where it can be obtained and completed online, as applicable (see www.vendorregistration.state.pa.us/cvmu/paper/Forms/ACH-EFTenrollmentform.pdf); and issuing waivers to this provision on a case-by-case basis, only when strong justification exists for such waiver.
- (2)** Informing payees about the availability of PEPP, encouraging and facilitating payees' enrollment in the program, and providing payees with the necessary forms (see Enclosure 3) or websites for enrollment.
- (3)** Selecting the ACH payment method in SAP when ACH banking information exists in the vendor master record.

b. Office of Comptroller Operations, Bureau of Payable Services is responsible for:

- (1)** Encouraging payees to participate in PEPP and facilitating their enrollment.

- (2) Selecting the ACH payment method in SAP when ACH banking information exists in the vendor master record.
- (3) Ensuring contracts and grant agreements include language that requires the vendor to participate in PEPP.

7. PROCEDURES.

a. Action by: Agency.

- (1) Determine the need for, and subsequently implement provisions in a contract or grant agreement that require the payee to participate in PEPP.
- (2) Provide a copy of the PEPP enrollment form to be completed by the payee in paper or electronic format.
- (3) Encourage the payee to enroll in PEPP and eliminate the need for paper remittance by receiving electronic addenda.

b. Action by: Office of Comptroller Operations, Bureau of Payable Services.

- (1) Receive PEPP enrollment form and electronic addenda information, if applicable, from payee and review for completeness and accuracy.
- (2) Update the payee record in the commonwealth's central vendor master file to reflect ACH and electronic addenda information.
- (3) Select ACH payment method when processing payment to payee, if ACH information exists in the vendor master record.
- (4) Ensure that contracts and grant agreements include language that requires the payee to participate in PEPP.

Enclosure 1 - Standard Provisions

Enclosure 2 - PEPP Enrollment Form

Enclosure 3 – Electronic Addenda User Acceptance Agreement

This directive replaces, in its entirety, *Management Directive 310.30* dated May 24, 2007.

The following standard provisions should be included in the respective contracts or grant agreements:

For Procurement Contracts:

- a. The commonwealth will make contract payments through ACH. Within 10 days of award of the contract or purchase order, the contractor must submit or must have already submitted its ACH information within its user profile in the commonwealth's procurement system (SRM). At the time of submitting ACH information, the contractor will also be able to enroll to receive remittances via electronic addenda.
- 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.

For use in grant agreements:

- a. The commonwealth will make payments to the recipient through ACH. Within 10 days of the grant award, the recipient must submit or must have already submitted its ACH and electronic addenda information, if desired, to the commonwealth's Payable Service Center, Vendor Data Management Unit at 717-214-0140 (FAX) or by mail to the Office of Comptroller Operations, Bureau of Payable Services, Payable Service Center, Vendor Data Management Unit, 555 Walnut Street – 9th Floor, Harrisburg, PA 17101.
- b. The recipient 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 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 central vendor master file is accurate and complete. Failure to maintain accurate and complete information may result in delays in payments.

**Commonwealth of Pennsylvania
Pennsylvania Electronic Payment Program (PEPP) Enrollment Form**

Only the Owner of the Bank Account or an Authorized Company Official may request payments via ACH.

ACTION REQUESTED: (check one) NEW CHANGE STOP

Recipient Information (Please **PRINT** or **TYPE** Information)

Federal Taxpayer
Identification Number: _____

SAP Vendor Number: _____

Name: _____

If receiving payments from PA Dept of Transportation, identify type of payments to be deposited:

Street Address: _____

Or

PO Box: _____

City: _____ State: _____ Zip Code: _____

Financial Institution Information

Account Type: (check one) CHECKING SAVINGS

Bank Routing Number (9-digit number): _____

Bank Account Number: _____

Bank Name: _____

Bank Street Address: _____

Or

PO Box: _____

City: _____ State: _____ Zip Code: _____ Phone # _____

Please inform your financial institution that you will be having ACH transactions posted to the above account. Please provide a contact person and phone number for recipient. Please notify Commonwealth of PA, Bureau of Payable Services, Payable Service Center Vendor Data Management Unit, at 717-346-2676 (Fax 717-214-0140) if you change your financial institution or account number.

Contact: _____ Phone No.: _____

<p>_____</p>
<p>Signature and Title of Account Holder or Authorized Official Date</p>

Electronic addenda will provide electronic documentation of payments from the Commonwealth of Pennsylvania to a vendor's financial institution when the payments are deposited to the vendor's account. Electronic addenda will replace paper remittance advices.

**Commonwealth of Pennsylvania
Electronic Addenda User Acceptance Agreement**

Vendor Name: _____

Vendor Taxpayer Identification Number: _____

Vendor Number: _____

Vendor accepts all of the following requirements/conditions:

- Vendor waives receipt of paper remittance advices for all payments made by the Commonwealth of Pennsylvania through the SAP accounts payable system.
- Vendor will establish receipt of electronic addenda and notification method with financial institution (addenda will be sent in PPD+ format).
- Vendor is responsible for any fees associated with electronic addenda that may be charged by financial institution.
- Vendor understands that payment information is limited to non-confidential payments.
- Vendor understands that receipt of electronic addenda does not apply to Commonwealth agencies issuing payments outside of the SAP accounts payable system.

Authorized signature:

Name: (please print) _____ Title: _____

Signature: _____ Date: _____

Phone: _____ Fax: _____

Please fax completed Agreement to the Commonwealth of Pennsylvania's Vendor Data Management Unit at 717-214-0140. Questions may be directed to the Vendor Data Management Unit in Harrisburg at 717-346-2676 or toll free, outside of the Harrisburg area, at 877-435-7363.