



## Chapter 40 - E-Commerce: Electronic Acceptance and Disbursement of State Funds/Benefits

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## 40.10

### General Provisions

#### 40.10.10

July 1, 2010

#### Policies in this chapter are minimum standards

This chapter contains policies and requirements for the acceptance and/or disbursement by state agencies of state funds/benefits via electronic means, including internet transactions, also referred to as electronic commerce (e-commerce). This includes, but is not limited to, credit cards and debit cards, purchase cards, automated clearing house (ACH) transfers, and electronic benefit transfers (EBTs).

The policies and procedures in this chapter are the minimum requirements that all state agencies must meet. An agency may establish additional policies and requirements, as long as the agency meets the required minimum standards.

#### 40.10.20

July 1, 2010

#### Authority for these policies

##### 40.10.20.a

RCW 43.41.110(14) states that the Office of Financial Management (OFM) shall:

“Be the official state agency to estimate and manage the cash flow of all public funds as provided in chapter 43.88 RCW. To this end, the office shall adopt such rules as are necessary to manage the cash flow of public funds.”

##### 40.10.20.b

RCW 43.41.180 states that:

"(1) The office of financial management is authorized to approve the use of electronic and other technological means to transfer both funds and information whenever economically feasible, to eliminate paper documentation wherever possible, and to provide greater fiscal responsibility. This authorization includes but is not limited to the authority to approve use of electronic means to transfer payroll, vendor payments, and benefit payments and acceptance of credit cards, debit cards, and other consumer debt instruments for payment of taxes, licenses, and fees. The office of financial management shall adopt rules under RCW 43.41.110(14) to specify the manner in which electronic and other technological means, including credit cards, are available to state agencies.

(2) No state agency may use electronic or other technological means, including credit cards, without specific continuing authorization from the office of financial management."

40.10.20.c

RCW 43.08.015 states that:

"Within the policies and procedures established pursuant to RCW 43.41.110(14) and 43.88.160(1), the state treasurer shall take such actions as are necessary to ensure the effective cash management of public funds. This cash management shall include the authority to represent the state in all contractual relationships with financial institutions. The state treasurer may delegate cash management responsibilities to the affected agencies with the concurrence of the office of financial management."

40.10.20.d

RCW 43.88.160(5d) states that the Office of the State Treasurer (OST) shall:

"Coordinate agencies' acceptance and use of credit cards and other payment methods, if the agencies have received authorization under RCW 43.41.180."

40.10.20.e

Additionally, refer to Chapter 65 for information related to banking services, and RCW 39.58.080 for deposit of public funds.

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## 40.10.30

July 1, 2010

## Applicability

This chapter is applicable to all agencies of the state of Washington, unless otherwise exempted by statute or rule. The Budget and Accounting Act (RCW 43.88.020) defines the term "Agency" to mean and include "...every state office, officer, each institution, whether educational, correctional, or other, and every department, division, board and commission, except as otherwise provided..."

Agencies may request a waiver from complying with specific requirements of this chapter. Refer to Subsection 1.10.40 for information on how to request a waiver.

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**40.10.40**

July 1, 2010

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**Responsibilities of the Office of Financial Management**

The Office of Financial Management (OFM) has the following responsibilities related to e-commerce activities by state agencies:

1. Develop administrative and accounting policies and procedures for acceptance and/or disbursement of state funds/benefits via electronic means.
2. Approve, prior to implementation, the application and its expansions, if appropriate, for acceptance and/or disbursement of state funds/benefits via electronic means when economically feasible. Approval is required for both pilot and permanent applications.
3. Provide assistance to agencies in preparing an economic feasibility study (EFS) for e-commerce activities. Agencies are encouraged to work closely with their assigned OFM Accounting Consultant and the OFM E-Government Accounting Consultant. Additional resources are available on OFM's Administrative and Accounting Resources website at: <http://www.ofm.wa.gov/resources/default.asp>.
4. Work with OST to respond to requests for fiscal information, as needed, on the electronic receipt and/or disbursement of funds/benefits by state agencies.

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**40.10.50**

July 1, 2010

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**Responsibilities of the Office of the State Treasurer**

The Office of the State Treasurer (OST) has the following responsibilities related to the electronic receipt and/or disbursement of funds/benefits by state agencies:

1. Negotiate master contracts or other contracts for receipts and disbursements by credit cards, debit cards, ACH transfers, or other electronic or technological means. Master contracts negotiated include, but are not limited to, depository and banking services, credit card and debit card acceptance, lockbox services, and ACH file processing. This responsibility may be delegated to agencies with OFM's concurrence. An agency delegated this responsibility should use its best efforts to minimize the financial impact of electronic transfers on the state agency, taxpayers, and the public who use its services. Refer to Chapter 65.

2. Work with OFM and state agencies in implementing new technologies for acceptance and/or disbursement of state funds/benefits via electronic means which include, but are not limited, to the following:
  - ACH transfers for both acceptance and disbursement of funds.
  - Credit cards and/or debit cards for acceptance of funds.
  - Remote deposit services for the deposit of checks to the state treasury or local bank accounts.
  - Stored value cards for disbursement of funds.
3. Advise agencies of new cash management techniques, practices, procedures, and other efficient methods of collecting and disbursing state money to ensure maximum return on state investments.



## 40.20

# Acceptance of Electronic Funds by State Agencies

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### 40.20.10

July 1, 2010

### Methods of electronic funds acceptance

The acceptance of electronic funds includes all forms of receiving monies and/or payment information through electronic means.

These vehicles include, but are not limited to:

- Automated clearing house (ACH) transfers
- Credit cards
- Debit cards
- Wire transfers
- Lockbox services
- Remote deposit services
- Electronic checks

### 40.20.15

July 1, 2010

### Automated clearing house (ACH) transfers

The preferred method for agencies accepting funds electronically is ACH transfers. This method is generally the least expensive method for accepting funds electronically, and works especially well for internet applications and recurring transactions.

Agencies are **required** to evaluate ACH as the primary option for accepting funds electronically.

ACH transfers through the Office of the State Treasurer (OST) **do not require** an economic feasibility study (EFS) to be submitted to the Office of Financial Management (OFM) for approval.

**However**, agencies are required to contact OST prior to implementing acceptance of ACH transfers:

- Prior approval from OST is required for any ACH deposited to the state treasury.

- If an entity (government or private) wishes to make payment to a state agency by ACH, the agency must provide its bank account information to the entity. Usually, the entity has a form that must be completed and returned before ACH payments can begin.

For deposits to the state treasury, the agency should complete the agency-related information on the form and forward it to OST's Cash Management Division to complete the banking information.

The form will then be returned to the agency to forward to the paying entity. This is necessary to ensure the funds are identified properly upon receipt and that the volume of receipts can be managed appropriately.

- Agencies planning to collect funds via ACH from a large number of customers (i.e., tax payments, license fees, etc.) must work with OST to determine the most appropriate and cost effective method for collection. This may include outsourcing the ACH file creation process to a third party vendor or assisting the agencies in developing systems to create their own ACH file and processing it through the state treasury, and if so, an **EFS is required**. Refer to Section 40.40 for information related to preparing an EFS. This process requires coordination and testing between the agency and OST.
- Acceptance of ACH into local accounts must be on the list of services in the master contract that has been negotiated by OST with the local bank. If it is not, contact OST to amend the contract. Refer to Chapter 65 for information related to banking services.

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**40.20.20**

July 1, 2010

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**Credit cards and debit cards**

Unless specifically authorized by law, all new applications to accept credit cards and/or debit cards **must be approved** by OFM **prior to** implementation. This **requires** an EFS to be submitted to OFM. Refer to Section 40.40 for information related to preparing an EFS.

If an application is limited to the acceptance of credit cards and/or debit cards, and does not include ACH, the business case of the EFS is **required** to explain why ACH would not be a viable option for the agency's application.



Credit cards and/or debit cards may be processed either by retail methods or over the internet. Retail methods are also called point of sale and include transactions over the counter, through an interactive voice response system, over the phone, by fax, or by mail.

Expansions of existing processes **may require** approval by OFM as well. Agencies planning an expansion should contact their assigned OFM Accounting Consultant to determine if an EFS is needed.

State agencies accepting credit cards and/or debit cards must comply with Payment Card Industry – Data Security Standards (PCI-DSS) to safeguard cardholder data. Additional guidance is available on OFM’s Administrative and Accounting Resources website at:  
<http://www.ofm.wa.gov/resources/default.asp>.

Each agency accepting credit cards and/or debit cards **must** reconcile its card activity daily.

Generally agencies may not accept credit cards, commonly referred to as purchase cards, from other state agencies.

**Exceptions** to this are as follows:

- When prior written approval is received from OFM based on the requirements in Subsection 40.40.10; or,
- When the paying and/or receiving account is a local account, and the receiving agency has agreed to accept the inter-agency purchase card payments. Refer to Subsection 45.10.40 for acceptable use of purchase cards.

Refer to Subsection 85.36.20 for further information on methods of payment available for interagency payments.

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**40.20.30**

July 1, 2010

**Wire transfers, lockbox services, remote deposit services, electronic checks, and other electronic technologies**

## 40.20.30.a

In general, in addition to credit cards and/or debit cards, unless specifically authorized by law, all other forms of acceptance or electronic transfer of funds and/or payment information by state agencies must be approved by OFM **prior to** implementation. This **requires** an EFS to be submitted to OFM. Refer to Section 40.40 for information related to preparing an EFS.

Expansions of existing processes **may also require** approval by OFM. Agencies planning an expansion should contact their assigned OFM Accounting Consultant to determine if an EFS is needed.

If an application is limited to these other electronic technologies, and does not include ACH, the business case of the EFS is required to explain why ACH would not be a viable option for their application.

## 40.20.30.b

Electronic payment types where an EFS is **required** include, but are not limited to:

- **ACH transfers not performed directly through OST.** Any ACH transfer where the processing and settlement occur outside the state treasury.
- **Lockbox services.** Contact the OST Cash Management Division for information on services available through the Master Lockbox and Automated Remittance Advice Services Contract. A contract amendment is required to add a new agency or to change existing agency specific requirements. Lockboxes often have an electronic component. Contact OST and OFM to determine if an EFS approval is needed for the specific application.
- **Remote deposit services.** The use of imaging software to capture and transfer an image of a paper check to the bank for deposit. May also be referred to as Check 21 deposits. Contact OST's Cash Management Division regarding available contracts.
- **Electronic checks.** The collection of funds over the internet where the payer supplies their bank routing and account number as well as authorization for a debit to their account. The banking information is used to create an ACH debit transaction.

40.20.30.c

Electronic payment types where an EFS is **NOT required** include, but are not limited to:

- **Wire transfers:**

- Acceptance of wire transfers can be expensive and therefore should not be used routinely. Wire transfers can be processed into treasury and treasury trust accounts under special circumstances. Wires which are needed immediately and singular in nature do not require an EFS.

**However**, agencies considering a recurring or routine wire transfer **must complete** an EFS, and the agency must work with OST to ensure that there is not a less expensive alternative available.

- Acceptance of wire transfers into local accounts must be on the list of services in the master contract that has been negotiated by OST with the local bank. If it is not, contact OST to amend the contract. Refer to Chapter 65 for information related to banking services.

- **Inter-agency payments (IAP).** IAP is the preferred method to pay other state agencies or to allocate or transfer costs between accounts, programs, etc., within an agency when both the paying and receiving accounts are either treasury or treasury trust accounts.
- **Interfund transfers (IFT).** IFT is the preferred method in AFRS for transferring cash between treasury and/or treasury trust accounts within the same agency. IFT transactions are used during the fiscal year to allocate or transfer costs between accounts, within an agency when both the paying and receiving accounts are either treasury or treasury trust accounts. IFT transactions are not valid in the adjustment months of 99 and 25.



## 40.30

# Disbursement of Electronic Funds/Benefits by State Agencies

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### 40.30.10

July 1, 2010

## Methods of electronic funds disbursement

The disbursement of electronic funds includes all forms of disbursing monies and/or payment information through electronic means.

These vehicles include, but are not limited to:

- Automated clearing house (ACH) transfers
- Wire transfers
- Electronic benefit transfers (EBTs)
- Stored value cards

### 40.30.15

July 1, 2010

## Automated clearing house (ACH) transfers

The preferred method for agencies disbursing funds electronically is ACH transfers. This method is generally the least expensive method for disbursing funds electronically.

Agencies are **required** to evaluate ACH as the primary option for disbursing funds electronically.

Disbursement of funds by ACH through the Office of the State Treasurer (OST) **does not require** an economic feasibility study (EFS) to be submitted to the Office of Financial Management (OFM) for approval.

**However**, agencies are required to contact OST prior to implementing disbursement of ACH transfers:

- Agencies must coordinate with OST to ensure compliance with National Automated Clearing House Association (NACHA) rules.
- Agencies must ensure that all contract amendments needed on the Agreement for Concentration Account Services for treasury and treasury trust accounts have been made, or, if a local account is being utilized, ensure that disbursement by ACH is included in the list of services on the master contract negotiated by OST with the local bank.

- Coordination with OST for testing of the ACH file and other necessary procedures must also be undertaken.

Refer to Subsection 85.36.20 for additional information related to ACH disbursements. Refer to Chapter 65 for further information related to banking services.

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**40.30.20**

July 1, 2010

**Wire transfers**

Disbursement by wire transfer can be expensive and therefore should not be used routinely. Wire transfers can be processed from treasury and treasury trust accounts under special circumstances. Wires which are needed immediately and singular in nature do not require an EFS.

**However**, agencies considering a recurring or routine wire transfer **must complete** an EFS, and the agency must work with OST to ensure that there is not a less expensive alternative available.

Disbursement by wire transfers out of local accounts must be on the list of services on the master contract negotiated by OST with the local bank. If it is not, contact OST to amend the contract. Refer to Chapter 65.

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**40.30.30**

July 1, 2010

**Electronic benefit transfers, stored value cards, and other electronic technologies**

40.30.30.a

In general, unless specifically authorized by law, agencies wishing to disburse funds/benefits via electronic benefit transfers (EBTs), stored value cards, or any other electronic technology **must receive OFM approval prior to** implementation.

Expansions of existing processes **may also require** approval by OFM. Agencies planning an expansion should contact their assigned OFM Accounting Consultant to determine if an EFS is needed. Contact OST's Cash Management Division regarding available master contracts.

## 40.30.30.b

Electronic payment types where an EFS is **required** include, but are not limited to:

- **Electronic benefit transfers (EBTs).** EBTs are a method for making disbursements to benefit recipients. EBT is similar in nature to a debit card. The recipient's benefits are encoded on a magnetic stripe card.
- **Stored value cards.** A card for which the prefunded value is associated with a bank account, which must be accessed for payment authorization. These cards can be reloadable or disposable, and include cards such as prepaid cards, gift cards, payroll cards, flexible spending account cards, government benefit cards, etc. Contact OST's Cash Management Division regarding available contracts.

## 40.30.30.c

Electronic payment types where an EFS is **NOT required** include, but are not limited to:

- **Inter-agency payments (IAP).** IAP is the preferred method to pay other state agencies or to allocate or transfer costs between accounts, programs, etc., within an agency or when both the paying and receiving accounts are either treasury or treasury trust accounts.
- **Interfund transfers (IFT).** IFT is the preferred method in AFRS for transferring cash between treasury and/or treasury trust accounts within the same agency. IFT transactions are used during the fiscal year to allocate or transfer costs between accounts, within an agency when both the paying and receiving accounts are either treasury or treasury trust accounts. IFT transactions are not valid in the adjustment months of 99 and 25.

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**40.30.40**

July 1, 2010

**Purchase cards**

Generally agencies may not pay other state agencies with credit cards, commonly referred to as purchase cards.

**Exceptions** to this are as follows:

- When prior written approval is received from OFM based on the requirements in Subsection 40.40.10 or,

- When the paying and/or receiving account is a local account, and the receiving agency has agreed to accept the inter-agency purchase card payments. Refer to Subsection 45.10.40.

Agencies must follow the policies and procedures in Chapter 45 on the use of purchase cards. No type of credit card and/or debit card (including store credit cards) other than the state charge card system and the fuel card program authorized by the Department of General Administration (GA) may be used by agencies.

For further information on the state charge card system, refer to Subsection 10.10.45 and GA, Office of State Procurement (OSP).

Refer to Subsection 85.36.20 for additional information related to disbursement mechanisms.

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**40.30.50**

July 1, 2010

**State travel cards**

Agencies must follow the policies and procedures in Subsections 10.10.45, 10.30.60, and 10.50.40 on the use of state travel cards. No type of credit card and/or debit card other than the state charge card system and the fuel card program authorized by GA may be used by agencies.

For further information on state travel cards, refer to GA, OSP.

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**40.30.60**

July 1, 2010

**Fuel cards**

Agencies must follow the policies and procedures in Subsection 85.36.20 on the use of fuel cards. No type of credit card and/or debit card (including specific gas station credit cards) other than the state charge card system and the fuel card program authorized by GA may be used by agencies.

For further information on the fuel card program, contact GA, OSP.



## 40.40

# Economic Feasibility Study

### 40.40.10

July 1, 2010

## Purpose and components of an economic feasibility study

The economic feasibility study (EFS) should demonstrate the net benefit of the proposed application in light of the benefits and costs to the agency, other state agencies, and the general public as a whole. The agency **must submit** its EFS and request for approval to the Office of Financial Management (OFM) **prior to** accepting or disbursing electronic funds/benefits, except where noted in Sections 40.20 and 40.30. Approval from OFM is required for pilot and permanent applications, and both internet and retail applications. When completing the EFS, the agency should consider only those portions of the proposed application that are related to electronic payment processing.

If the application includes acceptance of credit cards and/or debit cards, the EFS must specify how (such as, over the counter, via the internet, etc.) funds/benefits will be accepted. The EFS must also specify which card brands (such as, VISA, MasterCard, Discover, American Express, etc.) will be accepted.

The EFS is composed of a cover letter, a business case, and analytical worksheets. In addition, supporting documentation can provide additional detail on the elements and may be included in the EFS if necessary to support the other components of the EFS.

For certain expansions to existing processes, the business case and analytical information may be presented in the cover letter. Contact OFM to determine if this may be done for your application.

### 40.40.20

July 1, 2010

## Cover letter

The cover letter is addressed to the Senior Assistant Director of the Accounting Division of OFM and must be signed by an Assistant Director, or equivalent agency official at the requesting agency. It should contain the name, telephone number, fax number and e-mail address of a contact person at the agency proposing the application.



A brief description of the proposal and electronic payment method should be included, as well as a statement as to whether this is a new method of service delivery or an enhancement of a current mechanism. The letter should also state whether this is a pilot or permanent project. A copy of this cover letter should be sent to the OFM E-Government Consultant, the agency's assigned OFM Accounting Consultant, the agency's assigned OFM Budget Analyst, and the OST Outreach Coordinator.

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#### 40.40.30

July 1, 2010

#### Business case

The business case should provide an analysis of the business environment including, but not limited to, a description of who the expected customers are, the nature of the business, how the payment is currently being processed, if applicable, and the current and expected volume and timing of transactions. The business case should also discuss the benefits of the proposed project.

The business case should include a description of the assumptions made in the economic feasibility study (EFS) and the reasoning behind those assumptions. If an application includes electronic payment methods other than ACH, the EFS is **required** to explain why ACH would not be a viable option for the agency's application. Other alternative processes considered should be noted and the consequences of not implementing the proposed application should be explained.

A summary of the agency's economic feasibility elements and the potential need for funding should be included. A summary of the economic feasibility elements for other state agencies and the general public should also be included in the business case. Additional guidance is available below in Subsection 40.40.40 and on OFM's Administrative and Accounting Resources website at:  
<http://www.ofm.wa.gov/resources/default.asp>.

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#### 40.40.40

June 1, 2004

#### Economic feasibility elements

Economic feasibility elements can be expressed quantitatively in the analytical worksheets and summarized in the business case, if possible, or they can be expressed qualitatively in the business case.

The elements include, but are not limited to:

- Increased agency revenue,
- Decreased agency revenue,
- Increased agency costs,
- Decreased agency costs,
- Increased revenue to other agencies and/or the general public,
- Decreased revenue to other agencies and/or the general public,
- Increased costs to other agencies and/or the general public,
- Decreased costs to other agencies and/or the general public, and,
- Other public benefits.

The elements for the agency should be separated from those of other state agencies and the general public so that the potential funding requirements can be discerned.

Additional guidance on economic feasibility elements is available on OFM's Administrative and Accounting Resources website at:

<http://www.ofm.wa.gov/resources/default.asp>.

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**40.40.50**

June 1, 2004

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**Analytical worksheets and supporting documentation**

Analytical worksheets are spreadsheets that summarize the revenues and costs involved with the proposed project. The amounts on the analytical worksheets should support the amounts and assumptions in the business case. An analytical worksheet summarizing the impact to the agency, other state agencies, and the general public should also be included, as applicable.

Suggested formats and guidelines for analytical worksheets are available on OFM's Administrative and Accounting Resources website at:

<http://www.ofm.wa.gov/resources/default.asp>.

These are illustrative only. Agencies have the option of expanding or revising the suggested formats based on the nature and scope of the proposed project.

Additional supporting documentation that provides further detail on the economic feasibility elements may be included in the EFS if necessary to support the other components of the EFS.

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**40.40.60**

July 1, 2010

**Steps to request approval from the Office of Financial Management**

1. Ensure that any application is authorized under RCW 43.88.160 (5). Refer to Subsection 40.10.20.d.
2. It is strongly recommended that the agency work together with its internal information services, program and accounting/fiscal staff, as well as the agency's assigned OFM Accounting Consultant and OFM Budget Analyst to define the project, analyze its viability, and receive assistance in preparing an EFS. Additional guidance is available on OFM's Administrative and Accounting Resources website at: <http://www.ofm.wa.gov/resources/default.asp>.
3. Consider conducting a survey or some other form of evaluation to help determine the needs and usage of the application by potential customers.
4. For new endeavors, consider undertaking a pilot project with limited scope, location and complexity to help determine its overall feasibility. Approval from OFM is required for both pilot and permanent applications.
5. If the electronic payment feature of the application can be separated from the entire project, the EFS should be prepared on the payment piece only.
6. Contact the OST Outreach Coordinator to discuss contracts, merchant IDs, equipment, software, and banking fees. Other banking agreements and applicable cash management laws should also be addressed. Refer to Chapter 65 for further information related to banking services.
7. Contact the Public Deposit Protection Commission to discuss any potential out of state banking issues and any other depository concerns. Refer to Subsection 65.10.10.c.
8. In addition to OFM EFS approval, agencies whose applications include investments in information technology may require additional approvals:
  - If an agency is proposing to invest in an agency financial or administrative system, a separate OFM Systems Approval may be required. Refer to Subsection 80.30.88.

- An additional approval from the Department of Information Services Information Services Board (ISB) may also be required. Agencies should contact their assigned DIS Senior Technology Consultant to determine if this additional approval is required.
9. Consult with the agency's Assistant Attorney General on any legal issues.
  10. Prepare an EFS in conjunction with the agency's assigned OFM Accounting Consultant, the OFM E-Government Consultant, the agency's assigned OFM Budget Analyst, and OST. It is strongly recommended that agencies prepare and submit a draft EFS to OFM and OST for review and comment prior to submitting the final EFS for approval. Additional guidance is available on OFM's Administrative and Accounting Resources website at: <http://www.ofm.wa.gov/resources/default.asp>.

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**40.40.70**

July 1, 2010

**Steps after approval is obtained**

1. For all applications, contact the OST Outreach Coordinator.
2. Set up procedures to account for the processing fees and other banking costs associated with the electronic receipt and/or disbursement of funds. Unless otherwise provided by law, electronic payment processing and/or transaction fees may not be netted from revenues. Agencies operating in appropriated accounts are to record costs associated with the electronic receipt and/or disbursement of funds as expenditures. Such information should be readily available when requested.
3. Set up procedures to reconcile receipts with the amounts reported by outside entities.
4. If the application involves the internet, create an application design and test it prior to implementation.
5. Train personnel and market the application as appropriate.
6. Collect data on the actual usage, revenue, cost, etc., of the application. Such information is useful for determining ongoing economic feasibility.



## 40.50 Privacy Issues

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### 40.50.10

July 1, 2010

### General provisions

Agencies should develop policies and procedures to implement state and federal laws governing privacy protections. These laws pertain to both internet and non-internet electronic applications.

**Privacy Notice: Safeguarding and disposition of personal information must be consistent with Executive Order 00-03, April 25, 2000, and RCW 42.56.210.**

State agencies accepting credit cards and/or debit cards must comply with Payment Card Industry – Data Security Standards (PCI-DSS) to safeguard cardholder data. Additional guidance is available on OFM's Administrative and Accounting Resources website at:  
<http://www.ofm.wa.gov/resources/default.asp>.

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