

SECTION 8: PAYMENTS

Overview

INTRODUCTION

Section 8: Payments provides a general overview and detailed procedures for processing payment transactions in AKSAS. Payment transactions include general warrant requests, field warrants, handwritten warrants, electronic payments (EDI), and wire transfer disbursements. This Section also includes procedures for processing a warrant status change and for the inventory of field warrant stock. Payments generated with scheduled payment open item transactions are discussed in *Section 7: Expenditure Open Items, Add Scheduled Payment*.

Issuing and Accounting for Warrants

Warrants are used to disburse funds when goods or services are received, to meet payroll obligations, and in carrying out public services. Warrants are associated with payment documents (invoices, contracts, or other authorizations to pay) and are issued to vendors of the state and to other payees, such as recipients of state services. Disbursements are recorded in AKSAS with add warrant request transactions. The warrant transaction records the disbursement according to the financial coding contained in the transaction and records a detailed record of the payment as an outstanding warrant on the Warrant Status File (WSF).

Since most activities of the state are appropriated, disbursements are generally recorded as authorized expenditures of appropriations. The authorized budget for an appropriation defines the spending limits and other spending controls. AKSAS calculates the current balance available for spending for each appropriation and updates the balance each time receipts or expenditures are recorded. Disbursements can also be charged directly to fund assets, liabilities, or equities for payments issued as part of fund management activities.

Processing Warrant Request Transactions

Warrants are recorded in AKSAS with 310-xx: Add Warrant Request transactions. Transaction minor codes are used to distinguish between different payment types and to define the warrant class, valid open item types, and accounts available to the warrant request transaction. Transaction codes are maintained in the SMF Transaction Code Table (STC) by the Division of Finance. Refer to the *AKSAS Handy Guide* for a complete list of financial transaction codes.

Warrant classes are used in AKSAS to distinguish between different types of payments. When a warrant request transaction processes, AKSAS determines, based on the warrant class entered in the transaction, whether to issue a warrant or whether the warrant was hand-prepared (field warrant or handwritten) or was issued by another system (payroll, permanent fund dividend, etc.). AKSAS warrant classes are maintained in the SMF Warrant Class Table (SWC) by the Division of Finance. A list of warrant classes can be viewed online through the HELP function (PF12) available on the AKSAS Main Menu.

AKSAS (General) Warrants

Warrants issued by AKSAS are called general warrants (warrant class GN). Warrant request transactions are entered online by agencies or, under certain circumstances, interfaced from an external system. Each warrant request transaction identifies the vendor or other payee, the scheduled print date of the warrant, the warrant routing code indicating whether the warrant should be sent electronically through EDI, mailed to the payee, or routed to the agency for hand delivery, reference data associated with the payment, and the financial coding defining how the payment is charged. The warrant request transaction does not identify the warrant number. AKSAS assigns the warrant number when the transaction is processed. Refer to *Add General Warrant Request* in this Section for procedures.

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General warrants are selected for issuance according to the scheduled print date defined in the warrant request transaction. For printed warrants, during each financial transaction run, AKSAS generates a warrant print tape to print warrants with a scheduled print date equal or prior to the run date. Agency and mail warrant registers are also produced. The warrants from the previous night's financial run are printed and distributed the following morning. For electronic payments, after AKSAS runs, the FEDI (Financial Electronic Data Interchange) process is run to convert electronic payment data (EDI) into a standard electronic format. The electronic data is transmitted to state's banking institution early the following morning. For more information on EDI payments, refer to *Electronic Payments (EDI)* in this section.

Field Warrants

Field warrants (warrant class FW) are warrants hand-prepared by agencies and issued for amounts of \$999.99 or less. Warrant request transactions to record field warrants identify the vendor or other payee, warrant number, print date (date the field warrant is issued), warrant amount, reference data associated with the payment, and financial coding defining how the field warrant is charged. The warrant request transaction is entered in AKSAS at the time the field warrant is issued and is processed like a general warrant request except that no warrant is printed. Refer to *Issue Field Warrant* in this Section for procedures.

Handwrite Warrants

Handwrite warrants (warrant class HW) are warrants hand-prepared by the Division of Finance when immediate payment is in the best interest of the state. The agency enters an add warrant request transaction online and submits a written request to the Division of Finance to issue a handwrite warrant. If approved, the warrant is hand-prepared and released to the agency for distribution. The warrant request transaction is processed like a general warrant request except that no warrant is printed. Refer to *Handwrite Warrant Request* in this Section for procedures.

Warrants Issued by Other Systems

Warrants issued by other systems include payroll, permanent fund dividend, jury service, longevity bonus, welfare, medical assistance, postsecondary education, and retirement benefit warrants. These warrants are issued outside of AKSAS and interfaced into AKSAS from the external system. Warrant request transactions are generated by the external system and passed to AKSAS through the Balance Interface File (BIF). Transactions accepted through the BIF process are included in the next financial transaction run and processed the same as transactions entered online.

Warrants issued by other systems must be successfully interfaced in AKSAS on or before the day the warrants are distributed to payees.

Warrant Status File

Warrants recorded in AKSAS are maintained on the Warrant Status File (WSF) and can be viewed online through IW - Warrant Inquiry. Detail for a specific warrant number can be viewed or a list of warrants for a specified warrant class, reference type and number, source RD code range, and/or beginning print date can be displayed.

Warrants are retained on the WSF according to the status of the warrant, the date of last activity, and the purge parameters defined in the SMF Warrant Purge Table (SWC) maintained by the Division of Finance. Warrant status is identified by a two-character code:

AW (Active Warrant) - The warrant is active on the Warrant Status File. An active warrant can be either unredeemed (outstanding) or redeemed on the Warrant Status File.

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CA (Cancel) - The warrant was canceled and can no longer be redeemed. For printed warrants, the physical warrant must be in hand to record a cancel. For electronic payments, the warrant amount was returned to the state due to a problem with the vendor's bank account information.

CR (Cancel/Reissue) - The warrant was damaged before distribution to the payee and was canceled. A new warrant was issued to replace the damaged warrant. This status is specific to general warrants.

DR (Delete) - The warrant was deleted and a physical warrant was not printed. This status is specific to general warrants and EDI payments.

SD (Stale-Dated) – For warrants that were issued before July 1, 2003, the warrant was not redeemed within two years of the date of issue. For warrants that were issued July 1, 2003, and later, the warrant was not redeemed within six months of the date of the date of issue.

SP (Stop Pay) - A stop payment was placed on the warrant. For printed warrants, the warrant should not be redeemed. For electronic payments, the return of the warrant amount was requested and received because the payment was made in error.

Warrant Status Change

The status of an active (status AW), unredeemed warrant on the Warrant Status File may be changed with a 340-xx: Warrant Status Change transaction to stop pay, cancel, or delete the warrant. Refer to *Warrant Status Change* in this Section for procedures.

Warrant Reconciliation

Printed warrants are promises by the state to pay the face amount of the warrant. Vendors and other payees cash state warrants and financial institutions present the warrants to the state's clearing bank for payment. The clearing bank creates a daily warrant redemption interface file and submits the file to the Department of Revenue, Treasury Division for processing. When the bank redemption file is interfaced into AKSAS, warrants on the redemption file are matched against warrants on the Warrant Status File. Redemption records that match active, unredeemed warrants on the Warrant Status File are reconciled and purchased by the Treasury Division. The Division of Finance researches unmatched warrants and other errors and, if necessary, notifies the Treasury Division to take corrective action with the clearing bank.

Unredeemed Warrants

Alaska Statute (AS) 34.45.280(e) requires the State to send written notice to the payee of unredeemed warrant(s) that the warrant(s) will be presumed abandoned within the next 60 days, and that the funds will be turned over to unclaimed property. This requirement applies to all warrant types except for Permanent Fund Dividend warrants and Retirement and Benefit warrants (AS 37.05.180).

Monthly, the Division of Finance produces a list of warrants by agency that will be presumed abandoned (stale-dated) within the next 60 days. The Division of Finance sends the spreadsheet to each agency on the list.

The agency is required to send a Due Diligence Letter to the payee that lists the unredeemed warrant(s), the stale date of each warrant, and the action required of the payee. Required actions are (1) cash the warrant if the payee has possession of the warrant, or (2) request the agency to stop pay the original warrant and re-issue a new warrant if the payee does not have possession of the warrant. Refer to the *Sample Due Diligence Letter* on the Division of Finance website.

If the warrant does stale-date, the payee may contact the Unclaimed Property Section of the Department of Revenue to request a re-issued warrant. The Unclaimed Property office is located in Juneau at the State Office

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Building, 11th floor. The Unclaimed Property office can be contacted by phone at (907) 465-3726, by fax at (907) 465-2394, or by email at unclaimed_property@revenue.state.ak.us.

Electronic Payments (EDI)

Electronic payments transmit funds and financial data to vendors via Financial Electronic Data Interchange (FEDI). Payments are deposited directly into the vendor's bank account. From an agency perspective, the EDI payment process is similar to the warrant payment process except that a physical warrant is not printed. If a vendor is EDI capable, an agency may enter a warrant request transaction to record the payment and transfer funds. Refer to *Electronic Payments (EDI)* in this Section for procedures.

Wire Transfers

A wire transfer is a nonwarrant, electronic disbursement of funds and is typically used in situations when a payment is needed immediately for a one-time large disbursement of monies, or for foreign payments. The agency records a wire transfer transaction through a treasury journal entry, which transfers the dollar amount of the payment from an agency appropriation/fund to a Treasury Pool fund. The payment is held in the Treasury Pool fund pending approval and disbursement by Treasury. Refer to *Wire Transfer* in this Section for procedures.

AUTHORITY

37.05. Public Finance, Fiscal Procedures Act
AAM 35.010 - 270 Expenditures

TERMINOLOGY

Addenda – Remittance information transmitted with an electronic (EDI) payment. Depending on the EDI payment format chosen by the vendor, the state may be limited to sending only one addenda record per warrant request. Usually, large businesses expecting multiple payments on any given day from different departments will choose to receive multiple addenda records.

Cancellation (CA) - To cancel an active, unredeemed warrant in AKSAS so the warrant is no longer redeemable. Cancellations for printed warrants are processed when a warrant is issued in error or for an incorrect amount and the physical warrant is in hand. Cancellations for electronic payments are processed by the Division of Finance when the warrant amount is returned due to a problem with the vendor's bank account information. See also Return.

Cancel/Reissue (CR) - To cancel and reissue an active, unredeemed general warrant in AKSAS that was mutilated during the printing or distribution process.

Deletion (DR) - To delete an active, unprinted general warrant in AKSAS to stop the warrant from being printed on the scheduled print date. Also used to delete an EDI payment request that has not been included in the FEDI process.

Disbursement - Payment issued for a valid obligation of the state to a vendor or other payee.

EDI (Electronic Data Interchange) - The electronic transmission of business documents in a standard format.

Encumbered Expenditure - An AKSAS open item type used to earmark a set amount of funds for payment of a particular project or purpose. Also called an encumbrance.

Expenditure - The disbursement of funds for capital, operating, and other charges or costs identified by the nature of the cost (personal services, commodities, etc.) and by the type of goods or services purchased.

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External Warrant - Warrants issued and printed outside of AKSAS such as field warrants, handwrites, payroll warrants, permanent fund dividend warrants, etc. External warrants are recorded in AKSAS with online transactions or with transactions interfaced from the external system.

FEDI (Financial Electronic Data Interchange) - The electronic transmission of financial data in a standard format. Financial EDI is used to make vendor payments.

Field Warrant (FW) - A hand-prepared warrant not exceeding \$999.99 issued by an agency when immediate payment is required.

Field Warrant Accountability Report - A report listing changes that have occurred over the past six months in an agency's field warrant stock.

Field Warrant Custodian - The agency individual responsible for maintenance and security of physical field warrant stock released to an agency by the Division of Finance.

Forgery - A warrant claimed by the payee to have been cashed by someone else. To claim a warrant as forged, the payee must submit a signed and notarized Affidavit of Forgery to the issuing agency.

General Warrant (GN) - Warrants issued and printed by AKSAS.

Handwrite Warrant (HW) - A warrant hand-prepared by the Division of Finance at the request of an agency when same-day payment is in the best interest of the state.

Liquidation - Reduction of an open item balance, either by releasing a portion or all of the balance, or by charging an expenditure against the balance.

Notification of Change (NOC) - A notice received from a vendor's financial institution indicating that the account information sent in a prenote or live payment is inaccurate, and giving the correct account information.

Obligation - An amount the state is legally required to meet out of its resources.

Prenote - A zero-value EDI transmittal sent to a vendor's financial institution to test the accuracy of the account information prior to beginning cash payments. It also serves as notice to the financial institution that the account will begin receiving EDI payments.

PVN (Pay Vendor Number) - A reference type used in warrant request and open item transactions to identify the payee for warrant and EDI transactions and for 1099 tax reporting. The associated reference number must be a valid eight-character (three-alpha, five-numeric) vendor number on the Vendor Master File or a temporary vendor number.

Remittance Advice - Additional information specified in a general warrant request transaction and printed on the warrant stub.

Return - An EDI transaction that has been returned to the State because the receiving bank could not identify the correct account for the vendor.

Return per ODFI - A request made by Division of Finance through the State's banking partner (ODFI) to have an erroneous payment returned to the State. This request is made if more than 5 business days have passed since the Settlement Day of the original transaction.

Reversal - A transaction processed through the Division of Finance within 5 business days of Settlement Day reversing a previous EDI payment. Reversals may be processed for errors such as duplicate payments, payment

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to the wrong vendor, and incorrect amount paid.

Settlement Day - The day EDI payments are transferred to the vendors' financial institutions. This is the same as the RECONCILED DATE on the warrant detail screen.

Stale-date – For general warrants issued July 1, 2003 or after, a warrant not redeemed within six months of the date of issue. For general warrants issued prior to July 1, 2003, a warrant not redeemed within two years of the date of issue.

Stop Payment (SP) - To stop payment on an active, unredeemed warrant in AKSAS so the warrant is no longer redeemable. Stop payments for physical warrants are recorded when a warrant is lost, stolen, or issued in error and the physical warrant is not available. Stop payments for electronic payments are recorded by the Division of Finance when the payment was made in error, and the return of the warrant amount was requested and received. See also Return per ODFI and Reversal.

Temporary Vendor Number - A vendor number made up of three alpha characters assigned by the agency and five 9s. A temporary vendor number can be used for one-time payments or for open items when a vendor does not have a vendor number on the VMF. Payments cannot be issued with a temporary vendor number if the payment is 1099 tax reportable, for OneCard payments, or for electronic payments.

Treasury Journal Entry - A balanced debit and credit entry used by the Department of Revenue, Treasury Division to record investment transactions and other fund management activities in Treasury Pool Funds. Also used by agencies to record wire transfers.

Vendor Number - A unique eight-character (three alpha, five numeric) identifier assigned by the Division of Finance to identify vendors of the state on the Vendor Master File. The vendor number is entered in the Reference Number field on the PVN reference line in warrant and open item transactions. See **PVN** and **Temporary Vendor Number**.

Warrant - An obligation of the state drawn from a specified financial institution.

Wire Transfer - An electronic transfer of state funds from the state's bank account to the payee's bank account.

AKSAS TRANSACTIONS

310-xx: Add Warrant Request - Used to issue printed general warrants or electronic payments (EDI) to vendors. Also used to record field warrants, handwrite warrants, and warrants issued by systems outside of AKSAS.

330-xx: Change Warrant - Agency - Used to record changes to descriptive data, references, and financial coding for active, unredeemed general, field, or handwrite warrants. Also used to change certain data on active, unredeemed warrants issued by other systems.

340-xx: Warrant Status Change - Used to record stop payments or cancellations for all warrant types and to delete general warrants.

420-11: Treasury Journal Entry - Used to record a wire transfer disbursement of funds.

FORMS

Affidavit of Forgery
Authorization to Disburse memorandum
Field Warrant
Field Warrant Accountability Report (Form 02-421)

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Request for Handwrite memorandum
Warrant Status Change Request (Form 02-410)

REPORTS

Both online and hard copy reports are available. Online reports are available through AKSAS Warrant Inquiry (IW) and Online Audit Trail (RO). Hard copy reports are available through AKSAS Report Request Maintenance (RR) and GENEVA Reporting.

AKSAS Online Reports

IW - Warrant Inquiry - Used to view warrants on the Warrant Status File (WSF). Warrants are displayed by:

Warrant Detail - Displays warrant detail including warrant class, warrant number, status, print and redemption dates, warrant amount, payee, and reference and financial information for a specific warrant number.

Warrant Reference - Displays a list of warrants for a specific warrant class, reference type, and reference number. The list of warrants may be further limited by entering an optional source RD code range and/or beginning warrant print date.

RO - Online Audit Trail - Used to display a user-defined audit trail of warrant transactions and associated financial information.

AKSAS Hard Copy Reports

Transaction Index Listing (B30001) - Provides a list of transactions processed in AKSAS. Specific RD codes and lower levels, transaction status, transaction codes, and/or source system ID may be specified in the report request.

Financial Transaction (FTP) Register (B30003) - Provides transaction detail for financial transactions processed in AKSAS. Report data is requested by specific RD codes and lower levels, transaction status, transaction codes, and/or source system ID. The report lists all financial line information for each transaction, including offsetting entries generated by AKSAS.

Agency Warrant Register (B71102) - Lists the warrant class, warrant number, scheduled print date, payee name, warrant amount, source RD code, document number, and routing RD code for general warrants returned to an agency for distribution. This report is distributed to the agency with each day's returned general warrants.

Vendor Analysis - Provides payment information for general, field, and handwritten warrants. Data is requested for a specific source RD code and lower levels and for a specific reporting period. Payment information includes the vendor number, payee name, reference information, source RD code, warrant number and status, warrant print date, and document number. Vendor analysis reports are available for the following reporting periods:

Special Vendor Analysis (B82102) - A vendor analysis report for a specific vendor, date range, and reference type(s). The dates and frequency specified in the report determine the reporting period.

Monthly Vendor Analysis (B82103) - A vendor analysis report for the preceding calendar month usually run the first business day of each month. The report also runs weekly to request a monthly vendor analysis for a prior month.

Quarterly Vendor Analysis (B82104) - A vendor analysis report for the previous quarter usually run the first business day of January, April, July, and October.

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Annual Vendor Analysis (B82105) - A vendor analysis for the preceding calendar year run in late January and distributed to agencies in microfiche format. Requests for this report are set up by the Division of Finance and are run once each year.

Future Warrants by SRD (B92102) - A list of general warrants for a specific source RD code and lower levels that have a future scheduled print date. Warrants are listed on the report in source RD code sequence. The source RD code, warrant number, vendor, warrant amount, date of last activity, and scheduled print date are displayed for each warrant listed.

Future Warrants by Fund (B92202) - A list of general warrants for a specific source RD code and lower levels that have a future scheduled print date. Warrants are listed on the report in fund number sequence. The fund number, source RD code, warrant number, vendor, warrant amount, date of last activity, and scheduled print date are displayed for each warrant listed.

EDI Payment by SRD (B92302) - A list of electronic payments for a specific source RD code and lower levels that have not been transmitted. Payments are listed on the report in source RD code sequence. The source RD code, warrant number, vendor, warrant amount, date of last activity, and scheduled print date (transmission date) are displayed for each payment listed.

EDI Payment by Fund (B92402) - A list of electronic payments for a specific source RD code and lower levels that have not been transmitted. Payments are listed on the report in fund number sequence. The fund number, source RD code, warrant number, vendor, warrant amount, date of last activity, and scheduled print date (transmission date) are displayed for each payment listed.

EDI Statistical Summary (pending) – A summary report with both Statewide data and a breakdown by department showing total number of EDI vendors, warrants and dollar amounts. This report sums the daily data of all departments.

Duplicate Payments (B77002) - Provides a list of possible duplicate payments made during the last three months for a specific source RD code. The report lists the vendor number, vendor name, invoice number, warrant number, source RD code, pay date, and invoice amount for each potential duplicate payment.

GENEVA Reporting

GENEVA may be used to create user-defined views of warrants and associated reference and financial data. For more information, refer to *Accounting Procedures Manual, GENEVA Reporting*.