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STARS MANUAL

ELECTRONIC FUNDS TRANSFER (EFT)

INTRODUCTION

Electronic Funds Transfer (EFT) allows a payment to be electronically deposited in the vendor's checking or savings account. This process is open to all statewide business vendors, state employees, and recipients specific to certain agency programs, such as, child support, Medicaid, insurance fund payments, tax refunds, etc. (In STARS, "vendor" refers to any person or company receiving payments through STARS via a Vendor Number.)

The EFT processes include:

- Set up
- Prenotes
- Bank Verification
- Notices of change
- Payment process - includes a flowchart of the process

SET UP

Your agency must send the [required vendor forms](#) to the State Controller's Office (SCO):

- Combined Substitute W9/EFT Direct Deposit form.
- A W-9 from the IRS.
- A voided check (not a deposit slip) or bank verification for a checking account.

The payment method is then set up in the Vendor Edit Table (S021). Agency personnel may view the Vendor Edit Table (S021). For agencies in the Vendor Edit Table, the name of the financial institution will be displayed, but bank account information will not be displayed.

PRENOTES

A Prenote is a zero dollar EFT transaction transmitted to the vendor's bank to verify that the ABA number and account number exist and are valid. The Prenote also advises the receiving institution that electronic transfers will be made to the recipient's account.

Once the bank account information and Prenote Indicator are entered in STARS, the nightly batch processing will create a zero dollar EFT transaction called a Prenote and automatically change the Prenote Indicator on the Vendor Edit Table (SO21) from 'P' (Data Entry Prenote) to

'S' (Prenote Sent to the Bank). The Prenote process takes three days. Until the Prenote process is complete, all payments to the vendor are sent by paper warrant.

If the Prenote information does not match information at the vendor's bank, a Notice of Change will be automatically sent back to notify the State Treasurer's Office (STO). STO in turn will notify the SCO. The SCO will then evaluate the Notices of Change and take appropriate action. Corrections based on the Notices of Change must be completed within the three-day period. See [the Notices of Change section](#) for more information. After the three-day period, the Prenote Indicator will automatically change from 'S' (Prenote Sent to Bank) to 'Y' (EFT in Place). All Vendor records with a Prenote Indicator of 'Y' will receive payments electronically. Electronic payments cannot be intercepted or distributed back to the agencies. The key in the Vendor Edit Table (S021) takes precedence over other Warrant Write functions.

The SCO currently sends EFTs in three types of formats - **PPD** (Prearranged Payment and Deposit Entry), **CCD Plus** (Cash Concentration or Disbursement the Plus application allows for payment related data in the addenda record), and **CTX** (Corporate Trade Exchange). The SCO uses the PPD format to process tax refunds and does not attach an addenda or information record. CCD Plus is used for child support payments and includes one addenda record. CTX is used for all other payments. The CTX format used by the SCO contains no addenda information.

PRENOTE INDICATOR

Below is an example of the Vendor Edit Table (S021) for an EFT vendor. The Prenote Indicator of 'Y', indicates that this vendor receives EFT payments from the State for this particular account and ABA combination.

Vendor Edit Table S021 for AT&T

VERSION 3.1	STARS--VENDOR EDIT TABLE MAINTENANCE/INQUIRY	S021
FUNCTION: R (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)		
VENDOR NUMBER: 134924710 00 DMI: VENDOR AGY: 000 DUE DAY(DD):		
VEND TYPE: C VEND STATUS: 0 CHG AGY: W-9 AGY: 140 1099 NAME/ADDR:		
SORT SEQUENCE: AT&T SS EIN NUMBER: 134924710 1099 INDICATOR: N		
VENDOR NAME.. : A T & T		
VENDOR NAME 2: ATTN JUSTIN JUSTY		
VENDOR ADDRESS: 6021 S RIO AVE ROOM 3N2-670		
CITY: ORLANDO STATE: FL ZIP CODE: 32809		
PHONE: 407 858 6726 CONTACT NAME: JUSTIN JUSTY EDI COORDINATOR		
ABA NO:123456789 FINANCIAL INSTITUTION: WELLS FARGO BANK NA		
FINANCIAL INSTITUTION ACCT NO:123123123 ACCT TYPE: C		
PRENOTE IND: Y PRENOTE DATE:		
EFF START DATE: EFF END DATE: LAST PAID DATE: 051900		
LAST PROC DATE: 122099		
INTERRUPT:		
Z06 RECORD SUCCESSFULLY RECALLED		
PLEASE ENTER FUNCTION		
PF8=RECALL/NEXT USING VENDOR SORT SEQUENCE		

If you have STARS security access to view the Vendor Edit Table (S021), you can determine the EFT status by the Prenote Indicator. Viewing confidential bank information, such as the ABA Number, the Financial Institution, the Financial Institution Account Number, and the Account Type, is limited to authorized SCO personnel.

Valid Prenote Indicators are:

Indicator	Description
P	Data entry for Prenote information.
S	Prenote sent to the bank.
Y	Three-day waiting period is complete; payments will be EFT.
R	Account or ABA information invalid, Prenote rejected. Future payments made with warrants.
Space	No EFT on vendor.

BANK VERIFICATION

When setting up an EFT for a vendor, a bank verification letter can be accepted in place of a voided check or for non-checking accounts. Bank verifications must originate from the recipient's financial institution and must be on their letterhead. The verification must include the vendor's account number, account type and the institution's ABA routing number.

NOTICES OF CHANGE

Invalid account information will be rejected by the vendor's financial institution and generate a notice of change which is routed through National Automated Clearing House Association (NACHA) network to STO. Payments or Prenotes will reject for reasons such as closed account, invalid account or ABA data, account unable to locate, no Prenote on file, payment refused by receiver, or duplicate entry. The notices of change must be investigated to determine what account information has changed. The notices of change are sent from STO to SCO and could be one of three different types:

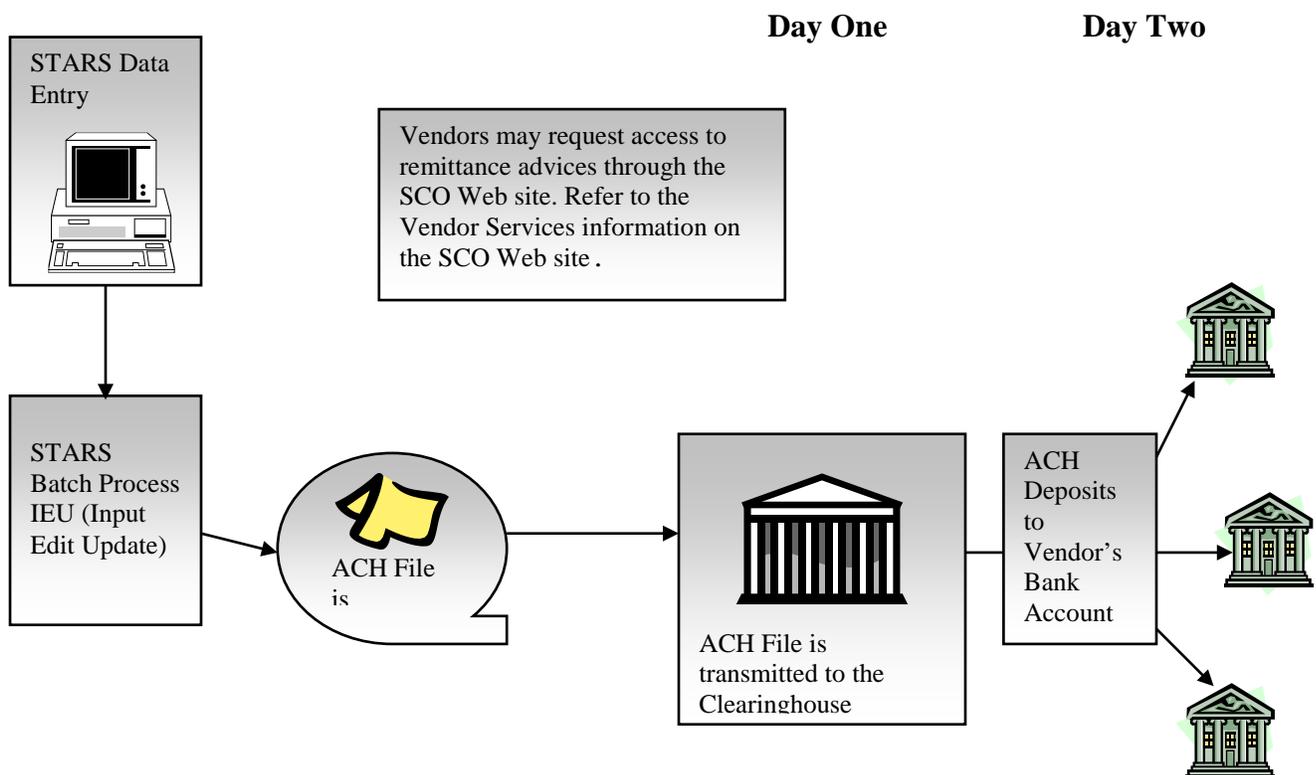
1. Prenote information is incorrect and the correct information is provided. SCO personnel will then enter the correct information on the Vendor Edit Table – SO21 and the Prenote starts over.
2. Prenote information is incorrect and the correct information is not provided. SCO personnel will enter an 'R' in the Prenote Indicator field on the Vendor Edit Table – SO21, notify the original requesting agency of the problem and provide all available information. The agency is then responsible for obtaining corrected information. After the corrected information is received and entered by the SCO, the Prenote process starts over.
3. A previously valid EFT account has been closed or the account information has been changed. SCO personnel will enter an 'R' in the Prenote Indicator field on the Vendor

Edit Table – SO21, notify the original requesting agency of the problem and provide all available information. The agency is then responsible for obtaining corrected information. After the corrected information is received and entered by the SCO, the Prenote process starts over.

Until the new account information successfully completes the Prenote process and the Prenote Indicator on the Vendor Edit Table – SO21 is ‘Y’, the vendor will be paid by warrant.

PAYMENT PROCESS

The STARS nightly batch processing (IEU input-edit-update) creates an ACH file that includes all EFT transactions and Prenotes generated that day. Each EFT transaction and Prenote is assigned an EFT number which is similar to a warrant number but is in the sequence 010000000 – 099999999. STARS will not create a paper remittance advice for EFTs. Vendors may request access to remittance advices through the SCO Web site. [Refer to the Vendor Services information on the SCO Web site](#). Also on that day, the managing financial institution picks up the ACH file electronically and forwards it to the vendor’s appropriate financial institution. The day after the ACH is picked up, the EFT transactions are posted to the vendor’s accounts.



Payments or Prenotes with incorrect bank account information generate a Notice of Change and are returned through the ACH channels, crediting the Treasurer’s bank account. The STARS

warrant cancellation process will then be applied to those EFT transactions and notifications will be sent to the originating agency. (See [Warrants and Cancellations](#) for additional information.)

The Prenote Indicator of a vendor whose payment has been rejected will be set to 'R', stopping any further EFT payments. The agency must resubmit the payment transaction for that vendor through STARS. The vendor will then receive warrant payments until the corrected bank account information is resubmitted and the Prenote process is successfully completed.

The EFT transaction processes the same as any other expenditure payment. The transaction will post against all files and financial reports in the same manner as a warrant payment. The transaction will report on the transaction registers just like a warrant payment. Corrections to any electronic payment transactions require no special treatment from normal procedures. Once an EFT is established for a vendor number/suffix combination, all payments to that vendor number/suffix will be by EFT.

REMITTANCE ADVICE

EFT payments do not generate a printed remittance advice, with the exception of Health & Welfare. Vendors may request access to remittance advices through the SCO Web site. [Refer to the Vendor Services information on the SCO Web site.](#)

SOLVING COMMON PROBLEMS

A VENDOR IS OVERPAID

Once a payment is processed and transmitted by EFT and accepted by the vendor's financial institution, the monies cannot be recouped without the vendor's intervention. In other words, the EFT transmission is similar to a redeemed warrant. The State cannot take money out of a vendor's bank account once it is deposited. You must notify the overpaid vendor and request either a credit or a check for the overpayment. (See the [Cash Receipts](#) document for procedures to process cash refunds, TCs 105 or 106.)

VENDOR CALLS TO FIND OUT WHAT HAS BEEN PAID

Vendors may request access to remittance advices through the SCO Web site. [Refer to the Vendor Services information on the SCO Web site.](#) The following steps may help you find out what has been paid:

1. Request the 'E' warrant number. It will be an 'E' followed by a nine-digit number beginning with a 0 (zero), typically in the range of (010000000-099999999).
2. Request the vendor's name for verification purposes.
3. On the STARS main menu, enter 'W' in the FUNCTION field and press ENTER to display the Warrants menu.
4. On the Warrants menu, enter 47 in the FUNCTION field and press ENTER to display the Warrant Status File Maintenance/Inquiry screen.
5. Type in 'R' in the FUNCTION field and enter the EFT\Warrant number (do not enter the 'E') in the WARRANT NUMBER field and press ENTER.

6. Interrupt to the 48 screen. More detail regarding the EFT payment, including the invoice number, will be displayed.

VENDOR WANTS TO CANCEL EFT PAYMENTS

To cancel EFT payments, the vendor must submit a signed [the Combined Substitute W9/EFT Direct Deposit form](#) to the SCO, marking **Cancel** on the form. Once the form is received by the SCO, the Vendor Edit Table (S021) will be updated by entering an 'R' in the Prenote Indicator field.

WHERE TO SEND EFT FORMS

Three documents are required for a vendor to enroll in the EFT program:

- Combined Substitute W9/EFT Direct Deposit form. [Click here to download the Combined Substitute W9/EFT Direct Deposit form](#).
- A W-9 from the IRS.
- A voided check (not a deposit slip) or bank verification for a checking account. Photocopies cannot be accepted.

Please mail the completed (and signed) forms, together with the voided check or bank verification to:

Office of the Idaho State Controller
Attention: Accounting Operations
P.O. Box 83720
700 West State Street
Boise, ID 83720-0011

STATE AGENCY SUBMITS FORMS FOR THE VENDOR

The agencies need only to submit a completed and signed Combined Substitute W9/EFT Direct Deposit form and either a voided check or bank verification to the SCO. Agencies should maintain the original W-9. Be sure to fill out the Combined Substitute W9/EFT Direct Deposit form from the data on the W-9.

STATE EMPLOYEES

Direct deposit information provided to EIS does not automatically transfer to STARS. Therefore, if a state employee wishes to receive reimbursements by EFT, the EFT must be set up in STARS on that employee's social security number. The state employee must complete and submit to the SCO the following:

- A Combined Substitute W9/EFT Direct Deposit form.
- A voided check (not a deposit slip) or bank verification letter for a checking account.

State employees are not required to complete a W-9 in this process. EFTs for State employees cannot be set up on STARS until after EIS has successfully set them up in their system.

EFT ONLINE REPORTS

An Electronic Deposit Confirmation Report prints daily with information regarding EFT transmissions. The STO and the SCO receive a copy of this report. The Statewide Requestable Daily Warrant Register (DAFR4850) contains EFT numbers. NOTE: The range for EFT numbers is 010000001-019999999.

The SCO control reports or online data sets that process daily from the EFT process are:

Report	Description
DAFR0187	Vendor Prenotes sent to the Bank
DAFR0188	Electronic Deposit Confirmation Report Shows the total amounts being sent to the bank.
DAFR0195	Bank File Summary Report