



THE HONORABLE CURTIS M. LOFTIS, JR.

State Treasurer

Requirements for Payment Techniques

February 1, 2020

Purpose:

To prescribe requirements to be utilized by the State of South Carolina relating to the disbursement of moneys in order to maximize efficiencies and interest earnings accruing to the State.

Authority:

SC Code of Laws section 11-13-30

As custodian, only the State Treasurer may invest and deposit funds, to draw the best rate of interest obtainable

12 CFR Part 1005 - Federal Regulation E

An employer may require direct deposit of salary if employees are allowed to choose the institution that will receive the direct deposit

Description:

The State Treasurer has express and exclusive authority over the investment of all funds of the State for which he is designated custodian. Accordingly, the Treasurer has the fiduciary responsibility to maximize the return on investment of all such funds.

Inherent to his role as custodian, until the funds are disbursed, the Treasurer also has the fiduciary responsibility to ensure that the State utilizes payment techniques that support payment efficiencies that accrue to the State.

Continued reliance upon check printing and the associated required document handling is increasingly becoming inefficient, costly, and not secure. To ensure the most cost-efficient and secure manner of processing payments to all payees, printing checks for payments is discouraged and is considered the method of last resort, employed only on an exception basis.

Modern payment techniques include:

- Requiring the standard method of payment to all vendors, employees, and other payees to be by an approved electronic method of payment as opposed to paper check
- Standardizing vendor payment terms that are favorable to the State
- Establishing operating procedures which prohibit the circumventing of established policies

General Policy:

The Treasurer hereby establishes the parameters pertaining to the utilization of electronic payments as opposed to paper checks, the standardization of vendor payment terms, and procedures prohibiting the circumventing of established policies.

Electronic Payment as the Standard Method of Payment

- The preferred method of payment for all vendors is through ACH direct deposit. Agencies are expected to require vendors to be enrolled such that the manner of payment is by ACH direct deposit.

- The preferred method of payment for employees is through ACH direct deposit. Agencies should encourage payment by ACH. Employees who do not consent to payment through ACH direct deposit, will be paid through a Payroll Debit Card.

Standardizing Vendor Payment Terms

- Agencies shall adhere to the State Treasurer's established process for paying vendors in accordance with the State's terms and conditions (e.g., net 30 days)
- Agencies shall adhere to the State Treasurer's established process for acquiring approval for a vendor's terms and conditions that deviate from the standard.

Prohibiting the Circumventing of Established Policies

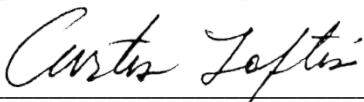
The use of a one-time vendor record in order to circumvent the policy of paying vendors via electronic payment methodologies is prohibited. Electronic payment methodologies shall fully be leveraged and payment by printed check shall be the method of last resort. Reliance upon one-time vendor ID's for effecting payment is prohibited without express approval from the Office of State Treasurer

Payments Made to Related Vendors Considered Final

There exists within the State Vendor File, multiple vendor ID's which share the same FEI # and are considered related vendors. In this grouping, one of the vendor ID's is considered the primary 1099 reporting vendor record and is in fact the vendor ID that will receive 1099 reporting for the activity of all related vendors. All such vendors are to be considered the same entity. It is the responsibility of the vendor to coordinate with any paying agency such that the appropriate vendor ID is used by that agency to effect payment to the appropriate vendor banking account as desired.

Thus, any electronic payments made to the banking account of a vendor which shares the same FEI # as another vendor considered a related entity for 1099 reporting purposes, shall be final payment. As such, requests that payments be recalled and re-directed to related vendor's banking account shall be denied and the vendor shall be responsible for said banking transfers within its own operating entity.

Approval of Policy Implementation



Curtis M. Loftis, Jr. South Carolina State Treasurer