AS201

LSU Health Sciences Center, New Orleans

Accounting Services

Electronic Funds Transfer Policy and Procedures

Revised January 2, 2019

Policy Purpose:

The primary goal of this policy is to ensure Electronic Funds Transfers (EFTs) are initiated, approved and executed in a secure manner. Further, the purpose of this policy is to ensure the accuracy of the transaction details by using redundant verification of the payee and the payment amount by directly contacting the requestor of the EFT payment. This policy establishes requirements with respect to domestic and international payments via EFT for payments of university obligations to vendors and any other third-party, except for employee paychecks.

Definitions:

Automated Clearing House Payment (ACH Payment): Generally refers to payments made via National Automated Clearing House and should be set up in the vendor master that denotes this payment method. ACH Payments are processed through existing templates on the banking partner's computer-based system or through secure FTP uploads into the banking partner's ACH processing system.

Banking Information: Information from the payee or their bank regarding payee's account; including bank name, account name, account number, routing number, bank contact information and any other information necessary to transmit funds.

Electronic Funds Transfer (EFT): The electronic exchange (transfer of money from one bank account to another), either within a single financial institution or across multiple institutions, through computer-based systems. Wire transfers and ACH payments are examples of EFTs.

Wire Transfer: An electronic transfer of funds from one bank account to another initiated directly with the payer's bank. The preferred mechanism for executing wire transfers is by using the banking partner's computer based system. Further, the preferred mechanism to execute wire transfers is by using a pre-existing wire template, where the banking information of the payee has been previously recorded in the banking partner's computer-based system. One time wire transfer requests or requests for wires without a pre-existing wire template will be subject to additional scrutiny.

Policy Statement:

A wire transfer of funds in payment of an obligation of the LSU Health Sciences Center (HSC) will only be used when the situation requires immediate good funds to settle a transaction. If a more cost effective mechanism can be utilized to effect payment of the obligation (i.e. ACH payment, Accounts Payable virtual card, or paper check), which is true for most domestic payments, in coordination with Accounts Payable, Accounting Services shall reserve the right to change the method of payment accordingly.

All other policies and procedures in relation to the purchase of goods and/or services must be adhered to. This policy does not apply to secure data transmission systems from Accounts Payable and employee payroll (these are secure FTO uploads). Accounting Services releases these types of ACH transactions after Accounts Payable Office or Payroll Office have applied appropriate approval and validation checks as part of the Accounts Payable or Payroll payment process.

General Requirements:

EFT payments will be coordinated and submitted through Accounting Services. The Director of Accounting Services or his/her designee will approve all wire payment requests, ensuring that the payment via wire is necessary, all required documentation is provided and appropriately approved, and that the request and banking account information is accurate and valid.

Roles and Responsibilities

General Accounting within Accounting Services is responsible for ensuring that proper documentation, authorization and accounting information are provided and accompany EFT payment requests.

Accounting Services is responsible for initiating and releasing EFT payments on behalf of the LSUHSC. Two separate individuals are required to initiate and release EFT payments through the LSUHSC's banking partner's computer-based system. Accounting Services also has the responsibility to confirm EFT instructions with the requestor if there is any question as to the validity of the EFT payment request.

The requestor of an EFT payment is responsible for obtaining and submitting proper support and approvals. For payments by wire transfer, the requestor must submit to Accounts Payable a completed and approved Wire Transfer Request form. Once reviewed and approved for payment, Accounts Payable will process the request in PeopleSoft in order to create the appropriate journal entries and payment references. The completed Wire Transfer Request form and supporting documents must be submitted to Accounting Services at least seven business days prior to payment being needed.

Procedures

To promote the safety of LSUHSC's assets in the EFT environment, all LSUHSC employees must adhere to the following procedures for requesting and processing EFT payments:

1. The procedure to initiate an EFT payment is subject to the same financial policies, procedures and controls that govern disbursement by any other payment mechanism.

2. EFT payments will not be executed without proper authorization of affected parties in accordance with federal and state statue and accepted business practices.

3. Authentication of new EFT template requests and changes to existing EFT template requests is required prior to the transaction being input into the computer-based banking system and includes the following steps:

   - **Validate** all new electronic payment instruction requests received even if the request is internal.

   - **Contact** the supplier or requestor directly by phone to confirm the request for an EFT payment or the changes to the EFT template. Do not use the contact information provided on the EFT payment request; do use contact information known to be genuine such as the contact information in your master supplier file or information collected from the original contract. Have the contact confirm existing payment instructions on file prior to making changes to those instructions (i.e. current bank account and routing number provided in original instructions).

- **Verify** the new information provided on the payment instructions provided with the known contact (i.e. contact bank to confirm correct account name, number and routing information).

- **Document** the verification process that was followed to validate payment instructions. The person responsible for entering/updating wire instructions and the person approving new/updated wire instructions must approve the record of verification.

4. Authentication of new EFT template requests and changes to existing EFT template requests will include using a distribution list maintained by the Director of Accounting Services. The following steps will be taken –

- The person validating the EFT transfer request will send an email to the distribution list and include the following details in the email – who was contacted to verbally confirm the EFT request, at what time verbal contact was made, what contact information was used, how the source of contact information used to contact was different than the contact information from the EFT transfer request; what amount was validated, what payee name was validated, the last 4 digits of the payee's bank account

- An approval response from at least one person from the distribution list and different from the EFT transfer requestor is required before General Accounting starts entering the EFT transfer request in the banking partner's online system.

5. When EFT payments are approved, they will be set up as a template in the computer-based banking system and require the Director and Assistant Director or their designee to separately setup and approve the EFT

template. Any changes to an existing template also require the above persons separate review and approval.

6. Bank balances will be monitored daily by the Assistant Director or designee for unusual or unexpected transactions.

7. Reconciliation of banking activity to the general ledger will be accomplished in a timely manner with investigation and resolution of reconciling items.