



UNIVERSITY OF
ROCHESTER

Electronic Funds Transfer Policy

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I. Date of Initiation/Revision

February 2, 2010

II. Policy Classification

Treasury Department

III. Policy Summary

This policy establishes general guidelines for using electronic funds transfers including wire transfers for payables and receivables.

IV. Related Policies

Not currently applicable.

V. Delegation of Authority

The Senior Vice President for Administration & Finance and Chief Financial Officer has authorized the Office of Treasury as the University's representative for this policy and procedure.

VI. Policy Statement

The primary goal of this policy is to ensure that use of electronic funds transfers and receipts are initiated, executed, and approved in a secure manner. The factors include security, efficiency and cost effectiveness and the manner, type of transfer and the methods used to communicate instructions with the University's bank.

The policy also identifies the proper documents to be completed by divisions or departments who might have an electronic funds transfer request or receipt. Completion of the form and documentation will ensure faster and more accurate receipts and payments and establish an audit trail to track and report on the flow of funds.

The policy will identify responsibilities for all individuals involved in the process of electronic funds transfer activities.

General guidelines:

All electronic funds transfer arrangements will be coordinated and submitted through Treasury for receipts and General Accounting for disbursements. Treasury will review and approve all new funds transfer requests and procedures before implementation of the payment or receipt. All EFTs, Electronic Funds Transfers, must have a Form F-4 EFT, Request for Electronic Funds Transfer (<http://www.rochester.edu/adminfinance/treasury/>) signed by two authorized individuals and in accordance with the Financial Authorization and Signature Policy from Senior Vice President Administration and Finance & CFO (<http://www.rochester.edu/adminfinance/signature/>). All payments must be approved by the requestor's immediate supervisor or by the responsible person for the account (s) to be charged in the University's accounting system (FRS). Operating investments are not covered by this policy.

Treasury will determine the EFT payment type based on the necessary settlement of the payment. Types of EFTs include: ACH (Automated Clearing House), CHIPS (Clearing House Interbank Payments System), SWIFT (Society for Worldwide Interbank Financial Telecommunications), Fed Wire and Book Transfer. EFT transactions can also be freeform. Examples of how payments are made or received include: government agencies almost always pay through the ACH, large corporate payments are

typically made through Fed Wire, and foreign entities always pay through wire transfer via SWIFT and Fed Wire.

All electronic funds transfer transactions will be initiated and approved through J. P. Morgan AccessSM treasury services web portal. The portal has established individuals as initiators and approvers with specific functions (see Procedures for Treasury Office and General Accounting for more details).

VII. Responsibilities

Division/Department:

Receiving funds:

To initiate an EFT relationship, the periodic incoming receipts to UR must exceed \$2,500. If the payment amount is less, the payments should be transacted through traditional media such as paper check.

Paying funds:

Vendor EFT relationships are handled on a case-by-case basis with Purchasing and/or Accounts Payable Departments. The minimum dollar amount to be paid via EFT is \$2,500. Factors in the decision to pay via EFT include: size of the account or payment, length of the relationship, and frequency of payment (s). Treasury personnel will determine the type of EFT transaction to be incurred due to the various costs associated with the payment and when the funds must be available to the receiving party.

Accounts Payable:

If a vendor requests payment via EFT, Accounts Payable will communicate with Treasury to identify the payment transaction type required for settlement of funds to the vendor. The minimum dollar amount for the EFT is \$2,500. The payment transaction types include foreign and domestic; for domestic the types include same day or future day settlement.

Purchasing:

When a vendor requests payment via EFT, Purchasing will work with Treasury to identify the payment transaction type required for settlement of funds to the vendor. The minimum dollar amount for the EFT is \$2,500. The payment transaction types include foreign and domestic; for domestic the types include same day or future day settlement.

Treasury/General Accounting:

Treasury will identify the payment method for accounts payable transactions. General Accounting, with assistance from Treasury, will maintain a record of transaction details for accounts receivable transactions. This will ensure that the transactions are processed and recorded in the most accurate and efficient manner at the lowest possible transaction cost.

VIII. Procedures

Division/Department:

All division/department requests to *receive* funds electronically should be communicated to Treasury via email (treasury@rochester.edu).

All division/department requests to *pay* funds electronically should be communicated to Treasury and/or Purchasing. All documentation to process the transaction for payment should be prepared and sent to Accounts Payable at least 5 business days prior to desired settlement date.

For electronic receipt of funds, the following information must be sent **via e-mail** to treasury@rochester.edu and cash_management@rochester.edu prior to receiving electronic funds transfer:

Name of payer

Amount

Account number and object code for credit of amount received

Anticipated date of receipt

Contact name and telephone number
Payer's bank name and address (if possible)

Note: If electronic funds are received and an owner is not identified the same day, UR is required by Federal banking rules to return the funds to sender the same day debited/credited to the bank account.

For electronic payment of funds, complete F-4 EFT--Request for Electronic Funds Transfer and submit the F-4 EFT form with the invoice and/or any additional supporting documentation to Accounts Payable. General Accounting will review the accuracy of data provided by the preparer of the F-4 EFT, Request for Electronic Funds Transfer. The following details are required:

- Name of payee and address
- Amount
- Payee's bank name and address
- ABA, IBAN and/or SWIFT or CHIPS number of payee's bank
- Payee's bank account number
- UR ledger account number and object code for debit of transaction posting

The F-4 EFT and related documentation should be forwarded to Accounts Payable. Signatures on the F-4 EFT must conform to the University of Rochester's Financial Signature & Authorization Policy.

Questions relating to electronic receipts and/or payments should be directed to Treasury Office and/or General Accounting.

Accounts Payable and Purchasing:

Accounts payable and Purchasing will consult with Treasury as necessary regarding establishing vendor EFT relationships.

Treasury Office and/or General Accounting:

Divisions/departments should notify Treasury at least 24 hours advance of EFT receipts incoming to UR checking/concentration account including the transaction details requested. Treasury will approve all electronic receipts of funds and will forward information to Cash Management for maintaining a log of incoming receipts.

All electronic funds transfer request documents will be reviewed by Cash Management for completeness of required banking details prior to the initiation of the transaction within J. P. Morgan AccessSM treasury services web portal.

Treasury will identify EFT payment type: ACH, Book Transfer, FED Wire, SWIFT, or CHIPS. The type of transaction is dependent upon when settlement must occur, and if the transaction is domestic or foreign or if the transaction will be settled within J. P. Morgan Chase Bank. If payee is not established in Access, Cash Management will set up appropriate template for internal approval and bank approval and then initiate transaction information to the payees' bank account when all approvals have been secured. For **Fed Wire, Book Transfer, SWIFT and CHIPS (funds transfer)**: always utilize bank verified lines when creating a new freeform or repetitive transaction because it is more secure and less time is required for inputting transaction information. Fed Wire and Book Transfer settle about 1 hour after approval and SWIFT and CHIPS settle at least two days after approval. For **ACH**: identify payment type of transaction and review existing batches to learn if there is an existing batch where the transaction can be grouped to. ACH transactions settle at least one day after approval and can be maintained for longer.

Upon completion of initiation of the EFT details within Access, an approver will review the transaction (s) for accuracy of the data input. The approver must review the ABA and account number for each payment IF the information is provided on the request for payment documentation. After verification is completed and identified as accurate, the approver will approve and/or release the transactions for settlement by the bank.

Within Access, Funds Transfers and ACH Transfers entitlement rights initiators and approvers are as follows for Funds Transfers and ACH Transfers. An initiator and approver are different individuals with different levels of responsibility within the organization and within Access. Initiators include cash management accountant and financial accounting specialists. Approvers include assistant treasurer and treasury manager, associate controller and manager of general accounting.

Funds Transfers:

An **initiator** will have the following entitlement rights: initiate transactions on main concentration account; run funds transfer reports; create lines, modify lines and delete/cancel lines; and create, modify and delete funds transfers. Initiators will not be granted the ability to approve or release wires.

An **approver** will have the following entitlement rights: run funds transfer reports; delete/cancel lines and approve lines; approve other's funds transfers; and release other's funds transfers. Approvers will not be granted the ability to create wires or approve and release own wires.

ACH Transfers:

An **initiator** will have the following entitlement rights: initiate transactions on main concentration account; run ACH batch listings; create, modify and delete ACH databases after approval from an approver; create, modify and delete ACH database detail records; create, modify and delete ACH payments batch; and create pre-notes if requested or if there is concern for bank account details. The validator function and the import batch functions will not be available for use. Initiators will not have the ability to release or unrelease batches.

An **approver** will have the following entitlement rights: release and un-release batches and run ACH batch listings and audit reports. The validator function and the import batch functions will not be available for use. Approvers will not be granted the ability to create or modify a batch.

There are no maximum dollar limitations in funds transfer or ACH initiation or to the approval and release functions. Refer to J. P. Morgan AccessSM treasury services web portal user guides, "Funds Transfer Initiation and Funds Transfer Reporting" and "ACH Initiation" for specific instructions on how to initiate, release and approve transactions to the bank for settlement to vendors.

Once the transaction has posted as a debit or credit to the bank account, General Accounting (Cash Management) will prepare the journal entry to post to appropriate ledger accounts included in the supporting documentation provided by the Department/Division. Transactions will be booked to the ledgers daily by General Accounting.

In the event that the Internet is not functional, a transmission of funds via telephone and facsimile can be made to J. P. Morgan Chase Bank for their action in initiating the transaction (s). This applies to the following J. P. Morgan Chase Bank accounts: Concentration, Payroll, and Check with Order.

The following procedures should be followed when necessary to initiate funds transfer instructions via telephone and facsimile instructions:

Telephone and facsimile use to execute funds transfer must be in conjunction with appropriate steps and callback procedures as described below.

- All funds transfer instructions must be on J. P. Morgan Chase's Funds Transfer Request or Book Transfer Request form. The form must be signed by the authorized individuals established by J. P. Morgan Chase's Appointment of Authorized Person to Issue Funds Transfer Instructions and/or Provide Callback Verification.
- For all international funds transfers and USD funds transfers exceeding \$100,000, a telephone call will be made by J. P. Morgan Chase to an authorized approver for the University. The authorized approver should read the funds transfer information back to J. P. Morgan Chase funds transfer representative. If all funds transfer information conveyed over the telephone is the same as it appears on the fax, the employee should (i) initial the instruction form, (ii) provide the name of the individual who confirmed the information on the instruction form, and (iii) provide the date and time of the conversation.
- If any of the key information on the instruction form differs from the information provided in the telephone conversation, no funds transfer should take place. Cancel the funds transfer

transaction with the J. P. Morgan Chase funds transfer representative. A new instruction form should be completed by the initiator from the beginning.

- Telephone and facsimile instructions are not substitute for original documentation.

IX. Appendix

Definitions

EFT (Electronic Funds Transfer)

An automatic method of transferring funds electronically from one bank account to another without producing a check. ACH, Book Transfer, CHIPS, SWIFT, Wire Transfer and Freeform Transactions are considered EFT transactions.

American Bankers Association (ABA) number

The ABA number is the nine (9) digit electronic address of a financial institution. The ABA number is sometimes referred to as the Transit Routing Number. The ABA number is encoded in the MICR (Magnetic Ink Character Recognition) line of all checks. NOTE: The ABA is not necessarily identical for checks, wires, and ACHs.

ACH (Automated Clearing House)

Developed in the 1970s as an electronic alternative to checks. In an ACH transaction, payment information is processed and settled electronically, thereby increasing reliability, efficiency, and cost effectiveness. In addition, an ACH transaction is capable of transferring more information about a payment than is possible on a check. An ACH transaction is typically settled the next day, but sometimes earlier depending on how often the receiver chooses to process its ACH information.

Book Transfer

Intrabank transactions settled and visible the same day in the payee's account.

CHIPS (Clearing House Interbank Payments System)

An independent large-dollar funds transfer network operated by the New York ACH. It was established in 1970 to substitute electronic payments for paper checks used in *international* dollar transactions between foreign and American banks.

Freeform Transactions

Freeform, or "random" transactions are one-time funds transfer requests that do not have a template previously created nor is a template maintained; freeform is utilized on an "as-needed" basis.

IBAN (International Bank Account Number)

A series of alphanumeric characters that uniquely identifies an account held anywhere in the world. Facilitates the automated processing of cross-border credit transfers.

SWIFT (Society for Worldwide Interbank Financial Telecommunications)

SWIFT is a major international interbank telecommunications network that transmits international payment instructions as well as other financial messages. It is not a funds transfer network. Messages are transferred requesting debits and credits to correspondent accounts (in addition to other types of accounts). Actual settlements occur through Fed Wire, CHIPS, correspondent accounts, or other means.

Fed Wire (a.k.a. Wire Transfer)

The Federal Reserve funds transfer system. It is a real-time method of transferring immediate funds and supporting information between two financial institutions, using their respective Federal Reserve accounts. The system is reliable and secure but, compared to checks and ACH transactions, relatively expensive to use.

X. Policy Review

This procedure will be reviewed and revised in accordance with policy and procedure changes.