



# State of North Carolina

## Office of the State Controller

Michael F. Easley, Governor

Robert L. Powell, State Controller

October 14, 2005

### **MEMORANDUM**

**TO:** Chief Fiscal Officers  
Vice Chancellors  
Business Managers

**FROM:** Robert L. Powell  
State Controller

**SUBJECT:** New EFT Master Contract Awarded and New E-Commerce Policies

As communicated in June of this year, the Office of the State Controller (OSC) has been engaged in a procurement process to arrange for the establishment of a new Master Services Agreement (MSA) for electronic funds transfer (EFT) to replace the MSA expiring September 30. The MSA provides services to eligible participating agencies on a statewide enterprise basis and supports both outbound and inbound electronic payments.

This is to advise that a new contract has been awarded to the current vendor, Wachovia Bank, with the new terms and the new fee schedule being effective October 1. **The primary enhancement is that the fees associated with the services will be less than half of what they were under the old arrangements. The competitive procurement process conducted by OSC resulted in the 5-year total costs under a new contract being approximately \$600,000, compared to the former costs of approximately \$1.5 million.** The bank fee for processing an electronic disbursement is now less than a penny. The enhanced terms of the new contract will be the impetus for making it easier for agencies to take advantage of the EFT program available to them.

Under the new MSA, participants will be allowed to operate basically as they do now. Participants that pay for EFT services will continue to provide for their own funding. Services secured through the Department of State Treasurer (DST), generally for payroll and NCAS related accounts, will continue to be paid by DST.

Going forward, there is a major change. Those State agencies that are utilizing Wachovia Bank as their EFT provider, but under a separate arrangement than the one arranged through OSC's Master Service Agreement (MSA), will be brought under the OSC's MSA. This will allow for the

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State to benefit from the more favorable fee schedule whether the fees are paid for by the agency or by the Department of State Treasurer.

Additionally, effective with the execution of the new MSA, all agencies are required to participate under the new contract even if another bank is the agency's current EFT services provider. If an agency desires to be considered for exception, a detailed business case justification must be submitted to the OSC by the Chief Fiscal Officer. If an agency is currently operating under an approved exemption, a new business case will be required if desiring to be exempted from the new MSA.

The process to be followed to convert to the new MSA will vary depending upon the agency category. Over the next several weeks, either OSC or DST will be providing each agency with the necessary instructions to convert.

### **NEW E-COMMERCE POLICIES**

During FY 2004-05, the number of State paper warrants decreased by 11%, from 16 million to 14.7 million. This is compared to approximately 6.3 million payments initiated electronically. However, while the EFT programs have been successful, we recognize that the State has not achieved the success level of private industry in the area of E-commerce in recent years. A study released by the Federal Reserve in December 2004 confirmed that electronic payment transactions in the United States have exceeded check payments for the first time.

Considering the State's need to catch up with private industry trends, one of OSC's major initiatives is to place a higher emphasis on maximizing the use of electronic payments in State Government. To assist in the accomplishing of this objective, to coincide with the new MSA, various E-Commerce Policies have been either developed or updated. The policy entitled, "Maximization of Electronic Payments" applies to all agencies, even those that currently do not participate in any E-Commerce programs, or are utilizing the electronic payments systems offered through NCAS. The policies have an effective date of October 1, and can be viewed at the following link: [http://www.ncosc.net/SECP/EPP\\_Index.html](http://www.ncosc.net/SECP/EPP_Index.html).

Please note the policies relating to disbursements. General Statute 143B-426.39(5) states that the State Controller shall "prescribe the manner in which disbursements of the State agencies shall be made, in accordance with G.S. 143-3." The statute referenced includes payment by "electronic funds transfer." As such, the policies are geared toward making EFT the standard method of disbursement. While it may take some time to fully achieve all of the policies' objectives, it is incumbent upon us all to take the necessary steps to start the process. It is our hope that the enhanced terms of the new contract and the attention to the new policies will be the impetus for moving us closer to a paperless environment.

If you have questions regarding the MSA or the policies, please contact David C. Reavis, E-Commerce Manager, at (919) 871-6483 / [dreavis@ncosc.net](mailto:dreavis@ncosc.net), or Amber Young, Central Compliance Manager, at (919) 981-5481 / [ayoung@ncosc.net](mailto:ayoung@ncosc.net). Thank you!