10. TREASURY

10.1 Disbursements

10.1.1 Manual Warrants

Manual warrants are used to summarize a group of disbursements made out of a non-IFS system, or as part of the paper trail for an electronic payment. For example, Treasury uses a manual warrant to pay debt service when principal and interest come due, typically on the first of every month. The manual warrant shows a reduction in appropriation and a reduction in cash. Treasury is converting some of the existing manual warrant process to electronic payments, which can be done through IFS.

Manual warrants can also be used to summarize disbursements. The Medicare program is a good example of this. The Department of Health and Human Services (DHHS) contracts with the company EDS. Bills are received from service providers. Some manual warrant are uploaded to IFS automatically, where the proper approvals are made and checks are printed. These checks are printed on the State of New Hampshire check stock. The checks are delivered to Treasury once complete. The payment is charged against appropriations in IFS.

The manual warrant comes to Treasury without a bank account. In that way it is different from a PV. Treasury approves the manual warrant and assigns a bank code, which is always the same. This is part of the control; along with final approval, Treasury must enter its bank code before a manual warrant will be processed.

10.1.1.1 Issues / Vision

Below is a list of issues with the existing system, as well as needs for the new ERP system.

- The State would like to get rid of the Manual Warrant form and make the Payment Voucher form (see section below) more flexible.

- The State wants to be able to look at Manual Warrant history.

10.1.2 Payment Vouchers

As described in detail in the Financial Accounting and Accounts Payable chapters, a Payment Voucher (PV) is entered into IFS by an agency's Accounts Payable staff, approved by someone who has proper authority and sent via courier to the Bureau of Accounting for a final level of auditing and approval before a payment can be processed.

Currently, if the agency processing the PV doesn't put a scheduled payment date on it, the check will print that night if all levels of approval have been put on it. IFS sends a file each business night via FTP to PayBase, which generates vendor payments (either a check or electronic ACH credit) for the PV. Vendor checks printed are delivered to Treasury in the morning.

There are opportunities to reduce the amount of checks that are cut. The State is working on a project to reimburse Travel Vouchers through Payroll, for example.

10.1.2.1 Issues / Vision

Below is a list of issues with the existing system, as well as needs for the new ERP system.

- Checks to Staples, for example, are usually batched but there's no check number or bank code. The State would like to see this changed.
- The text field for a PV should be expanded.
- The State would like to be able to trace check numbers back to the PV.
- The State would like to have the ability to track check numbers beyond the last month.
- The State wants the ability to click on a check and see the PV (and vice versa).
- The State would like a list available anytime of uncashed checks (see also bullet below).
- The State would like to query by fund the list of uncashed checks.
- Currently, if there's a stop payment put on a check, an agency must do a cash receipt to get the appropriation back. The State would like the new system to do this automatically.
- The State would like to see the Send Code field expanded.

10.2 Receipts

State agencies typically hand deliver or mail their cash receipt documents (A—17s) to Treasury along with any funds to be deposited and any other applicable supporting documentation (i.e. check listing, adding machine tape (for 10 or more checks), paper deposit slip (which lists checks), or bank receipt. The Treasury accepts alternative forms of documentation from some agencies (verified bank deposit tickets, or copies of bank deposit tickets faxed directly from the banking institution where the deposits were made). These deposit tickets, originals, or faxed copies, are required to have the transaction ID# (Form A-17# or agency assigned code) printed/written on them. Basically, Treasury needs sufficient documentation to link a cash receipt transaction in NHIFS to a corresponding deposit.

All A-17's received by the Treasury are date stamped upon initial receipt at the Treasury. The cashier compares the bank receipt to the A-17 for completeness. The total of each agency A-17 delivered to Treasury is recorded on an A-5 (Department Receipt Form), located at Treasury. If cash is delivered to Treasury a receipt for cash is prepared, and a copy is given to the agency messenger or person delivering the cash.

The Treasury approves the A-17 in NHIFS. The total amount of the A-17 on the NHIFS system is compared to the total bank deposit amount(s) that is represented by that accounting document. These two sides must balance to meet approval and be posted on NHIFS by the Treasury. If it does not agree, Treasury does not approve/post the A-17 transaction, until research on that particular A-17 has been done, (calling agencies/banking institutions) and the discrepancy has been resolved.

In addition to and prior to final approval, Treasury also enters the type of deposit, and bank code on the hard copy of the A-17, or supporting documentation, and then enters the information into NHIFS for every individual A-17. Treasury determines deposit type and bank code by reviewing supporting documentation and cross-referencing it to Treasury coding instructions. A quick edit is run in the system to ensure that valid input codes have been used. Any errors noted are corrected, and the A-17 is approved for processing in NHIFS. In the event that Treasury cannot correct the errors, or if an agency failed to send adequate supporting documentation, Treasury will contact the agency in order to rectify the problem.

Daily cash receipt reports are printed out by Treasury from NHIFS. It shows all deposits, from all banks, made by all agencies. However, a deposit will not show up on this report unless the A-17 related to that particular deposit has been approved/posted by the Treasury staff to NHIFS (whether or not the cash receipts have been deposited into the bank account).

Treasury verifies the individual amounts of the prior day's daily cash receipts register from NHIFS with the A-17s, and the bank deposit receipts, using detailed information from the bank into which the deposit occurred. The detailed bank information can be retrieved directly from the bank via the bank's Internet application in most cases. After the Daily Cash Receipts Register is reviewed any discrepancies are resolved and the documents are filed.

Ideally, every bank deposit is connected to one cash receipt to make it easy for the cash reconciliation process. The more deposits to match against one accounting document or vice verse, the more time-consuming the reconciliation process becomes.

Agencies can use external systems – the Department of Revenue has TIMS, for example – and those systems are used to upload cash receipt documents to IFS directly. Treasury matches the deposit at the bank with the cash receipt in NHIFS.

10.2.1 Business Rules

Business rules related to receipts follow.

- Cash receipts must equal bank deposits in order to be approved.

10.2.2 Issues / Vision

A list of limitations in the current system with vision for how they will be overcome in the new system follows.

- Treasury must approve each cash receipt, which means that the cashier needs to find it in IFS. All documents that haven't been approved sit in the IFS Suspense File, so the search can be an inefficient process – especially since the cashier can't see the amount on the Suspense File. ***The ability to see the dollar amount associated with a cash receipt*** would allow Treasury to prioritize and direct resources by more easily identifying those documents that would have the largest impact if not resolved timely.

- A ***virtual inbox*** would help identify those documents ready for approval. Once a State agency puts its appropriate levels of approval on a cash receipt, Treasury could be alerted to this status via a special inbox, e-mail, message in system, etc. and attend to that cash receipt right away. Drilling down to the cash receipt document directly from such a notification system would be extremely helpful.

- Treasury alone has final level of approval on all A-17s currently. There are many zero dollar A-17s that agencies prepare and process to reallocate revenue. Allowing for approval authority at the agency level or perhaps the assignment of

approval authority by Treasury to another agency based on certain criteria (all zero dollar cash receipt documents, etc.) would be welcome and would allow ***flexibility in the approval process***.

- Bad checks are currently an issue. The Treasury spends a lot of time trying to figure out what revenue source code to decrease, so it would like to see a standard revenue source code. If a check is returned for insufficient funds, it would go to this standard code. Agencies would then be responsible for moving this money to the correct revenue source code.
- State agencies would like to flag vendors that issue bad checks.
- Treasury would like to eventually have agencies approve their own zero document cash receipts.
- There's a need to make zero document cash receipts electronic.
- The State would like to see more information on incoming EFTs. (Another option would be to debit against the vendor account as opposed to having that vendor pay via EFT).
- There is a need to have the advice sent via e-mail for those that sign up for electronic payment and direct deposit.

10.3 Reconciliation

After a check is printed overnight, two things can happen: the check is put in the mail or the check is sent back to the agency. If there's a send code put on the transaction in IFS, the check will go back to agency. This often happens because that agency wants to include supplemental information with the check.

Treasury creates (through PayBase) and sends a file with check issue data for every check run. Included in this file, which is sent to the bank, is the recipient of the check, the check number, the amount, and the date. This check issue file process is critical and somewhat time sensitive in that in addition to allowing Treasury to employ a range of bank reconciliation services, it allows Treasury to utilize anti-fraud products with our banks.

Every two weeks, Treasury gets an account statement to match the checks issued versus the checks cleared, other disbursements made and all deposit information. It's important to note that IFS charges all disbursements immediately to an appropriation. Actual check clearing information is not captured by IFS in any way.

Checks issued by the State can remain outstanding for several reasons: 1) a payee may never receive the check – in that case Treasury would void the check or stop payment on it; 2) a customer could receive a destroyed or mangled check that the bank will not accept; 3) a customer could return the check; 4) the check could be cashed fraudulently; or 5) the check could remain outstanding for an unknown reason. A typical State vendor check has a one-year life. Other checks have a 90-day life. At the end of the time period, the Treasury writes the check off and a state appropriation is credited with the amount of the outstanding checks written off.

The Treasury has a separate banking system. Daily files are loaded into this system each morning from IFS representing all transactions approved in IFS in the prior day. This banking system has sufficient detail of all transactions to allow Treasury to track balances and create reporting tolls to perform bank reconciliation functions. It does not track every check paid, but it does track summary disbursements by bank. It does not track every detail of every deposit (for instance, the checks in a single deposit) but does track deposits by cash receipt number.

10.3.1 Issues / Vision

A list of limitations in the current system with vision for how they will be overcome in the new system follows.

- It is critical that check issue files go to the bank(s) each day.
- Controls need to be customized. For 80% of the disbursements, Treasury knows when they're going to happen (Payroll and Debt Services are two examples). It would be beneficial to have the option to disburse in a more controlled manner, every Thursday, for example.
- The timing of electronic payments is an issue. When does the payment leave the account and become available to the vendor? If the system was flexible, the State could ask when the vendor is supposed to have the money and then back track from there. If a check is requested Wednesday morning, a file is sent Thursday morning, and is effective Friday. So if rent is due on the 15th, a request for payment would need to be made on the 13th.
- Treasury wants the ability to customize the payment schedule for each vendor.
- The payment description field is only 28 characters. The ability to add supplemental information is a desired enhancement.
- The State would like to be able to look at checks online.
- The Treasury would like the ability to customize disbursements by bank.

10.3 Cash Management

With respect to the receipt and expenditure of federal funds, all states must comply with the federal Cash Management Improvement Act (CMIA) of 1990 which defines US Treasury regulations governing the timing of federal fund draw downs related to states' disbursements of federal program benefits or other federally supported payments. CMIA legislation and rules exist to minimize, if not eliminate, any cash flow advantage to either the State or federal government where the transfer of funds is involved. Towards this end, the State Treasury Department is responsible for negotiating a contract between the State and the US Treasury outlining specific terms to ensure compliance. With input and cooperation from state agencies, Treasury manages the contract to maintain compliance as stipulated in the contract. In addition, amendments to this contract are required to be filed by state Treasury to accommodate any changes to the terms of the agreement (e.g. new program, revised clearance pattern of expenditure, etc.).

Under the CMIA program, an agency is authorized to draw down or transfer funds from the federal government based on approved funding techniques. Ideally, this transfer would be interest neutral, with neither the federal government nor the state agency incurring any interest liability. The timing and tracking of expenditures and subsequent or related federal reimbursements is critical in evaluating compliance to CMIA regulations as well as efficient cash management practices. The strongest tool State Treasury has to monitor compliance and calculate interest liability is the CMIA sub-system within NHIFS. The CMIA sub-system is programmed to calculate any interest liability, based on dates, amounts and interest rates set by the federal government.

The CMIA sub-system is designed to hold certain pieces of information or profile (CFDA number, expenditure appropriation, reimbursement %, job number, etc.) that define the characteristics surrounding a federal program such that an expenditure transaction will trigger certain transactions automatically based on this profile. When an expenditure occurs and is approved that is linked to the CMIA sub-system, the sub-system automatically creates the following pending transactions: 1) an accounts receivable transaction (IN document) and 2) a cash receipt transaction (CR document). An agency can then monitor the sub-system (DDRQ table or screen) for IN document(s) that acts as the trigger to request a federal draw down.

Treasury receives printed CMIA cash receipts each morning from Financial Data Management (FDM) for anticipated federal draw down transactions. Treasury identifies receipt of federal funds into its accounts primarily through the use of online bank products.

Treasury approves a cash receipt once the amounts of the deposit(s) are verified to match the document total. The date of the deposit is entered by Treasury in the CMIA Date field.

10.3.1 Business Rules

Below is a list of the business rules related to cash management.

- Treasury must be able to track interest liabilities by federal program (CFDA number).
- Federal program information or profiles must be maintained in the system to capture all of the information currently captured in the BDAT, CLPS, CLPT, CTXT, DDRQ, DRQ1, FDPG, AND FPIT tables.
- Treasury must have the ability to establish relationships between a federal program and its expenditures/revenues in the system as is done in the tables listed above.

10.4 Debt Management

The Treasury Department issues general obligation bonds based upon actual and anticipated capital spending. Capital spending occurs at the agency level and flows through the Capital Fund. Each capital project is assigned a unique number and is tracked in the current financial system debt management sub-system.

10.4.1 Business Rules

Below is a list of the business rules related to debt management.

- Treasury must be able to track capital projects with respect to expenditures, appropriation, authorization to bond, encumbrances, lapsed, and bonds issued.
- A project profile table must be maintained such as the current PRJM table.
- All capital expenditures must be linked to a project or projects.
- Historical and cumulative expenditure and bonds issued data by project must be maintained.