This circular letter sets forth information to be used by agencies when processing off-line payments that will employ the Automated Clearinghouse (ACH) method of payment. The National Automated Clearinghouse Association (NACHA) has made the pre-notification time for ACH payments optional. This circular letter formally establishes the State's policy to continue to use the pre-notification period and further to set that period at three workdays. These standards should be adhered to by agencies in developing off-line systems.

I. DEFINITIONS

A. ACH payment - An electronic payment made directly to the bank account of the vendor.

B. Pre-notification period - The number of days that must elapse from the time a vendor is first registered as an ACH recipient to the time an ACH disbursement will automatically be generated for that vendor. The pre-notification period allows for a zero-dollar ACH record to be processed through the banking system for the vendor prior to the transmission of a true dollar payment. If any processing errors occur with the zero-dollar record, the bank will notify the State of the required corrections so that no subsequent dollar amount ACH payments will fail for that vendor.

C. Off-line system - A subsidiary payment system maintained by an agency to permit the generation of certain vendor payments and that is subsequently reflected in the New Jersey Comprehensive Financial System (NJCFS).

II. POLICY

A. Since NACHA has made the use of the pre-notification period for ACH payments optional to users, the State of New Jersey has elected to continue to utilize the pre-notification period with all new ACH vendors.

B. The period recommended for pre-notification when establishing new ACH vendors is three workdays in both NJCFS and related off-line systems.

C. Agencies that are presently using off-line payments should ensure that the provision for the pre-notification period is a part of their procedures.

D. Agencies that are in the process of designing off-line payment systems should adhere to these guidelines when developing those...