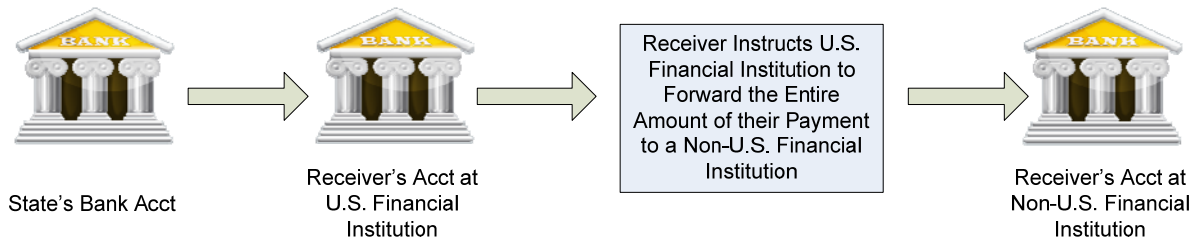


**STATE OF WISCONSIN
STATE ACCOUNTING MANUAL**

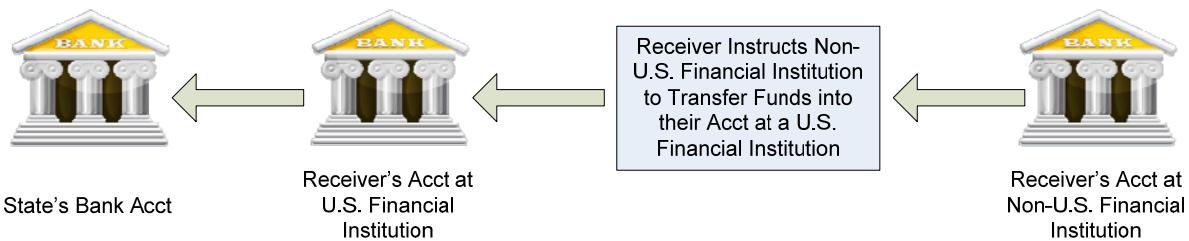
SECTION:	V Expenditures	EFFECTIVE DATE:	August 5, 2009
SUB-SECTION:	14a International ACH Transactions	REVISION DATE:	September 8, 2009
SUBJECT:	Policy and Procedure	PAGE:	1 of 5

BACKGROUND

The National Automated Clearing House Association (NACHA) has released new requirements for the Originator of any ACH payment that is ultimately deposited to a financial institution outside the U.S. The requirements take effect on September 18, 2009. This type of ACH payment will be difficult for the Originator (state agency) to identify, since it will initially be made to a domestic ABA Routing Number, but then subsequently transferred to a foreign ABA Routing Number:



The new requirements also apply to incoming ACH-debit payments initiated by the agency when the Receiver's domestic Bank account is funded by a transfer from a financial institution outside the U.S.:



In order to meet the new requirements, agencies initiating ACH-debits or ACH-credits will have to communicate with their current and future ACH payment recipients (Receivers), and have them identify any ACH-credit payments that will ultimately be deposited to a financial institution outside the U.S, and any ACH-debit payments that are funded through a transfer from a financial institution outside the U.S. Once identified, the agency must utilize a new ACH record format called IAT (International ACH Transaction) for the payment. The State Controller's Office (SCO) has reviewed the new IAT requirements, and discussed them with the ACH experts at U.S. Bank. In order to meet the requirements, state agencies should follow the procedures outlined below. Please note that the samples shown are for ACH-credit payments. Agencies should initiate similar communications for any Receivers of ACH-debits.

**STATE OF WISCONSIN
STATE ACCOUNTING MANUAL**

SECTION:	V	Expenditures	EFFECTIVE DATE:	August 5, 2009
SUB-SECTION:	14a	International ACH Transactions	REVISION DATE:	September 8, 2009
SUBJECT:		Policy and Procedure	PAGE:	2 of 5

PROCEDURES

Identification of IATs

Agencies creating NACHA-formatted ACH files for transmission to U.S. Bank must take the following steps to identify IAT payments:

1. Specific Inquiry to Current Receivers Meeting Certain Criteria

As a first step, agencies should contact their current Receivers that meet any of the following criteria:

- Physical or mailing address of payee is a foreign address, or
- No US Tax ID number or social security number is on file, or
- Vendor is known not to be a domestic corporation recognized by the Internal Revenue Service (not created or organized in the United States or under the laws of the United States, any of its states, or the District of Columbia), or
- Payee is known to be a “foreign person” as defined by the Internal Revenue Service, which includes nonresident aliens, foreign corporations, foreign partnerships, foreign trusts, foreign estates, foreign governments, international organizations, and any other person who is not a U.S. person (Generally, the U.S. branch of a foreign corporation or partnership is treated as a foreign person), or
- Payee meets the definition of a “nonresident alien” for IRS tax withholding purposes pursuant to the Internal Revenue Code

The Specific Inquiry for **ACH-Credits** should include a certification similar to the following:

There have been recent changes to the payment system rules for Direct Deposit. In order to comply with those rules we must ask you to check the appropriate box below, sign the form, and fax it back to us at <insert agency fax number> no later than <insert due date>. If we do not receive your form by the requested date, we may need to convert your payment(s) to a paper check. Thank you.

	<i>The entire amount of my direct deposit payment IS ultimately deposited to a financial institution outside the U.S.</i>
	<i>The entire amount of my direct deposit payment IS NOT deposited to a financial institution outside the U.S.</i>

**STATE OF WISCONSIN
STATE ACCOUNTING MANUAL**

SECTION:	V Expenditures	EFFECTIVE DATE:	August 5, 2009
SUB-SECTION:	14a International ACH Transactions	REVISION DATE:	September 8, 2009
SUBJECT:	Policy and Procedure	PAGE:	3 of 5

I certify that I am the receiver of a Direct Deposit payment from the <insert agency name>, and that my selection above is true and accurate.

Print Name: _____

Signature: _____

The Specific Inquiry for **ACH-Debits** should include a certification similar to the following:

There have been recent changes to the payment system rules for electronic payments. In order to comply with those rules we must ask you to check the appropriate box below, sign the form, and fax it back to us at <insert agency fax number> no later than <insert due date>. If we do not receive your form by the requested date, we may need to require that your payment(s) be made with a paper check. Thank you.

	<i>The bank account used to make my electronic payment IS funded by a transfer from a financial institution outside the U.S.</i>
	<i>The bank account used to make my electronic payment IS NOT funded by a transfer from a financial institution outside the U.S.</i>

I certify that I am the person responsible for making electronic payment to the <insert agency name>, and that my selection above is true and accurate.

Print Name: _____

Signature: _____

2. General Inquiry to All Other Current Receivers

NACHA places the burden for identifying IAT's on the Originator (state agency). Therefore, agencies must contact all of their current Receivers (outgoing Direct Deposits and incoming ACH-Debits) and ask them to contact the agency if their ACH payment involves a transfer to/from a financial institution outside the U.S. Agencies may contact their current Receivers through a notice on their website, separate mailing, insert within a regularly scheduled mailing or other method. The General Inquiry to all other current Receivers should be similar to the following:

The General Inquiry for **ACH-Credits**:

STATE OF WISCONSIN
STATE ACCOUNTING MANUAL

SECTION:	V	Expenditures	EFFECTIVE DATE:	August 5, 2009
SUB-SECTION:	14a	International ACH Transactions	REVISION DATE:	September 8, 2009
SUBJECT:		Policy and Procedure	PAGE:	4 of 5

There have been recent changes to the payment system rules for Direct Deposit. If the entire amount of your direct deposit payment is ultimately deposited to a financial institution outside the U.S., please contact us at <insert agency contact information>.

The General Inquiry for **ACH-Debits**:

There have been recent changes to the payment system rules for electronic payments. If the bank account used to make your electronic payment is funded by a transfer from a financial institution outside the U.S., please contact us at <insert agency contact information>.

3. Identifying IAT's for new Receivers

Agencies must modify their ACH authorization forms so that new Receivers can notify the agency about those Direct Deposits and incoming electronic payments to be originated by the agency that involve a financial institution outside the U.S. Checkbox sections similar to the following should be included on the ACH authorization form that is signed by the Receiver:

ACH-Credits

There have been recent changes to the payment system rules for Direct Deposit. If the entire amount of your direct deposit payment is ultimately deposited to a financial institution outside the U.S., please check the box below:

<input type="checkbox"/>	<i>The entire amount of my direct deposit payment IS ultimately deposited to a financial institution outside the U.S.</i>
--------------------------	--

ACH-Debits

There have been recent changes to the payment system rules for electronic payments. If the bank account used to make your electronic payment is funded by a transfer from a financial institution outside the U.S., please check the box below:

<input type="checkbox"/>	<i>The bank account used to make my electronic payment IS funded by a transfer from a financial institution outside the U.S.</i>
--------------------------	---

Requirements for ACH Payments Identified as IATs

Beginning September 18, 2009, any ACH payment identified as an IAT must be formatted using the new IAT record format. The format can be found on U.S. Bank's website at: https://www2.usbank.com/cgi_w2/cfm/commercial_business/products_and_services/treasury_mgmt/docs/IAT_FileFormat.pdf

**STATE OF WISCONSIN
STATE ACCOUNTING MANUAL**

SECTION:	V	Expenditures	EFFECTIVE DATE:	August 5, 2009
SUB-SECTION:	14a	International ACH Transactions	REVISION DATE:	September 8, 2009
SUBJECT:		Policy and Procedure	PAGE:	5 of 5

After September 18, 2009, agencies must not utilize CCD or PPD record formats for those payments identified as IAT. If an agency identifies an IAT, but cannot utilize the new IAT record format (see update below), the payment should be converted to a check, until such time that the new IAT format can be implemented. Failure to comply with the new IAT rules could result in a fine from \$10 thousand to \$10 million.

Update: August 27, 2009

DOA is analyzing the programming work required to implement the new IAT record formats for ACH payments created in WiSMART, and for ACH payments created by State agencies. DOA will not be able to implement the new record format in WiSMART or be able to accept IAT record formats contained in ACH files created directly by the agencies on September 18, 2009. Therefore, agencies must convert any identified IAT's to check payments until such time that the State Controller's Office provides notification that the IAT record formats can be accepted.