



Commonwealth of Massachusetts

OFFICE OF THE COMPTROLLER

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DIRECT DEPOSIT

Effective: July 1, 2004

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Executive Summary

The Office of the State Treasurer supports two forms of payment for payroll: electronic funds transfer (EFT) and check, with EFT being the required method of payment.

Considerations

This policy applies to all Commonwealth Branches and Departments on HR/CMS.

Policy

EFT:

- An electronic transmission sent from the "originating" bank under contract with the Office of the State Treasurer to the "receiving" bank of the employee being paid. EFT can be sent to checking, savings and passbook accounts.
- The required method of payment because of the convenience and cost effectiveness of this form of payment for both the Commonwealth and the employee

HR/CMS allows an employee to designate up to 10 direct deposit accounts for their net pay distribution. The State Treasurer's office will provide the authorization form for all accounts to which payments will be sent.

To sign up for EFT, the employee must provide 6 pieces of information:

1. Name of bank
2. Bank transit number (the number representing bank to which the payment is to be sent);
3. Bank account number (the number of the account assigned to the employee by the bank);
4. Type of account (is either "checking" or "savings");
5. Amount/Percent of deduction; and
6. Employee authorization signature.

Direct Deposit Forms can be found on the Office of the Comptroller's website:

<https://www.macomptroller.org/forms>

Pre-Note Process

It is the policy of the State Treasurer to pre-notify or "pre-note" (test) EFT data provided by the employee. This process ensures the successful EFT transmission of payments sent to an employee's bank. If the pre-noting is successful, future payments sent by the Treasurer to the employee's bank will be by EFT.

The waiting period for an employee's direct deposit to complete the pre-note process is eight (8) business days. Therefore, if the direct deposit data is in the payroll system by the end of the first week of the pay period, the employee will receive direct deposit for that pay period's wages.

Failed EFTs

In the event that an employee's EFT fails (usually due to closed accounts), the State Treasurer's office will generate a paper check for that direct deposit amount.

The exception to this rule occurs when an employee distributes his/her net pay to multiple direct deposit accounts. When an employee sets up multiple direct deposit accounts, he/she is required to assign one of those accounts as the balance account. Balance accounts take any money left over once all the other direct deposit accounts have been satisfied.

If the balance account fails the electronic funds transfer, the State Treasurer's office will generate a paper check for that amount. If a non-balance (amount or percent) account fails the electronic funds transfer, the amount slated for that account will drop into the balance account designated by the employee.

Distribution of Advices and Checks

Pay advices and checks are sorted separately but use the same criteria for the sort order: Department ID, Location Code (found on the job panel) and Mail Drop ID (found on the payroll data panel). Location codes are required and are maintained jointly by the Human Resources Division and the Office of the Comptroller. It indicates the geographic and physical location of where an employee works. Mail Drop ID is a free form field used at the discretion of each Department as a lower level identifier of an employee's work location.

Unfunded Direct Deposits

When an employee who is on direct deposit, has his/her pay held due to funding issues, the direct deposit will also be held until the funding issues have been resolved. Once funded, the direct deposit payment will be sent to the employee's bank. Usually, the settlement date will be a date after the regular payday. Pay advices (and checks) for unfunded payments subsequently released are mailed to the employee's Home Address (unless a different mailing address is indicated on the employee's record in HR/CMS).

Internal Controls

Information Sources

- Related Procedure – None
- Legal Authority
 - Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8
 - Massachusetts General Laws, Chapter 29, Section 31
 - Massachusetts General Laws, Chapter 10.
- Attachments - <http://www.macomptroller.info/comptroller/docs/forms/payroll-lcm/dir-dep-fm.doc>
- Links - None
- [Contacts – CTR Solution Desk](#)

Revisions

- **November 1, 2006** – Removed language referencing Knowledge Center and updated relevant links to Mass.gov/osc portal site.