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# MANAGEMENT DIRECTIVE

315.17 Amended  
Number

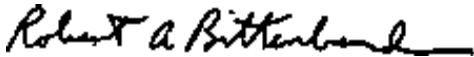
## COMMONWEALTH OF PENNSYLVANIA GOVERNOR'S OFFICE

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Subject:

Direct Deposit of Pay Program

By Direction Of:

  
Robert A. Bittenbender, Secretary of the Budget

Date:

October 20, 2000

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Employees may authorize the Commonwealth to automatically deposit their biweekly net pay, which now includes travel expense reimbursement, to a checking or savings account on payday. This amendment clarifies certain definitions, updates some forms and sample letters, deletes Enclosures 2 thru 10 and revises Enclosure 1 and sample Form STD-441.

- 1. **PURPOSE.** To establish policy and responsibilities and to recognize agency personnel offices as responsible for processing direct deposit of pay.

- 2. **SCOPE.** This directive applies to all agencies under the Governor's jurisdiction and other agencies whose payrolls are processed by the Commonwealth Technology Center (CTC).

- 3. **OBJECTIVE.** To provide eligible employees the opportunity to participate in the Commonwealth's direct deposit of pay program and to provide updated forms related to the program.

#### 4. POLICY.

- a. Permanent employees are eligible to participate in the Commonwealth's direct deposit of pay program. In addition, certain temporary employees, e.g., Department of Labor and Industry Intermittent Intake Interviewers and Clerks, are eligible to participate.

b. Employee participation is voluntary and there will be no charge to the employee for this service.

- c. Employees may authorize direct deposit of their net pay to any financial institution capable of receiving electronic direct deposit credit transactions. To receive electronic direct deposits, a financial institution must be an ACH member, an affiliate of a Federal Reserve Bank, or a correspondent of a financial institution affiliated with a Federal Reserve Bank. Requests for direct deposit to financial institutions not capable of receiving electronic direct deposits will be rejected during the prenotification process and returned to the employee unprocessed.

d. Employees have a choice of direct deposit to either a checking or savings account. The Commonwealth will not split the employee's net pay between two or more accounts. If the employee's financial institution offers transfer of funds between accounts, such an arrangement must be worked out between the employee and the financial institution.

e. The employee's entire net pay will be deposited electronically. There will be no partial direct deposits made or partial paychecks issued.

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f. If an employee elects to participate in direct deposit of pay, all regular biweekly salary, wage, supplemental, overtime, and shift differential payments will be subject to direct deposit. Deposits will be made on the employee's regularly scheduled payday.

**NOTE:** In addition, reimbursements for employee travel expenses will be made via direct deposit to the same bank account. Travel reimbursements are processed daily and may be posted by the financial institution on any day, not necessarily on the regularly scheduled payday. Information concerning that deposit will appear at the bottom of the employee statement.

**NOTE:** Salary payments made from the advancement account will not be subject to direct deposit.

g. There will be an approximate four-week waiting period from receipt of an employee's completed authorization form until actual deposits begin to allow sufficient time for the required prenotification process. Until direct deposit begins, employees will receive paychecks.

h. Employees may authorize credit union payroll deductions (see *Management Directive 315.7, Employee Payroll Deductions for Credit Unions*) while at the same time authorizing direct deposit of their net pay to an account at a second financial institution.

i. Employees will receive the customary earnings statement on payday, indicating that payment is being made by direct deposit. For all payments, except travel reimbursements, the pay date on the employee's earnings statement will be the date the deposit is made to the employee's financial institution. The funds will be available for withdrawal at the opening of the financial institution's business on the scheduled payday.

j. Employees may change the financial institution or the account to which direct deposit of pay transactions are sent by the Commonwealth. To ensure the uninterrupted receipt of their net pay, employees should notify their personnel office 30 days before the effective date of the change.

k. Whenever a change action is initiated, except for bank mergers or reorganizations, direct deposit of pay to the employee's former financial institution or account will be stopped automatically. Since a prenotification transaction must be processed for the employee's new financial institution or account, there will be an approximate four-week waiting period from receipt of the employee's authorization form until direct deposit of pay resumes. During the waiting period, employees will receive paychecks on their scheduled paydays. The receiving financial institution may initiate a change action on behalf of an employee when the financial institution changes the account number for an employee whose checkbook has been lost or stolen. When this occurs, the change action will necessitate a new prenotification and waiting period as described above.

l. When a receiving financial institution initiates a change action (new bank routing number or new account number) due to a merger or reorganization, employees will not experience a break in direct deposit service. The prenotification and waiting period will not be necessary.

m. Employees may stop direct deposit of pay at any time and resume receiving paychecks on payday. **Employees should allow 30 days after notifying their personnel office for direct deposit of pay to stop and payments by check to begin.** A receiving financial institution may terminate an employee's direct deposit authorization by closing or freezing the employee's account and returning any direct deposit transactions to the Commonwealth. Direct deposit will automatically stop when an employee terminates Commonwealth employment.

n. Employees who have direct deposit of pay and transfer between agencies under the Governor's jurisdiction will retain their direct deposit of pay status whether active or pending completion of the prenotification process. Direct deposit of pay will automatically terminate for employees transferring to or from an agency whose payrolls are not processed on the Commonwealth Integrated Personnel Payroll System.

## 5. DEFINITIONS.

**a. Automated Clearing House (ACH).** An association that operates as a central clearing facility for the electronic transfer of funds on behalf of its member financial institutions. It is responsible for the electronic transfer of direct deposit credit transactions from the Commonwealth's account at the originating financial institution to an account designated by an employee at a receiving financial institution. Not all financial institutions are members of an ACH.

**b. Checking account.** A demand account at a bank, a negotiable order of withdrawal (NOW) account at a bank or savings and loan association, a share draft account at a credit union, or any other account that the receiving financial institution identifies in its system as a checking account.

**c. Credit.** The accounting term used to describe the process by which the receiving financial institution posts the direct deposit amount to the designated employee account.

**d. Direct deposit of pay.** The process by which an employee's net pay and/or travel expense reimbursement is transferred electronically from a Commonwealth bank account to an employee-designated account on payday.

**e. Federal Reserve Bank (FRB).** Any of the 12 district banks of the Federal Reserve System, the centralized banking system of the Federal Government. One of the FRB's functions is to serve as a central clearing facility for the electronic transfer of funds on behalf of its affiliated financial institutions and their correspondent financial institutions who are not members of an ACH. The FRB processes direct deposit transactions in the same manner as an ACH. Not all financial institutions are members of an ACH or FRB, but may enter into correspondent agreements with member financial institutions.

**f. Financial institution.** A bank, savings bank, federal or state chartered credit union, or a savings and loan association.

**g. Mass update.** Change of direct deposit of pay data to a large volume of employee records due to a merger or reorganization of the receiving financial institution.

**h. Net pay.** The amount of the employee's gross pay less all mandatory and voluntary payroll deductions

**i. Notification of change.** The process by which the receiving financial institution notifies the Commonwealth of a prenotification or direct deposit transaction that can be posted but requires some correction to the information contained in the entry. This is done in lieu of rejecting the entry.

**j. Originating depository financial institution.** The financial institution responsible for receiving electronic direct deposit transactions from the Commonwealth and transmitting credit entries to the appropriate ACH or FRB.

**k. Payday/pay date.** The day on which the receiving financial institution is scheduled to credit the designated employee account for the amount of the direct deposit. Pay dates are established by the Bureau of Management Information Systems, Office of the Budget.

**l. Prenotification.** A nondollar test transaction that precedes the first actual direct deposit entry. The prenotification transaction is used to ensure that, before live dollar entries are sent to the receiving financial institution, the employee's account number is valid and that such an account exists at that financial institution.

**m. Receiving depository financial institution.** The financial institution responsible for receiving direct deposit of pay transactions from ACH or FRB and posting them to the employee-designated account on the scheduled payday.

**n. Return entries.** Prenotification and direct deposit transactions that are rejected by the receiving financial institution as erroneous or non-processable.

**o. Savings account.** Any account that the receiving financial institution identifies in its system as a savings account.

**p. Stop payment.** Mechanism used by the originating financial institution to stop the transmission of a direct deposit transaction.

**q. Trace.** A process of locating a direct deposit transaction through the electronic funds transfer system.

**6. RESPONSIBILITIES.**

**a. Employees.**

- (1) Obtain Form STD-441, Authorization for Direct Deposit of Pay, from the agency personnel office.
- (2) Obtain the necessary direct deposit information from the financial institution and complete the form.
- (3) Forward completed Form STD-441 to agency personnel office.
- (4) Verify with the financial institution receipt of direct deposit of pay on scheduled pay date.
- (5) Notify agency personnel office of a change in the financial institution or account number at least 30 days in advance of change.
- (6) Notify agency personnel office of desire to terminate direct deposit. Employees should allow **30 days** after notification for payment by check to resume.

**b. Agency Personnel Offices.**

- (1) Maintain a supply of Form STD-441 and informational material about the program.
- (2) Inform employees during in-processing or orientation of the availability, advantages, and rules for direct deposit of pay.
- (3) Provide employees with authorization forms and informational material.
- (4) Audit information on completed authorization forms and obtain necessary corrections.
- (5) Enter direct deposit of pay information into payroll system.
- (6) Retain a copy of authorization forms in employees' Official Personnel Folders.
- (7) Respond to employees' questions regarding direct deposit.

**c. Bureau of Commonwealth Payroll Operations (BCPO).**

- (1) Research prenotification and deposit entries returned by receiving financial institutions as erroneous or nonprocessable and take appropriate corrective action.
- (2) Research notification of change actions initiated by receiving financial institutions and coordinate changes to employee direct deposit information with agency personnel office.
- (3) Ensure that all stop payments and traces on employees' direct deposits of pay are communicated through the Treasury Department for handling.

**d. Bureau of Personnel, Office of Administration (OA).**

- (1) Promote employee participation in the Direct Deposit of Pay Program.
- (2) Automatically processes direct deposit Notification of Change transactions received electronically from receiving financial institutions. These changes are primarily financial institution mergers or reorganizations, but also may be corrections to employee account numbers or account types. These automated changes apply without causing any interruption in the employee's direct deposit of pay.

**e. Commonwealth Technology Center (CTC).**

- (1) Update employees' payroll records with validated direct deposit information input by personnel offices.
- (2) Create required employee prenotification actions and forward to the Treasury Department.
- (3) Create direct deposit actions upon completion of prenotification periods and forward to the Treasury Department.

**f. Treasury Department.**

- (1) Receive prenotification and direct deposit transactions from CTC and convert them into prescribed ACH/FRB standard transaction records.
- (2) Transmit prenotification and direct deposit records to originating financial institutions, through ACH/FRB, three banking days before scheduled pay dates.
- (3) Assist BCPO in processing returned direct deposit entries.
- (4) Initiate traces on direct deposit entries when necessary.
- (5) Issue and forward to BCPO return deposit checks.
- (6) Place stop payments on direct deposit entries when necessary.
- (7) Forward electronically to CTC, direct deposit changes due to financial institution mergers or reorganizations.

2 Enclosures:

- 1 – Personnel Office Procedures
- 2 – Sample Form STD-441, Authorization for Direct Deposit of Pay

**This directive supersedes Management Directive 315.17 dated June 30, 1987.**



4. Completes PART 2 of STD-441.

- a. Computes the direct deposit effective date by adding 14 calendar days\* to the processing date shown on PET039; determines the corresponding direct deposit effective pay date from the applicable payroll schedule.
- b. Provides copy to the employee, or otherwise acknowledges completion of the input. Informs the employee that actual direct deposit will begin about four weeks from the current date. (This waiting period is necessary to allow the Commonwealth to process the required prenotification transaction.) Files the personnel copy in a pending file or in the employee's Official Personnel Folder.

\*A holiday within the processing period may cause delays up to 14 additional days.

**Procedure B: To Terminate Direct Deposit.**

1. Provides Form STD-441 to employee. Instructs employee to complete PART 1 as follows:

- a. Check the **stop direct deposit** block in item 1.
- b. Enter name, social security number, agency/bureau name, employee number, and telephone number in items 2 through 6, respectively.
- c. Sign and date the authorization section.

**AS AN ALTERNATIVE TO FORM STD-441**, accepts from employee their financial institution's direct deposit of pay authorization form or other written request completed with all the information needed for the personnel office to stop direct deposit of pay for the employee. The form or request must include a date and signature by the employee authorizing the employer (Commonwealth) to stop, discontinue, or terminate the employee's direct deposit of pay to the financial institution.

2. Upon receipt of a completed authorization or request from the employee to stop direct deposit, enters the stop direct deposit information into the IPPS through the PET226.

3. Completes PART 2 of STD-441.

Provides copy to the employee, or otherwise acknowledges completion of the input. Advises the employee of the effective date for stopping direct deposit.

**Procedure C: Processing Rejections or Returned Deposit Entries.**

1. Upon notification of a rejection or returned direct deposit transaction, takes action as follows:

- a. Requests employee to provide correct information or to resolve problem with financial institution.
- b. Corrects data input to the IPPS through the PET226.
- c. Initiates salary advancement, if necessary.

**Procedure D: To Trace an Employee's Direct Deposit of Pay.**

1. Upon notification from employee that a direct deposit was not received at the financial institution, and upon confirmation from Treasury that the direct deposit has been returned, notifies the Bureau of Commonwealth Payroll Operations (BCPO), Payroll Processing Division. •
2. Initiates salary advancement, if necessary. •

**Procedure E: To Process Emergency Stop of an Employee's Direct Deposit of Pay.**

1. Identifies need or receives request from employee to immediately stop direct deposit entry.
2. Notifies the BCPO, Payroll Processing Division, to have Treasury pull the deposit.
3. Processes salary advancement authorization, if applicable.
4. If future deposits should be discontinued, processes transaction to terminate direct deposit, according to Procedure B.

**SAMPLE FORM STD-441, AUTHORIZATION FOR DIRECT DEPOSIT OF PAY**

Commonwealth of Pennsylvania  
 STD-441 Rev. 7/00

**AUTHORIZATION FOR DIRECT DEPOSIT OF PAY**

**RETURN TO YOUR PERSONNEL OFFICE AFTER COMPLETION OF PART 1**

Note: See Management Directive 315.17

**PART 1 (To Be Completed By EMPLOYEE)**

**INSTRUCTIONS:** Complete items 1 through 10. Sign your name, date the form in the blocks provided, and **submit to your Personnel Office.** **NOTE:** Employee is responsible for notifying the financial institution of direct deposit from employer.

1. Action to be taken (check block)

Start Direct Deposit     Stop Direct Deposit     Change Financial Institution     Change Account Number

2. Employee Name	3. Social Security Number	4. Agency / Bureau Name
5. Employee Number	6. Telephone Number	

**Financial Institution Information** (For Start and Changes to CHECKING you should attach a voided check for verification.)

7. Type Account (check one) <input type="checkbox"/> Checking <input type="checkbox"/> Savings	8. Depositor Account Number	9. Financial Institution's Name, Address & Phone Number
10. Financial Institution Routing Number (for CHECKING obtain from left side of attached voided check; for SAVINGS contact your financial institution) <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> - <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>		

**AUTHORIZATION**

Unless otherwise indicated above, I hereby authorize and request the Commonwealth of Pennsylvania, hereinafter referred to as EMPLOYER, to direct the net amount of my periodic pay for crediting to my account indicated at the Financial Institution designated above, and I further authorize the Financial Institution to credit the same to such account without responsibility for correctness of such amount.

This authorization will remain in effect until I initiate the required stop action in such time and in such manner as to allow my EMPLOYER a reasonable opportunity to act upon it. Furthermore, I understand that termination of employment with my EMPLOYER shall constitute sufficient authorization to terminate this agreement.

**I agree to notify my EMPLOYER if I wish to change the designated Financial Institution or account to which my net pay is to be deposited, 30 days prior to the effective date of such change. I understand that failure to do so may delay the receipt of my net pay.**

\_\_\_\_\_  
**Employee Signature** Date

**PART 2 (To Be Completed By Your Personnel Office)**

Received Date	Input Date	Date Processed	Effective Date of Direct Deposit	Personnel Representative

PERSONNEL