



Guide to ACH Debit Collections

October 16, 2020



This version of the Pay.gov Guide to ACH Debit Collections supersedes all previous versions.

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1 Introduction

This document provides an overview of Pay.gov ACH debit transactions including collections, prenotifications, requirements, limitations, and payment options.

1.1 Related Documents

A separate *Guide to ACH Credit Collections* and other documents describing Pay.gov services and functions can be found at <https://qa.pay.gov/agencydocs/>. These documents are intended for agency users and technicians.

Information about Pay.gov's Public (customer) user interface is available in the online help at <https://pay.gov/public>.

2 ACH Payment Types

Pay.gov supports two types of ACH payments:

- ACH Debit
- ACH Credit (see the separate *Guide to ACH Credit Collections*)

2.1 ACH Debit

ACH Debit is an authorized electronic funds transfer (deduction) from a customer's bank account. When making a transaction the customer essentially permits Pay.gov to request funds be transferred directly from their bank account to Pay.gov and the agency. Funds are transferred via Automated Clearing House debit entries processed by the Debit Gateway at the Federal Reserve Bank of Cleveland and FedACH. The customer does not need to take any further action or contact their bank.

Note: Debit cards are processed as plastic card collections.

2.1.1 Supported ACH Debit Accounts

ACH debits can be deducted, via the Automated Clearing House, from:

- Personal and business checking accounts
- Personal and business savings accounts
- Business general ledger accounts
- Domestic accounts funded by accounts at a non-U.S. financial institution.

ACH debit entries are processed by the Debit Gateway at the Federal Reserve Bank of Cleveland.

All collections are in U.S. Dollars.

2.1.2 ACH Debit Accounts and Transactions not Accepted

- Money market accounts
- Passbook account
- Transactions directly debiting accounts at non-U.S. financial institutions

2.2 ACH Credit

ACH Credit is available only with Pay.gov Hosted Forms and only to agencies identified by the U.S Treasury as candidates for ACH credit. ACH Credit is a two-stop process. First the customer promises to make a payment on Pay.gov. Second, the customer must make arrangements with their financial institution to actually make the payment. See the *Guide to ACH Credit Collections* for more information.

3 Pay.gov Services Supporting ACH Debit Transactions

Table 1: ACH Debit support by service

ACH Debit Transaction	TCS Single	TCS Batch	Hosted Collection Pages	TCS Plastic Card	Forms	eBilling	eBilling Online Application	eBilling Online Web Service	Create Transactions
ACH Debit	Y	Y	Y	N	Y	Y	Y	Y	Y
ACH Prenote	Y	Y	N	N	N	N	N	N	Y
One-time ACH Debit	Y	Y	Y	N	Y	Y	Y	Y	Y
Deferred ACH Debit	Y	Y	Y	N	Y	Y	N	Y	Y
Recurring ACH Debit	Y	Y	Y	N	Y	N	N	N	Y
Cancel ACH Debit	Y	Y	N	N	Y	Y	Y	N	Y
Cancel Recurring ACH Debit	Y	Y	N	N	N	N	N	N	Y
Cancel ACH Prenote	N	N	N	N	N	N	N	N	N

See the agency guides for each of these services for information about the ACH Debit transactions and functions they support.

4 Configuration

One-time ACH debit is the default payment method for your agency's cash flow application when it is set up in Pay.gov.

Your cash flow application can also allow other, optional, ACH debit payment types and other payment methods, such as plastic card. Cash flow applications can even be configured to exclude ACH debit payments, if necessary.

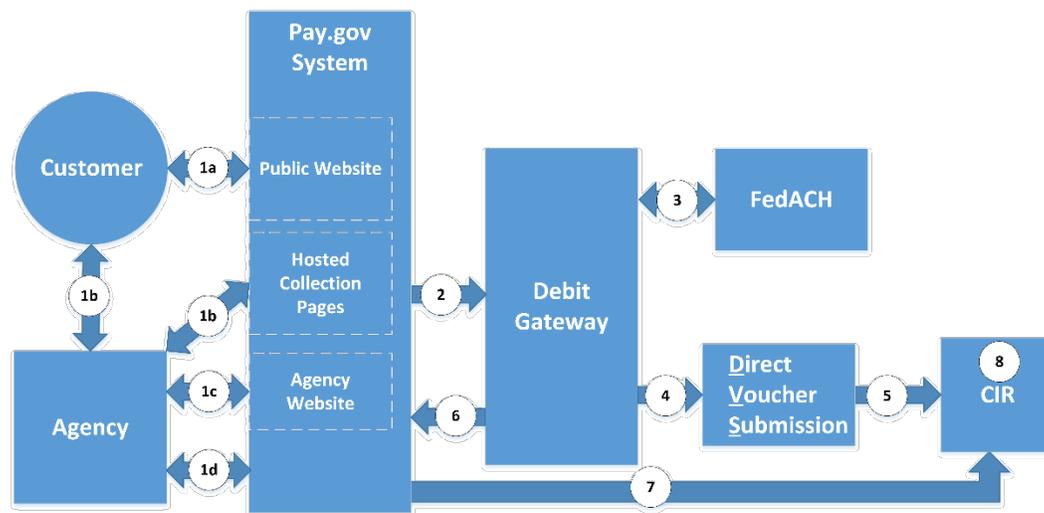
4.1 Bill Payments after the Due Date

For billing cash flow applications, you have the option to configure the application to accept only ACH and Debit Card payments for payments made after the bill's due date.

5 ACH Debit Transactions

5.1 ACH Debit Transaction Flow

Figure 1: Typical ACH debit transaction



1. A transaction and payment is created in Pay.gov.
 - a. The customer creates a transaction and enters a payment Pay.gov's public website.
 - b. The customer creates a transaction on the agency's website and then is redirected to Pay.gov to enter their payment.
 - c. The agency creates a transaction and payment in Create Transactions on the myagency (Agency Collections) website.
 - d. The agency's system submits transaction and payment information directly to Pay.gov's system via a non-interactive service.
2. Pay.gov records the transaction and payment information with a pending status and submits the ACH debit payment to the Debit Gateway, (ACH debit processor at the Federal Reserve Bank of Cleveland) for settlement.
3. The Debit Gateway submits the electronic funds transfer request to the customer's financial institution via FedACH. The financial institution's reply is returned to Debit Gateway.
4. Debit Gateway submits collection information to DVS.
5. DVS submits collection information to CIR.
6. Debit Gateway sends a status update to Pay.gov, which updates the payment's status in its records.
7. Pay.gov submits transaction details to CIR.
8. CIR records payment information and makes funds available to the Treasury and Agency Accounts.

5.1.1 ACH Debit Payment Page

The public website, Hosted Collection Pages, and Create Transactions service use payment pages to capture information needed to process an ACH debit payment. The information includes

- Payment Amount
- Payment Date (may allow entering or selecting)
- Account Holder Name
- Account Type
- Routing Number
- Account number

If recurring payments are allowed, the page will include a field for selecting the payment frequency.

Figure 2: Example ACH debit payment page for one-time payment

Alert Message:
Test This Message <https://www.google.com/>

Before You Begin 1 Complete Agency Form 2 Enter Payment Info 3 Review & Submit 4 Confirmation

Please provide the payment information below. Required fields are marked with an *.

* Payment Amount:
\$10.00

* Payment Date (mm/dd/yyyy)

* Account Holder Name

* Select Account Type
Select Account Type

* Routing Number
Routing Number

* Account Number
Account Number

* Confirm Account Number
Confirm Account Number

Previous Return to Form Cancel Review and Submit Payment

Need Help?
Customer Service

Pay.gov

Contact: Pay.gov Customer Service
Email: [Click to email](#)
Phone: 800-624-1373 or 216-579-2112
Hours: Monday - Friday, 7:00 AM - 7:00 PM (ET)

5.2 ACH Debit Payment Types

Pay.gov supports the following ACH debit payment types:

- Immediate one-time — a single payment submitted where the payment is included in the first available settlement file.
- Deferred one-time — a single payment whose settlement and payment date is in the future. The date is either selected on an interactive payment page or specified in a batch file submitted to a non-interactive Pay.gov service (section 7).
- Recurring — a series of payments for the same customer account scheduled to be made at regular intervals (section 6).
- Notification of Change (section 12).

Your agency selects the ACH debit payment types accepted for your cash flow application at the time it is first configured or when configuration is modified later. Contact your Pay.gov Agency Implementation Liaison for more information and assistance.

5.3 ACH Debit Payment Limits

The ACH debit payment amount cannot exceed \$99,999,999.99 per transaction.

Otherwise, the payment amount is only restricted by the amount available in the ACH account

5.4 Minimum and Maximum Payments

Cash flow applications using the following services can be configured to restrict any payment, including ACH debit payments, to a minimum to maximum amount range:

- Forms
- Hosted Collection Pages
- TCS Batch Web Service
- TCS Single Web Service

Payments outside the configured range will not be allowed.

5.5 ACH Debit Payment Cutoff Time and Effective Date

ACH debit payment processing follows the Federal Reserve holiday schedule available at <http://www.federalreserve.gov/aboutthefed/k8.htm>. ACH debit payments will not be processed or settled on the listed Federal Reserve designated holidays.

In the production environment, the daily settlement cutoff time for ACH debit transactions is 8:55 pm Eastern Time.

In the testing environment, the daily ACH Debit transaction cutoff time is 2:55 pm Eastern Time.

Transactions submitted before the cutoff time will settle on the following business day. ACH debit transactions submitted after the cutoff time (for example, 8:56 pm in production) will settle on the second business day following.

5.5.1 Examples:

- An ACH debit transaction submitted at 8:55 pm E T or earlier on Monday will settle on Tuesday if that is business day.
- An ACH debit transaction submitted later than 8:55 pm E T on Monday will settle on Wednesday
- If the following day is not a business day, settlement will be delayed. For example, ACH debit transactions submitted on a Friday will not be settled on the weekend. Instead they will be settled on the following Monday. If the following Monday is a holiday, the transactions will be settled on Tuesday.

5.5.2 Cutoff Time Affects Batches of ACH Debit Payments

Settlement for batches of ACH debit transactions is affected by the cutoff time. This may cause ACH debit payments in a single batch to be settled on different business days.

For example, a large batch containing ACH debit payments is received by Pay.gov at 8:50 pm E T on a Tuesday. Pay.gov processes the batch between 8:50 pm and 9:00 pm. All ACH debit payments processed by 8:55 pm are settled on Wednesday. ACH debit payments processed after from 8:55 are settled on Thursday, the second business day.

Note: Effective dates will also be determined by the deferred any recurring payment dates.

5.6 ACH Debit Blocks

Automatic debits to a customer's business account may be blocked by their bank. This security feature is called an ACH Debit Block, ACH Positive Pay, or ACH Fraud Prevention Filters.

ACH Debit Block works by the business establishing a list of allowed ACH company IDs with their bank. The list enables the bank to accept and process automatic debits for payments to the companies listed.

To add a US Government agency they need to pay via ACH, business customers must:

1. Contact Pay.gov Customer Support for the information they must provide their bank (the receiving agency's ALC+2 value).
2. Contact their bank to add the agency to the list.

5.7 ACH Debit Payment Status

Table 2: Payment status

Payment Status	Description
Received	<p>One-time payment: Payment has been received at Pay.gov.</p> <p>Recurring payment: While a recurring payment is in effect its status is Received until the last payment is made.</p> <p>Deferred payment: Remains in Received status until it is sent for settlement on the business day prior to the date it was deferred to.</p>
Settled	<p>One-time payment: Entry has been made into FedACH.</p> <p>Recurring payment: The last scheduled payment has been made.</p> <p>Deferred payment: Entry has been made into FedACH</p>
Failed	<p>Failed Transactions usually result from invalid data being submitted through a non-interactive interface.</p> <p>One-time payment: Transaction could not be processed.</p> <p>Recurring payment: The payment in the recurring series has generated a failure, even if prior payments were successfully collected.</p> <p>Deferred payment: Transaction could not be processed.</p>
Cancelled	<p>One-time payment: The payment was cancelled before it was submitted for settlement.</p> <p>Recurring payment: The payment schedule has been canceled. Payments made prior to cancelation are valid and credited. Remaining payments in the schedule will not be processed.</p> <p>Deferred payment: The payment was cancelled before it was submitted for settlement.</p>
Retired	<p>One-time payment: Item has been returned.</p> <p>Recurring payment: Item has been returned.</p> <p>Deferred payment: Item has been returned.</p> <p>Retired ACH transactions are transactions that have previously settled and are then returned for credit, Transactions can be returned by a customer's bank for various reasons.</p>

6 Establishing Recurring Payments

Recurring ACH payments are debit transactions scheduled to be made automatically, starting on a specified date, occurring at a specified frequency (monthly, for example), for a specified number of times.

Cash flow applications for the following services can be configured to accept recurring ACH direct debit payments.

- Create Transactions
- Forms
- eBill
- Hosted Collection Pages
- Non-interactive TCS Web Services, excepting the TCS Plastic Card Web service

If the agency cash flow application allows, recurring ACH debit transactions can be created by:

- customers logged in to Pay.gov's public website
- customers making payments on an agency's Hosted Collection Page
- agency users creating transactions on behalf of customers in the Create Transactions service
- agencies uploading transactions using TCS non-interactive web services

6.1 Application Configuration Changes and Recurring Payments

If an application is configured to allow recurring payments and the ALC or +2 values for that application change, any existing recurring payments for that application which contain the old values will be updated to the current ALC and +2 values when the transactions are submitted for collection.

6.2 Recurring Payment Dates

Any date can be selected for the first payment, and future payments will be scheduled for that day of the month, with the following exceptions.

6.2.1 *First Payment on a Business Day*

If the first payment date occurs on a business day (M-F) the payment will be dated as of that day and subsequent scheduled payments will occur on that same day each month. If future scheduled payments fall on a non-business day (weekend or bank holiday) the payment date will be advanced to the next business day.

6.2.2 *Create Transactions Service Exception*

If the first payment date selected is not a business day (weekend or bank holiday) the payment will be advanced to the next business day. This advanced date will be used for all subsequent scheduled payments. If a future scheduled payment falls on a non-business day, the payment date will be advanced to the next business day for that month only.

6.3 Recurring Payment Notifications

Customers can choose to receive email reminders for each recurring payment. If this option is chosen, customers will receive an email notification from Pay.gov ten days prior to the draft date of the payment (the date the payment is supposed to be debited to the customer's account).

Note that the draft date might be affected if the recurring payment date falls on a weekend or bank holiday.

For each recurring payment made, customers receive a confirmation email from Pay.gov.

6.4 Payment Status

See Table 2: Payment status for a list of ACH debit statuses. Recurring payment status is available in online reports and through the Transaction Search service.

Pay.gov follows a policy of "All OK – First Failed" for recurring payments. This allows the first failed payment to be identified even if subsequent payments have also failed.

6.5 Canceling Recurring ACH Debit Transactions

A single payment in a series cannot be canceled. Instead, entire remaining schedule of ACH debit payments must be canceled. If payments are to be resumed a new recurring schedule must be created.

Customers with Pay.gov accounts can cancel their recurring transactions in the public website. See the Online Help.

Agencies can cancel recurring transactions in Transaction Search, the TCS Batch Web Service, and the TCS Single Web Service.

For instructions, see the guide for the Pay.gov service used.

7 Deferred ACH Debit Payments

Cash flow applications can be configured to allow deferred (future dated) ACH debit payments for both interactive and non-interactive interfaces.

Cash flow applications for the following services can be configured to accept deferred ACH direct debit payments.

- Create Transactions
- Forms
- eBill
- Hosted Collection Pages
- Non-interactive TCS Web Services, excepting the TCS Plastic Card Web service

7.1 Deferred/Future Dated Payment Dates

ACH debit payments can be entered at any time and scheduled for payment up to three years in advance of the current date, allowing customers to enter payments prior to the actual due date.

Note: Payment dates in the past cannot be selected or entered.

7.2 Deferred Payment Status

A deferred ACH debit payment has a status of “Received” until the payment is sent for settlement (at 8:55 pm on the business day prior to the date it was deferred to). It then behaves like a one-time payment.

7.3 Deferred Payment Settlement

Pay.gov verifies that the payment date entered by the customer or agency user is valid and correctly settles the ACH debit collection on that date. See section 19.

7.4 Deferred Payment Cancelation

A deferred payment can be canceled up to two business days prior to the settlement date.

7.5 Application Configuration Changes and Deferred Payments

If an application is configured to allow deferred payments and the ALC or +2 values for it change, any existing deferred payments for that application which contain the old values will be updated to the current ALC and +2 values when the transactions are submitted for collection.

If the deferred payment option is not active for an application and deferred payment is received through a non-interactive interface, the payment will be processed on the next settlement day not the future date specified in the transaction.

8 Depositing to the Agency Account

Pay.gov ACH debit collections are processed through the Federal Reserve Bank of Cleveland (Debit Gateway) and forwarded to FedACH. All money collected is directly deposited with the Treasury on behalf of your agency.

An entry to the Central Information Repository (CIR) is automatically generated when the payment funds are credited.

Deposit summary data is available in Pay.gov online reports and Activity Files and in CIR reports.

9 Returns and Representation

According to NACHA regulations, an ACH debit transaction submitted by a corporate customer can be returned up to two business days after settlement.

For example, if a payment is received on a Monday, it will settle on Tuesday but can be returned through Thursday.

For payments received from consumers, an item can be returned up to two business days after settlement for normal reasons, and for up to two statement cycles after it was settled if the payment was found to be fraudulent.

The agency should bear this in mind before shipping products or merchandise.

When an R01 – Insufficient Funds or an R09 – Uncollected Funds item is received and the agency has chosen to represent items, an SF 5515 will not be generated to the associated ALC at that time. The SF5515 will only be generated after the defined number of representations, when the item is deemed to be uncollectable.

10 Standard Entry Class (SEC) Codes

Each ACH debit transaction has a Standard Entry Class (SEC) code that identifies a specific payment application. The code incorporates type of payment (credit or debit), account nature (consumer or corporate), and record format.

Pay.gov ACH debit transactions commonly have the SEC codes in Table 3.

Table 3: SEC codes for Pay.gov ACH transactions

SEC code	Customer	Definition
CCD	Corporate	Credits or debits where funds are distributed or consolidated between corporations. Used for Treasury transactions because they do not qualify as consumer transactions.
PPD	Consumer	Prearranged payments and deposits such as bill payments or other recurring ACH payments.
TEL	Consumer	Single debits authorized via telephone.
WEB	Consumer	Single or recurring debits authorized via Internet.

11 ACH Prenotification

Agencies are able to create ACH Prenotification transactions in:

- Create Transactions
- the TCS Single Web Service
- the TCS Batch Web Service
- Payer Profile

An ACH prenotification is a zero-dollar transaction created through Pay.gov, processed through the Federal Reserve Bank of Cleveland and the FedACH system, and sent to a customer's bank in order to ensure that the ACH account information (routing/transit number and account number) is valid.

Response to an ACH prenotification is at the discretion of the receiving financial institution and is usually received only when the account information is incorrect and need to be corrected.

The Operating Rules of the National Automated Clearing House Association (NACHA) establishes that the financial institution or depository must initiate a return or Notification of Change (NOC) entry within six banking days of receipt or the original prenotification entry. Any subsequent transactions to that account must not be made until six banking days after the prenotification was sent.

11.1 Requirements

- Your cash flow application must be configured accept ACH payments.
- The prenotification option must be configured if you are to receive notification of change (NOC) in case inaccurate or changed information (see section 12). This allows NOCs to be listed in the Notification of Change report

11.2 Prenotifications in Reports

In reports, search for prenotifications by entering \$0.00 as the transaction amount. Prenotification information can also be retrieved through the ACH Activity file.

See the *Agency Guide to the Reporting Service and Activity Files* for more information.

12 Notification of Change (NOC)

Pay.gov provides the ability to receive and process Notification of Change messages.

A NOC informs your agency that the ACH information submitted for a transaction or prenotification is inaccurate or that something has changed requiring the account details to be updated.

Example: Two banks merge resulting in one bank altering its routing transit numbers (RTNs). NOCs are initiated by the bank that received a prenote or an ACH debit transaction from Pay.gov.

NOC information is automatically stored and updated by the Federal Reserve Bank of Cleveland as part of Pay.gov processing. The information is accessed if the original information is submitted in subsequent transactions.

12.1 Requirements

Your cash flow application must be configured to allow NOC details to be provided in reports showing ACH transactions and in the ACH Activity File.

12.2 Reports

The Notification of Change Report (see the *Agency Guide to the Reporting Service and Activity Files*) details any NOCs of your agency. The report includes the Change Reason Code in accordance with NACHA standards and the corrected account information.

13 ACH Debit Addenda Support

The NACHA file specification for ACH settlement provides for an addendum record that can contain additional information about the transaction. Pay.gov enables one of the custom collection fields for a transaction to be defined as an ACH addenda field.

The information entered in this field will be passed to the financial institution, along with the transaction information in the ACH settlement file, as the addenda. The financial institution can add the addenda information to their customer's statement. Even though the custom collection field may contain up to 255 characters, only the first 80 characters in the field will be forwarded as the addenda field.

An agency must designate a field to be used as the addenda in the cash flow application's Application Configuration Template (ACT) in order to use this feature.

14 ACH Debit Payment Processing Considerations

14.1 Originating Depository Financial Institution (ODFI):

The Federal Reserve Bank of Cleveland is the payment processor for ACH debit payments made through Pay.gov and will appear as the ACH ODFI.

FRB-C processes ACH transactions under ABA numbers

- 041036046
- 042736141

14.2 Trace Number

A trace number is a unique number assigned to every ACH debit entry (payment) by the ODFI, which identifies that entry within a specific ACH file. The first eight digits are the transit/routing number used by the FRB-C. The last 7 digits are sequence numbers assigned by the transaction's originator.

Trace numbers for ACH payments processed by Pay.gov start with 041036046

14.3 Company ID:

Every ACH batch contains a company ID number in accordance with NACHA requirements.

The company ID number for Pay.gov payments is the ALC+2 identifier assigned to each application.

14.4 Receiving Depository Financial Institution (RDFI):

An RDFI may be using transaction filtering to detect unwanted, extraneous, or suspect debits.

Your agency should confirm that the items above will not cause valid payments to be rejected by an RDFI when Pay.gov is the new transaction provider.

15 Reports

15.1 Pay.gov Reports and Activity Files

Details of Pay.gov transactions are available in Pay.gov's online reports and Activity Files, including:

- ACH Effective Date Report
- Collection Search CSV Download
- Notification of Change
- ACH Activity File
- Collections Activity File

See the *Agency Guide to the Reporting Service* for more information about activity files.

15.2 CIR Reports

Information about settled and credited ACH debit transactions is available in CIR reports. See CIR documentation for details.

16 Reconciling ACH Debit Collections

16.1 Reconciling Pay.gov ACH Debit Collections with the CIR

Pay.gov provides a number of tools (for example the Collection Voucher Report) that your agency can utilize in your reconciliation process. The reconciliation process consists of comparing/balancing transactions entered on the Pay.gov website with the entries in CIR reports. All Pay.gov vouchers are entered in the CIR under ABA 042000437 and CAN number 000367.

Contact the CIR at CIR.customersupport@clev.frb.org to determine how to use CIR reports to compare and balance transactions entered on the Pay.gov website. Any automated reconciliation process should also be reviewed to ensure that Pay.gov entries are correctly entered into the application.

16.2 Out-of-Balance Situations

If you have questions regarding report balancing, or you encounter a situation where you believe you are out of balance, please contact Pay.gov Customer Support.

17 ACH Debit Collections Timelines

17.1 Transaction Timelines

The following production timelines illustrate ACH debit transactions occurring during a period of consecutive business days. They do not illustrate transaction settlement delayed by a weekend or holiday.

Figure 3: Forward Item Processing for ACH debit

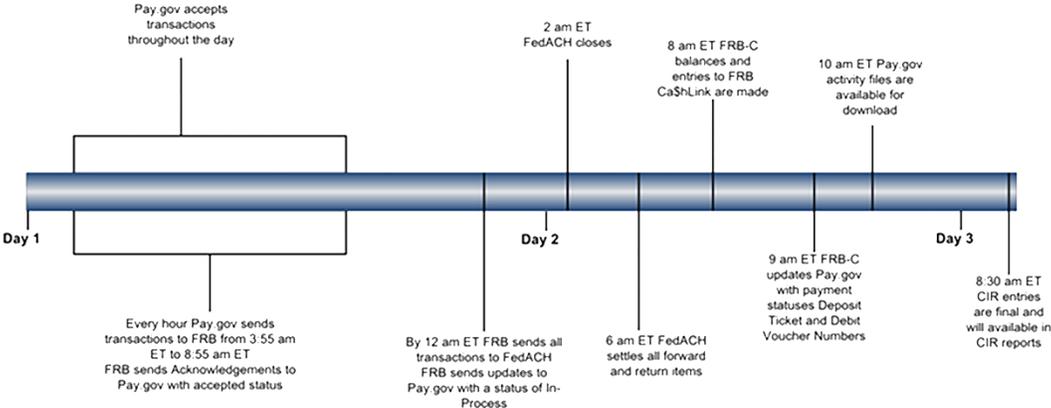


Figure 4: Immediate Return item processing

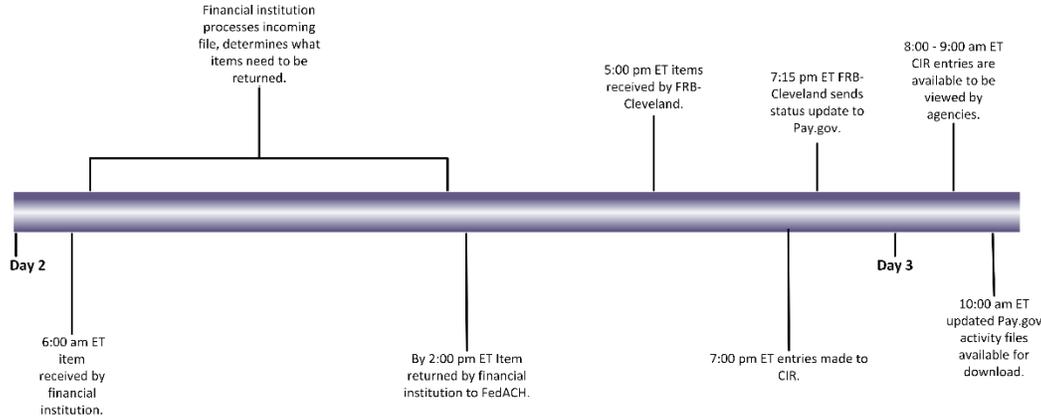


Figure 5: Account Closed, Next-Day Return item processing

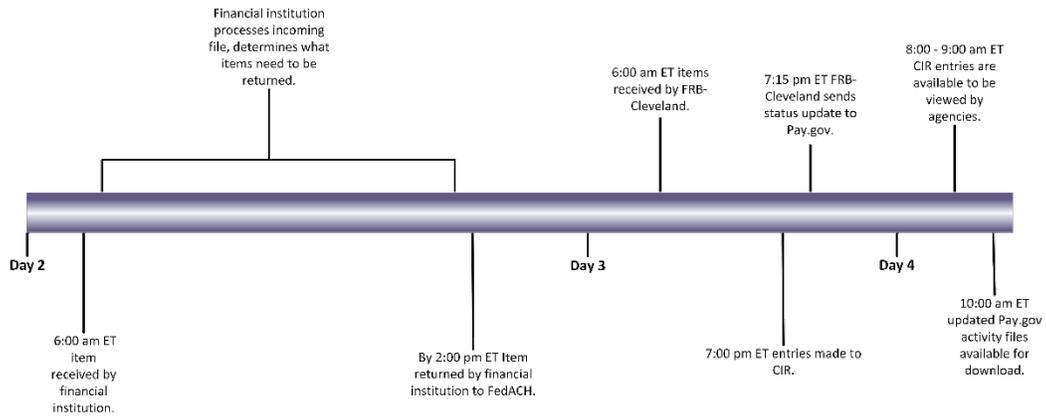
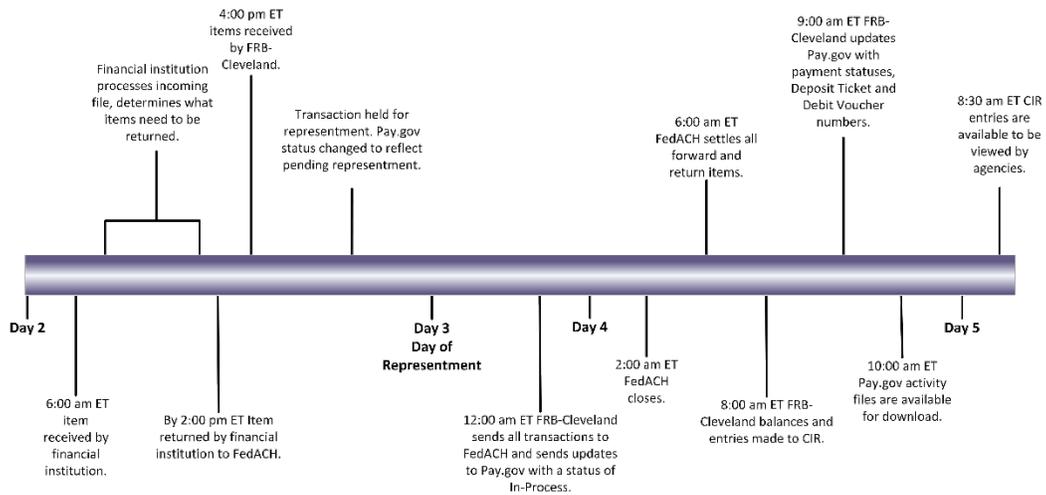


Figure 6: Insufficient Funds (NSF) with Next-Day Representation item processing



18 Refunds

Refunds for ACH debit transactions are handled by your agency, which determines if the refund is to be granted. Typically, if the refund is granted, your agency cuts a check to the customer.

19 Restrictions and Validation

Important! Large payment amounts, or payment of a debt, such as a loan, may require the payment to be made with ACH debit or a debit card.
Contact your Bureau of the Fiscal Service liaison for more information.

19.1 Payment Dates Validation on Interactive Payment Pages

Pay.gov validates the ACH payment dates that can be selected or entered on a payment page against the cutoff time and the Federal Reserve Bank business dates. Validation takes place when the payment is submitted.

When a customer creates a transaction on the public website or on a Hosted Collection Page, or an agency user creates a transaction in Create Transactions, the payment date they can select is the following business day or later, but this is affected by the ACH cutoff time.

19.1.1 Examples

- A customer creates a payment on Wednesday at 4:00 pm ET. The payment page allows them to select a payment date of Thursday or later.
- A customer begins creating an ACH transaction before the ACH cutoff time, selects the next day as the payment date, but submits the payment after the cutoff. Pay.gov validation determines that the selected date is not valid. The customer is returned to the payment page (with an error message) and must select a different payment date before they can submit the payment. The date originally chosen is no longer selectable.

20 Testing

Testing is performed in Pay.gov's agency testing environment. Pay.gov provides test account numbers for ACH debit transactions. See the *Pay.gov Agency Guide to Testing Applications* for details and instructions.

21 Customer Support

21.1 Contact Information

Hours: 7:00 am to 7:00 pm Eastern Time
Monday through Friday, closed bank holidays

Phone: (800) 624-1373
Option 2 for Pay.gov support
Option 3 for CIR support

Email Address: pay.gov.clev@clev.frb.org