

Section I

BANKING SERVICES TRIANGLE

The process of receiving and disbursing monies in state government utilizes three different entities. First is a State of Oregon agency that needs to deposit or disburse funds. Second is Oregon State Treasury, who maintains the agency's account to be debited or credited. Third are the banks with whom Treasury has established bank accounts in order to provide State agencies with a convenient way to deposit money into their accounts at Treasury.

Agency

Agencies receive money for a variety of reasons and from a variety of sources. This section of the manual will only address those sources outside of state government. Interagency payments will be addressed in Sections V and VI.

When money is received by an agency, it is deposited at various banks around the state with which Treasury has established bank accounts. Oregon Revised Statute (ORS) 293.265, with very few exceptions, does not allow a State of Oregon agency to have an account at a bank. Instead, the agency's account is at Treasury. When agencies deposit money at the bank, they are actually depositing to the Treasurer's account at the bank. In effect, Treasury is the agency's bank; and we have established relationships with various commercial banks to accept deposits from agencies as a mechanism for agencies to efficiently deposit money to their accounts at Treasury.

Credit to the agency's account occurs when Treasury is notified of the deposit. If the deposit was made at one of the banks that can provide electronic deposit information, the agency account is credited the day after the physical deposit is made. Otherwise, the account is credited on the day Treasury receives the deposit slip from the agency.

Similarly, when an agency writes a check (a demand draft) or draws a warrant (a certification of the validity of a debt with authorization to pay the debt) to pay a client or vendor, the check or warrant is not drawn on a bank.

Instead, the item is drawn on Treasury, which has its own routing number that is recognized by the Federal Reserve System for check-clearing purposes, just like a bank. Treasury contracts with a single bank to provide the processing function for these items.

The State Controllers Division of the Department of Administrative Services (DAS) issues warrants based on agency requests through SFMS. Treasury transmits redeemed warrant and deposit information to DAS daily.

Treasury

Treasury is the bank for all State of Oregon agencies. Deposits are made to an agency's account at Treasury and checks/warrants are drawn on Treasury. Treasury provides statements to agencies detailing the activity in their accounts, invests excess funds, and calculates and pays interest to those accounts authorized by statute to retain interest earnings. It should be noted that the Treasury statements reflect transactions as they affect Treasury (as the bank) accounting records. **Therefore, debits and credits are the reverse of the debits and credits reflected on the agency's accounting records.**

Treasury also offers safekeeping services, provides consulting on banking and cash management issues, and contracts with certain banks for providing services to State agencies.

The concept of Treasury contracting with the banks for services is an important one. Legally, Treasury is the bank's customer, or the **owner of the account**; and the agency is an agent of Treasury. Because of this, only Treasury may enter into contracts that affect activity in these accounts.

There are several advantages to this type of central management of banking services which benefit the State as a whole: contracts can be negotiated on a statewide basis, which simplifies contract management and can result in significant savings on pricing issues; quality control of bank services is more effective; and issues tend to be resolved more rapidly due to the size of the combined business of the State.

Bank

As stated above, the commercial banks provide deposit or payment services. A bank allows any State agency to deposit money to the Treasurer's account at that bank. Oregon is fortunate to have a long tradition of branch banking which allows for coverage of all areas of the state with a relatively small number of banks. These banks offer the agencies a variety of services, including night depositories, coin and currency, lockboxes, merchant bankcard services, and much more. A list of participating banks and available services may be obtained by contacting the Finance Division of Treasury.

Communications With The Bank

If an agency has a problem with a bank, wants to acquire a new service from a bank, or has any other questions regarding its banking services, the agency should call the Finance Division of Treasury.

Keep in mind that Treasury represents the State of Oregon as a whole when dealing with the bank, and we are one of the largest customers in the state. It is in the best interest of the agency to take advantage of that expertise and influence.