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CHAPTER I. OVERVIEW

1.1 What is the Purpose and Scope of the Cash Management Handbook?

The purpose of the Cash Management Handbook (CMH) is to document cash management guidance for Bureaus/Offices of the U.S. Department of the Interior (Interior) to ensure effective management of cash and financial operations encompassing billings, deposits, collections, and disbursements. Cash management is practices and techniques designed to accelerate and control collections, ensure prompt deposit of receipts, improve control over disbursement methods, and eliminate idle cash balances.

All Interior Bureaus/Offices are required to comply with the standards contained herein. Each Bureau/Office, however, may define supplementary directives and standards to satisfy their unique needs, as long as they are consistent with the CMH.

The scope of material included in the CMH is defined by the roles and responsibilities of the Office of Financial Management (PFM) as opposed to those of other Interior offices such as the Office of Budget and the Office of the Inspector General (OIG), and by the historical division in Interior of accounting functions from other supporting functions such as payroll and contracting. Other offices and functions have policy or procedure manuals covering their responsibilities. This CMH includes guidance related to PFM responsibilities, and includes summaries and references to other offices' policies, as needed, to describe the interactions of PFM activities with other Interior activities.

This CMH documents guidance and procedures to:

- provide specifics on implementing Interior cash management to improve the Interior's cash flow functions;
- describe opportunities to improve cash flow processes;
- raise the consciousness of financial managers about the time-value-of-money;
- emphasize the use of Electronic Funds Transfer (EFT) mechanisms for collecting receipts and making payments.

1.2 What Other Documentation Does this CMH Reference? References for this CMH are contained in:

- Treasury Financial Manual at <http://www.fms.treas.gov/tfm/index.html>
- Government Accountability Office (GAO) Policy and Procedures Manual, for Guidance of Federal Agencies, Title 7 – Fiscal Guidance, at <http://www.gao.gov/fedagencies.html>



- Interior Accounting CMH, at <http://www.doi.gov/pfm/handbooks>
- 330 DM 2, Principal Authoritative Sources for Financial Policies and Accounting Standards, at http://206.131.241.18/app_dm/index.cfm?fuseaction=home
- Cash Management Made Easy Guidebook, at <http://www.fms.treas.gov/crm/cashmanagementmadeeasy.html>

1.3 Who Will Modify and Interpret the CMH? PFM is responsible for establishing and implementing a policy development and maintenance process as defined in 330 DM 1. Modification and interpretation of this CMH will follow the same process.

Submit requests for waivers or exemptions to the provisions of this CMH in writing to the Director of PFM. Each request shall identify the specific requirement(s); state fully the reason(s) for the request; identify the period covered by the waiver or exemption; and, include supporting documentation. The Director, PFM will promptly issue a response to each request for waiver or exemption.

The guidance, principles, and standards stated in this CMH do not relieve Bureaus/Offices from complying with current laws or regulations published by the central agencies, (i.e., Office of Management and Budget, GAO, Office of Personnel Management, Department of the Treasury (Treasury), and the General Services Administration.

1.4 What is the Effective Date of this CMH? This CMH is effective upon issuance.

1.5 Where Can I Direct Questions and Comments? Direct verbal questions or comments about this CMH to PFM at 202-208-4701. Address written requests for interpretations of policies and standards to: Office of Financial Management, MS 2557-MIB, 1849 C Street NW, Washington, D.C. 20240



CHAPTER 2. CASH MANAGEMENT

2.1 What is the Purpose of this Chapter?

This Chapter provides the general standards, specific standards and guidance, responsibilities of designated offices and positions, the penalties for improperly handling and using public moneys, and the safeguarding of public funds.

2.2 What are the Authoritative Sources?

- SFFAS No. 1, Accounting for Selected Assets and Liabilities
<http://www.fasab.gov/pdffiles/sffas-1.pdf>
- The Cash Management Improvement Act of 1990 (CMIA) (P.L. 101-453) as amended by the Cash Management Improvement Act of 1992,(P.L. 102-589)
<http://www.fms.treas.gov/cmia/index.html>
- The Anti-Deficiency Act (31 U.S.C. Secs. 1341, 1342, 1349-1351, 1511-1519)
<http://www4.law.cornell.edu/uscode/>
- 31 U.S.C. Subtitle III, Chapter 35, Subchapter III, Sec. 3527
<http://www.gpoaccess.gov/uscode/browse.html>

2.3 What are the General Standards for Cash Management? U.S. Department of the Interior (Interior) Bureaus/Offices must provide appropriate control over all collections and disbursements. Bureaus/Offices must make use of every available tool to collect and disburse funds as efficiently and effectively as practical to ensure that the maximum amount of cash is made available to Treasury for purposes of investment and to avoid unnecessary borrowing.

This Cash Management Handbook (CMH) contains broad guidance and standards for Interior Bureaus/Offices to follow in managing and accounting for billings, deposits, collections, and disbursements. Detailed procedures and regulations for each of these activities are available from the federal Government's central administrative agencies, including Treasury, Office of Management and Budget (OMB), Government Accountability Office (GAO), and the Financial Systems Integration Office (FSIO), et al.

Bureaus/Offices must process payments of Federal Government obligations in a timely manner, disbursing funds neither before they are due nor after they are due and payable. Laws and regulations specifically govern disbursement management:

- Prompt Payment Act of 1982 (Public Law 97-177);



- Prompt Payment Act Amendments of 1988 (Public Law 100-496);
- 5 CFR 1315 <http://www.fms.treas.gov/prompt/regulations.html>; and,
- Cash Management Improvement Act of 1990 (Public Law 101-453) as amended by the Cash Management Improvement Act of 1992 (Public Law 102-589); and
- 31 CFR 205 <http://www.fms.treas.gov/cmia/index.html>.

The Prompt Payment Act (PPA), as amended, provides for interest on late federal payments to contractors. The PPA also provides that federal entities must make payments on time and take discounts only when payments are made on or before the discount date. The CMIA specifies requirements for timely payments to states.

2.4 What are the Specific Standards and Guidance? This Section contains specific financial guidance and accounting standards relating to cash and disbursements management. The guidance and standards are deliberately broad; keeping duplication of policy and procedural material readily available from the central administrative entities of the federal Government, i.e., Treasury, OMB, GAO, et al., to a minimum. This section establishes guidance and standards that are specific to Interior needs, financial systems, and program requirements, with particular emphasis on the operational requirements of the accounting systems.

2.4.1 What are the Cash Management Accounting Standards? – Effective cash management requires that Interior disburse funds at the appropriate time, neither before nor after they are due and recognize cash, including imprest funds, as an asset. *SFFAS No. 1, Accounting for Selected Assets and Liabilities, Paragraph 27*, at <http://www.fasab.gov/pdffiles/sffas-1.pdf> defines cash.

Types of Cash – *SFFAS No. 1, Accounting for Selected Assets and Liabilities, paragraphs 28-29* define Entity cash and Non-entity cash. Paragraph 30 defines restricted cash.

Fund Balance with Treasury – *SFFAS No. 1, Accounting for Selected Assets and Liabilities, Paragraphs 31-39* define federal entity's fund balance with Treasury; what it includes; how it is increased; what it does not include; explains authority to borrow; how it is reduced; explains the two categories of funds within the entity's fund balance with Treasury; the obligated balance not yet disbursed and the unobligated balance; and, discusses reconciliation and disclosure.

2.4.2 What is the Cash Management Guidance? Interior maintains complete cash accountability in accordance with the requirements specified by



Treasury. The purpose of cash management guidance and procedures is to ensure the use of the most economical and effective cash flow techniques in financing Federal programs. This is achieved through a commitment to certain basic cash management principles, such as:

Cash Receipts:
Prepare and send billings to entities outside the Government promptly after the goods or services have been rendered. If advances are authorized by statute, follow billing procedures included therein. To ensure that funds are received promptly, these billings shall clearly indicate the requirement for timely payment.
Levy charges for late payments in the form of interest, penalties, and administrative costs on delinquent receivables to offset the cost of funds to the Government and administrative costs incurred in collecting delinquent debts.
Design collection systems with explicit consideration to the volume and character of the collections and the most expeditious availability of cash to Treasury.
Include procedures in collection systems, which provide for prompt and continuing action to collect outstanding receivables, with particular attention to delinquent receivables.
Keep the aggregate total of uncollected receivables to the minimum amount possible.
Include a payment schedule, provide notice of late charges for delinquency, and when legally authorized, provide for the receipt of payment in advance or acceptance of individual credit cards (approved by Treasury) for the sale of Government goods or services in contracts or agreements to an entity outside the Government.
Complete deposit processing, both for United States dollars and foreign currencies, promptly and include a separation of the flow of collections from the flow of related documents at the earliest possible processing point, i.e., separation of duties.
Collect all funds by EFT when cost effective, practicable, and consistent with current statutory authority. Consider collection mechanisms in the following order of preference: Automated Clearing House (ACH), Fedwire, Debit/credit card, Lockbox, Treasury's General Account (TGA).
Cash Payments:
Design payment systems so that payments are made neither early nor late, and in accordance with the provisions of the PPA.
Do not make payment on an invoice before receiving the related goods or services, except as specifically authorized or required by law.



Incorporate procedures in payment systems that will allow routine application of economical cash discounts without the need for special handling.

Disburse all funds by EFT when cost effective, practicable, and consistent with current statutory authority. Bankcards, or electronic funds transfers, including ACH, Fedwire Deposit System, and Treasury checks shall be used to make payments, according to Treasury regulations.

Monitor cash advances for grants, procurement, or authorized employee entitlements to avoid amounts in excess of that required for immediate disbursement needs. Promptly withdraw or seek refund when excessive.

Hold Imprest funds, and other cash held outside the Treasury, to a minimum. Frequently review to ensure that fund balances do not exceed the amounts authorized, are not idle, and are commensurate with actual disbursement needs.

Administer funds kept in interest bearing accounts so that they yield the highest possible interest rate commensurate with efficient administration of the account, as authorized by law or by Treasury.

Purchase foreign currencies acquired through commercial channels with U.S. dollars at the most favorable legal exchange rate obtainable from a legally authorized source.

Use United States owned excess or near-excess foreign currencies first rather than acquiring such currencies through the exchange of additional U.S. dollars.

Issue internal instructions to monitor the cause of any interest penalties incurred, take necessary corrective or disciplinary action, and deal with inquiries.

Assure that effective internal control systems are established and maintained to provide reasonable assurance that cash management activities are effectively and efficiently carried out and that internal management controls over receipt of collections and acceptance of goods and services are in place and being observed.

Establish a quality control (QC) program to assess performance of payment systems and provide a reliable way to estimate payment performance.

Bureau/Office Quality Control Program Requirements:

Provide managers information regarding problems and assist in targeting corrective actions through a systematic performance measurement system throughout the entity. Assure QC data is accurate within established tolerances and is used to fulfill OMB-mandated annual reporting requirements.

Gather data as frequently as needed by managers to identify and correct errors. Rapidly changing situations may require frequent data collection.



Collect information through a process at least as thorough as the original payment decision process. QC reviewers must use original documents and repeat the original calculations.

Gather data, to the greatest extent practicable, on the basis of a statistically valid sample sufficient to assure the reliability of QC reviews conducted, without unduly burdening entity resources.

Collect data from individuals who are independent from the original payment decision. Supervisory reviews, while an excellent way to improve processing, are not QC reviews.

Analyze QC data periodically and implement remedial action plans to correct any inefficiencies or errors found.

Publish lists of designated entity contacts within payment centers or finance offices to provide contractors assistance in determining the status of their invoices.

Cash Management Improvement Acts of 1990 and 1992 – The Cash Management Improvement Act of 1990 (CMIA) (P.L. 101-453) as amended by the Cash Management Improvement Act of 1992, (P.L. 102-589) <http://www.fms.treas.gov/cmia/index.html> was passed to improve the transfer of Federal funds between the Federal Government and the States, territories, and the District of Columbia. The main objective is to minimize the time of transfer of funds and the payout for program purposes. 31 CFR Subtitle B, Chapter II, Part 205 <http://www.gpoaccess.gov/cfr/index.html> contains rules and procedures for efficient federal-state fund transfers.

Managing Investments – SFFAS No. 1, Accounting for Selected Assets and Liabilities at <http://www.fasab.gov/pdf/files/sffas-1.pdf>, paragraphs 62-73 discuss Investments in Treasury Securities. Certain Interior Bureaus/ Offices, which have legislated investment authority, can invest fees collected from services provided or from other approved activities. These entities are responsible for ensuring that the financial institutions in which their funds are invested are designated by the Treasury as a depository and financial agent of the Federal Government and for complying with applicable regulations, including those of the Treasury. Depending on legislated authority, entities may have various investment options. Entities with investments are responsible for monitoring and periodically evaluating the return on investment(s) and the solvency of the financial institution(s) in which investment(s) are held.

Accounting Standards for Investments – To ensure proper accounting and compliance with applicable regulations, entities must capture information about the investment terms (e.g., date of maturity, rate of return)



and the financial institution (e.g., name, address, investor rating), which sells the security. Entities must create transactions to record the:

- disbursement of principal to be invested;
- investment as an asset;
- accrual of interest revenue and interest receivable;
- collection of interest and principal; and,
- reversal of the investment and interest receivable. The disbursement of funds to purchase an investment is processed as a disbursement request.

Depending on the entity, budgetary accounting may or may not be necessary. Entities are expected to periodically reconcile statements received from fiduciary institutions against entity records.

2.4.3 What are the Opportunities for Improving Cash Management

Practices? – Cash management policies and procedures cannot be viewed as separate functions. Rather, cash management policies reflect desirable principles and standards while cash management procedures provide the practical application of those principles and standards to ongoing financial management activities. The success of the program depends on the actual practices used from day-to-day.

To achieve cash management objectives, Bureau/Office finance officers should explore and continuously pursue opportunities in which they can:

- Improve billing, collection, disbursement, and deposit services.
- Reduce or eliminate delinquent debts owed the Government.
- Streamline and better control disbursement systems and activities.
- Maximize the use of EFT (including bankcards) in preference to paper checks.
- Minimize idle cash in the hands of program recipients.
- Reflect good cash management objectives in directives.



- Monitor the level of compliance with organizational, Departmental, and Governmentwide cash management guidelines.

2.4.4 What are the Disbursement Accounting Standards? – Bureaus/Offices must recognize the accounting events, which occur at the various stages of the disbursement process. Upon initiating an order for goods or services, entities should record a commitment (optional); upon issuing a purchase order, contract, or other legal document to order goods and services, entities must record an obligation of funds. Entities must institute appropriate funds control measures to avoid over-obligation of funds and potential violations of the Anti-Deficiency Act (31 U.S.C. Secs. 1341, 1342, 1349-1351, 1511-1519 et seq.) <http://www4.law.cornell.edu/uscode/>

Upon receipt and acceptance of goods or services or contract performance, entities must establish a liability; upon making a request for payment, entities should record a disbursement in transit; and upon confirmation of the actual payment, entities record a disbursement. In addition, entities should recognize transactions as overpayments, duplicate payments, advances, establishment of accounts receivable, offsets of payments against receivables, et al. in the entity's ledger.

Entities must generate a reportable transaction to accrue the liability and assets or expense, either fully or partially, based on the acceptance of goods or services by a Federal government official. When an entity accepts title to goods, whether the goods are delivered or in transit, the entity should recognize a liability for the unpaid amount of the goods. If invoices for those goods are not available when financial statements are prepared, estimate the amounts owed. See the Interior Accounting Handbook, Chapter 3, "Liabilities and Equity of the U.S. Government," for accounting standards and financial guidance governing the recognition of a liability under various circumstances and Chapter 7, "Accrual Accounting". www.doi.gov/pfm/handbooks/

2.5 What are the Responsibilities of Designated Offices/Positions? – Virtually every financial transaction in the Federal Government involves the receipt or payment of funds. Because of the wide scope and high volume of these transactions, financial management personnel cannot exclusively achieve cash management objectives. Coordinated efforts by all Federal managers and employees are needed.

Office of Financial Management (PFM) – PFM is responsible for establishing Departmental cash management policies and procedures, publishing the policies in the Departmental Manual, and publishing guidance and procedures in the CMH, providing assistance to Bureaus/Offices in the administration of cash accountability, and monitoring agency compliance with published cash



management guidelines and directives. Supplemental cash management information is issued as Financial Management Memorandum.

Bureaus/Offices – Some of the major cash management responsibilities assigned to Bureaus/Offices are:

- Make a continuous effort to promote effective cash management practices among all managers and employees.
- Maintain adequate internal control over cash processing.
- Encourage other Bureau/Office managers to include cash management objectives and accomplishments in performance plans and evaluations of those whose duties involve decisionmaking for the receipt, commitment, programming, or expenditure of Departmental funds.
- Monitor regularly the cash management functions and performance of cash management officers to ensure that they are performing cash management duties and responsibilities expeditiously and effectively, in accordance with applicable laws, regulations, and Departmental policies.
- Take the necessary disciplinary action when employees mishandle funds.

Employees Handling Funds - Each employee handling funds within the scope of this CMH must faithfully record, safeguard, and deposit funds. Where possible, designate permanent employees to handle public funds. Moreover, 31 U.S.C. Subtitle III, Chapter 33, Subchapter 1, Sec. 3302 <http://www.gpoaccess.gov/uscode/browse.html> states the responsibilities for employees handling funds are keeping the money safe and depositing the money in the Treasury as soon as practicable. Refer to CMH, Chapter 4, section 4.8 for specifics on deposit requirements.

2.6 What are the Penalties for Improperly Handling or Using Public Moneys?

The penalties imposed by law for the improper handling or using of public moneys are severe. The head of each Bureau/Office is responsible for ensuring that employees under his/her jurisdiction who handle public moneys are familiar with the penalties. Employees handling public funds are personally liable for the loss or misuse of the funds and will be required to repay any deficiency unless granted relief under the provisions of 31 U.S.C. Subtitle III, Chapter 35, Subchapter III, Sec. 3527 <http://www.gpoaccess.gov/uscode/browse.html>. Certain general provisions applicable to misuse of public moneys are contained in 18 U.S.C. Part 1, Chapter 31, Section 643, 648, 649, 651-654 <http://www.gpoaccess.gov/uscode/browse.html>.



In addition to the statutory penalties applicable to misuse of public moneys, Interior will not condone any improper handling of the funds. Cashing personal checks from public moneys, temporarily using public funds for personal use without intent to embezzle, flagrantly displaying public moneys, comingling personal funds with public funds, or other actions that are of a questionable nature are considered improper handling of public funds.

2.7 How Do Bureaus/Offices Safeguard Public Funds?

- Designate employees, by proper authority, in writing to receive, handle, or deposit public moneys.
- Keep undeposited funds in a fireproof safe (or safe-type cabinet with a bar and combination lock). Under no circumstances, should public moneys be held in desk drawers, file cabinets with key locks, or other devices where they are readily susceptible to theft. In any situation where a fund custodian has to leave the physical location of the funds, the funds must be secured in a fireproof safe (or safe-type cabinet with a bar and combination lock) similar or the same as that used by the custodian at the close of business.
- Provide access to the funds storage facility or area only to those designated employees having direct responsibility for the funds.
- Change the safe combination when there is a change in a collection officer or alternate (at least annually).
- Place the safe combination in a sealed, signed, and dated envelope and retain it in a secure place. Collection officers are responsible for the security of any copy of the safe combination for their personal use. The collection officer should not maintain any further copy or copies of the safe combination or any annotations of any kind.

References:

- SFFAS No. 1, Accounting for Selected Assets and Liabilities
<http://www.fasab.gov/pdf/files/sffas-1.pdf>
- 5 CFR 1315 <http://www.fms.treas.gov/prompt/regulations.html>
- 18 U.S.C. Part 1, Chapter 31, Section 643, 648, 649, 651-654
<http://www.gpoaccess.gov/uscode/browse.html>.
- 31 U.S.C. Subtitle III, Chapter 35, Subchapter III, Sec. 3527
<http://www.gpoaccess.gov/uscode/browse.html>
- 31 CFR 205 <http://www.fms.treas.gov/cmia/index.html>.
- 31 CFR Subtitle B, Chapter II, Part 205 <http://www.gpoaccess.gov/cfr/index.html>



- 31 U.S.C. Subtitle III, Chapter 33, Subchapter 1, Sec. 3302
<http://www.gpoaccess.gov/uscode/browse.html>
- The Cash Management Improvement Act of 1990 (CMIA) (P.L. 101-453) as amended by the Cash Management Improvement Act of 1992,(P.L. 102-589)
<http://www.fms.treas.gov/cmia/index.html>
- The Anti-Deficiency Act (31 U.S.C. Secs. 1341, 1342, 1349-1351, 1511-1519)
<http://www4.law.cornell.edu/uscode/>
- Cash Management Improvement Act of 1992,(P.L. 102-589)
<http://www.fms.treas.gov/cmia/index.html>



CHAPTER 3. BILLINGS AND COLLECTIONS

3.1 What is the Purpose of this Chapter? This chapter provides a summary of - guidance and procedures governing Interior's Bureau/Office billings and collection practices. It emphasizes the vital elements of cash management to bill promptly for goods and services provided by the Federal Government and to provide for rapid collection of amounts due.

3.2 What are the Authoritative Sources? The following laws and pronouncements govern billing and collection activities:

- Federal Claims Collection Act of 1966 (Public Law 89-508, 31 U.S.C., Subtitle III, Chapter 37, Sub Chapter II) <http://www.gpoaccess.gov/uscode/browse.html>
- Contracts Disputes Act of 1978 (Public Law 95-563, 41 U.S.C. Chapter 9) <http://www.gpoaccess.gov/uscode/browse.html>
- Debt Collection Act of 1982 (P.L. 97-365, 31 U.S.C. Secs. 3302, 3701, 3711, 3716-3719) <http://www4.law.cornell.edu/uscode/>
- Cash Management Improvement Act of 1990 (P.L. 101-453), as amended by the Cash Management Improvement Act Amendments of 1992 (P.L. 102-589) <http://www.fms.treas.gov/cmia/index.html>
- Debt Collection Improvement Act of 1996, Chapter 10, (P. L. 104-134 (31 U.S.C. Secs. 3322, 3701, 3716, et seq.) <http://www.fms.treas.gov/debt/dmdcia.pdf>
- Federal Participation in the Automated Clearing House (31 CFR, Chapter II, Part 210) <http://www.gpoaccess.gov/cfr/index.html>
- Federal Claims Collection Standards (31 CFR Subtitle B, Chapter IX, Parts 900-904) <http://www.gpoaccess.gov/cfr/index.html>
- Treasury Financial Manual (Volume I, Part 6, Chapter 8000, Section 8025), <http://www.fms.treas.gov/tfm/index.html>
- Office of Management and Budget (OMB) Circular A-129, "Managing Federal Credit Programs;" <http://www.omb.gov/circulars>
- Title 7, Government Accountability Office (GAO) Policies and Procedures Manual for Guidance to Federal Agencies, <http://www.gao.gov/federalagencies.html>



- Interior Credit and Debt Management Handbook, <http://www.doi.gov/pfm/handbooks>

3.3 What is Interior Guidance?

- All financial managers must establish procedures to bill and collect amounts due as quickly and as efficiently as possible. To achieve this objective, all Bureaus/Offices responsible for preparing invoices for goods or services to those outside the Federal Government shall ensure that each invoice is prepared within one-working day following the day the billing office is advised that the goods have been shipped or released, or the services rendered. In the event the one-day billing rule is not cost effective, the billing is prepared no later than five-working days from the date the amount is recorded as an accounts receivable. Authorized advances are billed in accordance with the advance guidance.
- Each Bureau/Office must establish and maintain effective internal control procedures consistent with GAO and Treasury requirements.
- Each Bureau/Office must age receivables to identify amounts which may be past due and to take positive action to collect these accounts. In preparing aging schedules, consider amounts as delinquent if not paid within 30 days from the date of the invoice or if payment is not received by the due date prescribed on the invoice. Each Bureau/Office is to establish and maintain methods and procedures whereby, on a monthly basis, accounts and loans receivable, including accounts receivable for accrued interest, are aged by individual debtor in categories prescribed by the Treasury Report on Receivables <http://fms.treas.gov/debt/trorworkbk.html> . Such categories will provide for summaries of: (a) total amounts due from debtors, and (b) total number of accounts.
- Whenever the total combined debt for a debtor is \$50 or less and the principal amount of the debt is not expected to exceed \$50 during the next 12 month period, the Bureau/Office may waive or terminate the debt without pursuing collection. The threshold does not apply to employee debt, statutory or regulatory required fees (such as fines). Bureaus/Offices must document debt terminations within established delegation of authority limits as discussed in the Credit and Debt Management Handbook, Chapter 5.5 and waivers in Interior's Accounting Handbook, Chapter 9.1.9, <http://www.doi.gov/pfm/handbooks>.
- Bureaus/Offices will establish procedures to identify the causes of overpayments, delinquencies, and defaults and take the corrective actions needed.
- Bureaus/Offices should establish collection procedures that:



- Make the collection and deposit of funds in a timely manner and in a way that is most advantageous to the Federal Government, with collection by Electronic Funds Transfer (EFT);
- Perform a reconciliation of all deposits between the Treasury's records and those maintained by each Bureau/Office accounting office at the close of each month;
- Record the collection immediately to the proper appropriation or deposit account, if known;
- Make collections from Federal entities through non-expenditure transactions whenever possible, using the Intra-Governmental Payment and Collection (IPAC) System. Refer also to the Department of Interior Interagency Acquisitions Handbook at <http://www.doi.gov/pfm/handbooks>. Follow the guidance provided by Treasury for Governmentwide Accounting (GWA) http://fms.treas.gov/gwa/user_documentation.html. The Non-Expenditure Transfers (NET) application provides an automated process for NET transactions. The application eliminates the manual processing and approvals of SF-1151 documents and provides users with the ability to transmit Non-Expenditure Transfer transactions across the internet from any location worldwide.

3.4 Who is Responsible for Billing and Collection?

Billing - Finance officers are responsible for cash management operations and for ensuring that the cash management guidance and procedures in the CMH are being followed. Generally, this function may be formally redelegated to a Bureau/Office cash management officer.

The Director, Office of Financial Management (PFM) shall coordinate all matters on cash management within the Department. The Director will serve as liaison with Treasury on cash management matters and provide guidance to Bureaus/Offices on cash management issues.

Collections – The finance officer is the sole designee within each Bureau/Office that is authorized to collect and deposit funds to the credit of the Treasury. All remittances should be sent directly to the finance officer unless the head of that office has made an arrangement(s) with another organization unit of the Bureau/Office to handle the collections. Any such arrangement(s) must follow the provisions of Section 4.8 of the CMH on the frequency of deposits.

If an accounting office determines that greater efficiency, economy, or reduction in the elapsed time for deposits can be achieved by using lockboxes, Treasury's Credit Card Network, ACH, or wire fund transfers (including the Fedwire Deposit



System), accounting offices must obtain approval for the change from Treasury pursuant to I TFM 6-8025.30 <http://www.fms.treas.gov/tfm/index.html>. A copy of the accounting office's request for a collection system change should be provided to the Director, PFM.

3.5 What are the Requirements for Billing?

3.5.1 What are the Billing Payment Standards?

Contracts, agreements (including financial assistance agreements), or other formal arrangements under which goods or services (or financial assistance) are provided to an individual or organization outside the Federal Government, will include payment terms and provisions which at a minimum:

- Specify when payment will be due, i.e., due date or the manner for determining the due date based upon delivery of goods or completion of service;
- Require that payment be received no later than the due date;
- Provide for payment by EFT, including sufficient banking information to enable the EFT payment to be made;
- Provide for late charges in the form of interest, penalties, and administrative charges for payments received after the due date;
- State that the amount invoiced is the net amount due; and,
- Specify the EFT banking address, or the finance or accounting office (or lockbox, if appropriate) to which the remittance is to be sent.

The following is a sample clause, which may be used on any contract, agreement, or formal sale arrangement:

"Payment must be received within thirty calendar days from the date of the invoice; otherwise, it will be considered a late payment. For such late payments, charges in the form of the interest, penalty, and administrative charges \$_____ will be made. Interest will accrue on the unpaid amount at a percentage rate based on the current value of funds to the United States Treasury for each thirty-day period or portion thereof that the payment is overdue. Payments made by ACH or wire will be accepted and credited on the date received by the designated collection officer."



Finance or accounting offices receiving a copy of a contract or sales agreement which does not contain the required provisions, should write the official who executed the contract on behalf of the Bureau/Office and request that it be modified to correct the defect(s) as soon as possible. For financial assistance agreements, the administrative office charged with reviewing agreements with non-Federal entities will write to the official who executed the agreement on behalf of the Bureau/Office and request modification (if possible) when the agreement does not contain the required provisions.

3.5.2 What is the Billing Due Date?

I TFM 6-8025.10 <http://www.fms.treas.gov/tfm/index.html> prescribes standards for timeliness of billings and collections. 31 CFR Chapter II, Part 206.3 provides billing policies and procedures <http://www.gpoaccess.gov/cfr/index.html>.

3.5.3 What Does a Bureau/Office Do When Amounts are Overdue?

See the Interior Credit and Debt Management Handbook, Chapter 3, for collection of delinquent debts. <http://www.doi.gov/pfm/handbooks>

3.5.4 How Does a Bureau/Office Recover Advances? See Chapter 6 CMH on Advances.

3.5.5 What is the Guidance for User Charge Billings?

The general guidance for Interior is to make reasonable and equitable charges for goods or services rendered to the public, consistent with program and legislative requirements. Collect user charges in advance of, or simultaneously with, the rendering of services unless appropriations and authority are provided in advance to allow reimbursable services. (See Chapter 6.4 of Interior's Accounting Handbook for the pricing guidance governing user charges billed customers.)

3.5.6 When are Late Charges Imposed? The Treasury Financial Manual (I TFM 6-8025.20) <http://www.fms.treas.gov/tfm/index.html> prescribes that payments of amounts owed the U.S. Government by organizations, businesses, and individuals are due in accordance with the terms of the arrangement for payment stated in the contract, agreement, or notification of indebtedness. If payment is overdue, Bureaus/Offices will apply and collect late charges (see Chapter 3.9 of the Credit and Debt Management Handbook <http://www.doi.gov/pfm/handbooks>). Treasury's "Managing Federal Receivables" Chapter 6 discusses assessing late charges at http://fms.treas.gov/debt_guidance_MFR.htm. 31 CFR, Chapter IX, Part



901.9 discusses late charges at http://www.access.gpo.gov/nara/cfr/waisidx_03/31cfr901_03.html Late charges are amounts accrued and assessed on delinquent debt and include additional interest, penalty charges, and administrative charges.

Effect of Contracts and Other Arrangements Businesses and individuals are expected to make payment of amounts owed by them according to the terms stated in the contract, agreement, or notification of indebtedness.

When Formal Arrangements Exist Except when prohibited by law, all Bureaus/Offices will provide notification of the application of charges for late payments in all contracts, agreements, or other formal payment arrangements. Therefore, if late charges are not part of an existing loan, grant, cooperative or contract agreement, the agreement should be modified to include them. Late charges cannot be imposed if the modification is not made to an existing agreement. All new loans, grants, cooperative agreements, and contracts are to include a provision notifying the recipient of late charges.

When Formal Arrangements Do Not Exist The Bureau/Office in the initial notification of amounts due, which are not covered by contracts, agreements, or other formal payment arrangements, will inform the debtor of the basis for the indebtedness, the payment date (due date), and the requirement on charges for payments received late.

3.5.7 **How Does a Bureau/Office Determine Late Charges?**

The interest rate on late payments from the public is the Treasury current value of funds rate. This rate, which is calculated by Treasury, is subject to quarterly revisions. Revised rates are published in the Federal Register each year by October 31, to become effective January 1. This rate is also published in a Treasury Financial Manual Bulletin. Obtain the current value of funds rate at <http://www.fms.treas.gov/rates.html>. PFM also issues this rate as a Financial Management Memorandum each year.

The Treasury Financial Manual (I TFM 6-8025.20) <http://www.fms.treas.gov/tfm/index.html> discusses how to calculate late charges on current debt (simple interest = principal x rate x time); debt where a debtor has defaulted on a previous repayment agreement or where a judgment has been obtained (compound interest = old principal plus accrued interest, penalty, and administrative charges under the defaulted agreement or judgment x rate x time).



Interest charges for non-performing loans will continue to accrue and be recorded for 180 days past the due date or whenever a loan is officially in default, whichever occurs first.

When Application is Required Apply interest charges based on the current value of funds rate to the overdue payment for each 30-day period or any portion thereof, unless a different rule is prescribed by statute or regulation. In the cases of partial late payments, the amount received will first be applied to the accrued interest and then to principal.

Bureaus/Offices will charge interest from the date on which the notice of the assessment of interest is first mailed or hand delivered to the debtor. Care should be exercised to ensure that the notices are dated and mailed or hand delivered on the same day. (This charge need not be calculated until the 31st day, but will accrue from the date the notice was first mailed or hand delivered).

The application of interest does not relieve the debtor from paying when due, nor does it relieve Bureaus/Offices of their responsibilities to take measures to collect debts under the Federal Claims Collection Standards (31 CFR Subtitle B, Chapter IX, Parts 900-904) <http://www.gpoaccess.gov/cfr/index.html>; or the debt collection procedures cited in Chapter 3 of the Credit and Debt Management Handbook <http://www.doi.gov/pfm/handbooks>.

Exception to Application When a customer has paid the basic invoice, but not interest, the Bureau/Office's billing office should decide whether it is economical to waive the interest in view of the collection costs which may be incurred. For guidance on when the amount of administrative costs does not warrant assessing a late charge, see Section 3.5.8 below.

Authorized Scheduled Payment of Delinquent Accounts Finance Offices should collect overdue amounts in one lump sum; however, if the debtor is financially unable to pay in one lump sum, the Bureau/Office may accept regular installment payments. For further guidance on when installment repayments may be warranted, see Chapter 3 of the Credit and Debt Management Handbook.

3.5.8 How Does a Bureau/Office Determine Administrative Charges?

Bureaus/Offices will assess charges to cover administrative costs incurred as a result of a delinquent debt. These are the additional costs incurred in processing and handling the debt because it became delinquent. Administrative costs may include costs of obtaining credit reports, using a private debt collector, or selling collateral or property to satisfy the debt.



Base the calculation of administrative costs upon actual additional costs incurred or on cost analyses establishing an average of actual additional costs incurred by a Bureau/Office in processing and handling claims against other debtors in similar stages of delinquency. Administrative costs should include the staffing and resource costs incurred to recover delinquent debts and the costs associated with using various collection tools to enforce recovery, including but not limited to, the costs of obtaining a credit report; enforcing collection through litigation; using private collection agencies; and/or administrative Federal salary offsets if used in efforts to resolve the delinquency.

Documentation of Administrative Collection Action – Document how administrative costs are calculated in detail. Retain the documentation in the appropriate Bureau/Office file.

3.5.9 When is a Penalty Charge Assessed?

A penalty charge of six percent per annum will be charged on the unpaid portion of a debt, which remains unpaid for more than 90 days after the date of delinquency. The date of delinquency is defined as the due date specified in the contractual agreement or the date the notification of the debt was mailed. (Calculate this charge at the 91st day of delinquency, but accrue from the first day the debt became delinquent.)

3.5.10 What are the Exemptions to Charging Late Charges?

31 CFR, Chapter IX, Part 901.12 discusses exemptions to late charges at http://www.access.gpo.gov/nara/cfr/waisidx_03/31cfr901_03.html

3.5.11 Where Does a Bureau/Office Deposit Late Charges?

Except where statutory authority exists to do otherwise, record late charges (late charge interest, administrative costs, and penalties) into the following miscellaneous receipt accounts:

- **Interest** – Account 1435, General Fund Proprietary Interest, Not Otherwise Classified.
- **Administrative Charges and Penalties.** Account 1099, Fines, Penalties, and Forfeitures Not Otherwise Classified.
- **Fees** – Add fees such as contingency fees charged by a collection contractor and administrative fees charged by the Department of Justice for collections from litigation cases to the amount of the outstanding



delinquency and record in Account 1099, Fines, Penalties, and Forfeitures Not Otherwise Classified.

3.5.12 What is the Effect of Late Charges on Loans? Unless contrary to statute, Bureaus/Offices authorized to make loans will include in the loan agreements provisions for imposing late charges. Impose late charges when the borrower is delinquent under the terms of the loan agreement. When a Bureau/Office has the authority to modify or extend the period for repayment of a delinquent borrower, apply late charges to the delinquent amounts until the total amount due has been recouped. The rate for the interest charge should be equal to the current borrowing rate incurred by Treasury for an instrument of approximately the same duration as the repayment arrangement made, unless a different rate is required by statute.

3.5.13 How are Late Charges Applied, Reported, or Waived?

- **Application of Late Charges** – Apply remittances 1st to outstanding penalty charges, 2nd to administrative charges; 3rd to interest; and, last to outstanding principal. Unless a Bureau/Office has statutory authority to otherwise account for and retain these collections, credit the collection of late charges, additional interest, penalties, and administrative charges collected to the miscellaneous receipts account.
- **Reporting Late Charges** – In accordance with Treasury requirements, Bureaus/Offices are required to report the amount of late charges collected on the Treasury Report on Receivables.
- **Waiver of Late Charges** – Bureaus/Offices may waive late charges, whether additional interest, penalty charges, or administrative charges, whenever:
 - Debt is paid within thirty days of the date of delinquency (on a case-by-case basis, a Bureau/Office may extend this 30-day period if they determine such action is appropriate);
 - Such charges become prohibitively high;
 - The administrative costs of billing for and collecting a late charge exceeds the amount of the charge. However, document the criteria for such determination in the audit trail for the particular transaction;
 - A debt (regardless of the amount) owed to the United States is being considered for compromise pursuant to the Federal Claims Collection Standards (31 CFR Subtitle B, Chapter IX, Parts 902)
<http://www.gpoaccess.gov/cfr/index.html>;



- The delivery of the supplies or services was delayed through no fault of the customer, and the customer did not have at least 15 working days following the date of the delivery to make payment. In the case of a delivery outside the contiguous 48 States, the period for waiving the imposition of a late charge may be extended to 45 calendar days following delivery.
- It is determined that these charges would be against equity and good conscience or not in the best interest of the United States.
- May stop assessing late charges, in effect “freezing” an account, when it refers a debt for Federal employee salary offset, tax refund offset, or administrative offset, or to a collection agency. Do not stop accruing the late charges and recapture charges accrued, but not assessed, if the debt is returned unresolved.

3.5.14 How do Bureaus/Offices Analyze the Cost of Collections?

Bureau/Office collection procedures will provide for periodic comparison of costs of collection incurred and amounts collected. Use data on costs and corresponding recovery rates for debts of different types and in various ranges to compare the cost effectiveness of alternative collection techniques. Bureaus/Offices will establish guidelines that: (a) identify when cost of further collection efforts are likely to exceed recoveries; (b) assist in evaluating offers in compromise; and, (c) establish minimum amounts below which collection efforts need not be taken. Cost and recovery data should be useful in justifying adequate resources for an effective collection program.

References:

- Federal Claims Collection Act of 1966 (Public Law 89-508, 31 U.S.C., Subtitle III, Chapter 37, Sub Chapter II) <http://www.gpoaccess.gov/uscode/browse.html>
- Contracts Disputes Act of 1978 (Public Law 95-563, 41 U.S.C. Chapter 9) <http://www.gpoaccess.gov/uscode/browse.html>
- Debt Collection Act of 1982 (P.L. 97-365, 31 U.S.C. Secs. 3302, 3701, 3711, 3716-3719) <http://www4.law.cornell.edu/uscode/>
- Debt Collection Improvement Act of 1996, Chapter 10, (P. L. 104-134 (31 U.S.C. Secs. 3322, 3701, 3716, et seq.) <http://www.fms.treas.gov/debt/dmdcia.pdf>
- Cash Management Improvement Act of 1990 (P.L. 101-453), as amended by the Cash Management Improvement Act Amendments of 1992 (P.L. 102-589) <http://www.fms.treas.gov/cmia/index.html>
- Federal Participation in the Automated Clearing House (31 CFR, Chapter II, Part 210) <http://www.gpoaccess.gov/cfr/index.html>



- Federal Claims Collection Standards (31 CFR Subtitle B, Chapter IX, Parts 900-904) <http://www.gpoaccess.gov/cfr/index.html>
- Office of Management and Budget (OMB) Circular A-129, "Managing Federal Credit Programs;" <http://www.omb.gov/circulars>
- Title 7, Government Accountability Office (GAO) Policies and Procedures Manual for Guidance to Federal Agencies, <http://www.gao.gov/federalagencies.html>
- Interior Credit and Debt Management Handbook, <http://www.doi.gov/pfm/handbooks>
- Treasury Financial Manual (Volume I, Part 6, Chapter 8000, Section 8025), <http://www.fms.treas.gov/tfm/index.html>
- Treasury Report on Receivables <http://fms.treas.gov/debt/trorworkbk.html>
- Treasury Governmentwide Accounting (GWA) http://fms.treas.gov/gwa/user_documentation.html
- Treasury Financial Manual Bulletin <http://www.fms.treas.gov/rates.html>
- Treasury's "Managing Federal Receivables" Chapter 6 http://fms.treas.gov/debt/guidance_MFR.htm)
- 1 TFM 6-8025.10 <http://www.fms.treas.gov/tfm/index.html>
- 1 TFM 6-8025.20 <http://www.fms.treas.gov/tfm/index.html>
- 1 TFM 6-8025.30 <http://www.fms.treas.gov/tfm/index.html>
- 31 CFR Chapter II, Part 206.3 <http://www.gpoaccess.gov/cfr/index.html>
- 31 CFR Subtitle B, Chapter IX, Parts 900-904) Federal Claims Collection Standards <http://www.gpoaccess.gov/cfr/index.html>
- Interior's Accounting Handbook, Chapter 9.1.9, <http://www.doi.gov/pfm/handbooks>
- Interior Interagency Acquisitions Handbook <http://www.doi.gov/pfm/handbooks>
- Interior Credit and Debt Management Handbook, Chapter 3, for collection of delinquent debts. <http://www.doi.gov/pfm/handbooks>
- Interior Credit and Debt Management Handbook <http://www.doi.gov/pfm/handbooks>



CHAPTER 4. COLLECTIONS AND DEPOSITS

4.1 What is the Purpose of this Chapter?

This chapter discusses the regulations governing Interior's systems and procedures for making collections and deposits.

4.2 What are the Authoritative Sources?

In addition to this chapter, the following laws and regulations govern Bureau/Office's collection and deposit practices:

- 12 U.S.C, Banks and Banking <http://www.gpoaccess.gov/uscode/browse.html>
- 31 U.S.C. Subtitle III, Chapter 33 <http://www.gpoaccess.gov/uscode/browse.html>
- Debt Collection Improvement Act of 1996, Chapter 10, (P. L. 104-134 (31 U.S.C. Secs. 3701, 3322, 3716, et seq.)) <http://www.fms.treas.gov/debt/dmdcia.pdf>
- Treasury Financial Manual (TFM), Volume 1, Part 5; and Part 6-8000 <http://www.fms.treas.gov/tfm/index.html>

4.3 What is the Department of Interior Guidance?

Bureaus/Offices should follow collection and deposit guidance by the Office of Management and Budget, Treasury, and the Government Accountability Office. Additionally, Bureaus/Offices are to:

- Maintain records of cash collections in sufficient detail to readily identify all collections from the point-of-receipt to the time-of-deposit. Internal procedures must provide for such controls as pre-numbered receipts, tickets, and cash register receipts to assure full accountability.
- Reconcile cash collections on a monthly basis including reconciling the general ledger to subsidiary ledgers for cash accounts and reconciling cash balances with Treasury.
- Properly classify and report cash in the financial statements in accordance with SFFAS No. 1, Accounting for Selected Assets and Liabilities at <http://www.fasab.gov/pdf/files/sffas-1.pdf>.
- Maintain proper control and records for checks and money orders received as bid deposits.



- Maintain control records which will disclose:
 - Collections received.
 - Collections, which have not been deposited.
 - Deposits in transit, which have not been acknowledged by the depository.
 - Deposits, which have been acknowledged by the depository.
- Achieve deposit of funds as required by Section 4.8 below.
- Separate the flow of receipts from the flow of related documents at the earliest possible processing point.
- Maximize the use of electronic funds transfer (EFT) systems for both payments and collections.
- When establishing new banking relationships, give due consideration to financial institutions enrolled in the Treasury's Minority Bank Deposit Program.
- Refer debts more than 180 days past due to the Treasury Debt Management Service for collection.

4.4 What are the Collection Mechanisms/Deposit Systems?

Collect all funds by EFT when cost-effective, practicable, and consistent with current statutory authority. EFT mechanisms may include ACH, credit card or debit card, or Fedwire. The Financial Management Service must approve new agency collections mechanisms. See "Cash Management Made Easy", Chapter 2, Section 2 at <http://fms.treas.gov/crm/cashmanagementmadeeasy.html> for a complete discussion of the collection mechanisms. See also 31 CFR Chapter II, Part 206.4 <http://www.gpoaccess.gov/cfr/index.html> and 1 TFM Part 5 <http://www.fms.treas.gov/tfm/index.html>.

4.5 What is the Minority Bank Deposit Program?

The Minority Bank Deposit Program (MBDP) promotes the development of minority-owned business enterprises by increasing Federal and private sector use of minority financial institutions. See Treasury Financial Manual, Volume 1, Part 5, Chapter 4000 <http://www.fms.treas.gov/tfm/index.html> for requirements.

4.6 What is the Purpose of a Federal Reserve Bank (FRB)?

FRBs serve as the fiscal agent for the U.S. Government. See Treasury Financial Manual, Volume 1, Part 5, Chapter 4000 <http://www.fms.treas.gov/tfm/index.html>



for requirements. Detailed guidance on depositing at FRBs is cited in 1 TFM 5-2000.)

4.7 How Does a Bureau/Office Process Deposits?

Funds received in offices other than the depositing office must be sent to the depositing office promptly, but no later than one working day after receipt. A program official with a question about a collection will not delay transmission pending resolution. See Treasury Financial Manual, Volume 1, Part 5, Chapter 2000 <http://www.fms.treas.gov/tfm/index.html> for detailed instructions.

4.8 How Frequently Should a Bureau/Office Make Deposits?

Bureaus/Offices will deposit receipts for credit to the account of the U.S. Treasury when receipts total \$5,000 or more on the same day received prior to depository cutoff time. Deposits must be made as late as possible prior to the specified cutoff time to maximize daily deposits amount.

Receipts totaling less than \$5,000 may be accumulated and deposited when the total reaches \$5,000. However, deposits will be made by Thursday of each week, regardless of the amount accumulated. If a deposit is made before Thursday of a given week, Bureau/Offices do not have to make another deposit on Thursday, if receipts total less than \$5,000.

Depositors may need to set an internal "cut-off" time when preparing deposits, and deposit on the following day all receipts processed after that time. To ensure that the maximum amount of funds is deposited each day, the depositor will establish a processing schedule to allow the deposits to reach the depository before the depository's daily "cut-off" time.

Good cash management involves efficient and timely collection of amounts owed the Government. To achieve this collection goal, Treasury has established requirements in 31 CFR Chapter II, Part 206.5 <http://www.gpoaccess.gov/cfr/index.html>. In addition 1 TFM 5-4000 and 1 TFM 6-8000 <http://www.fms.treas.gov/tfm/index.html> give guidance for making deposits.

4.9 What are Adequate Internal Controls over Collections?

The basic authority for establishing and maintaining agency controls is vested in Section 113 of the Accounting and Auditing Act of 1950 (31 U.S.C. 3512), as amended by the Federal Managers Financial Integrity Act (FMFIA) of 1982 <http://www.whitehouse.gov/omb/finan/fmfia1982>. Both acts require the establishment and maintenance of appropriate accounting and internal controls over assets, and the performance of ongoing evaluations and reports on the adequacy of the systems of accounting and internal controls. In addition, OMB



Circular A-123 Revised, Management Accountability and Control <http://www.whitehouse.gov/omb/circulars/>, provides the guidance for implementing the FMFIA.

In order to adequately discharge this responsibility and to ensure that the prescribed administrative procedures are being followed, Bureaus/Offices will conduct a management control review or similar internal study of all collection activities in accordance with the 340 DM 1, Management Accountability and Control http://elips.doi.gov/app_dm/index.cfm?fuseaction=home. Refer to the **Internal Control and Audit Follow-Up Handbook**, at <http://www.doi.gov/pfm/handbook> for FMFIA and other reporting requirements.

Conduct the internal control review as follows:

- identify the relative risks and use statistical sampling techniques where possible to verify that the performance of established controls is adequate in planning the frequency and depth of an internal control review.
- conduct management control reviews or studies independently (i.e., collection officers performing the function should not conduct them) to assure that the policies and procedures used provide effective controls over collections and balances for which collection officers are responsible; and that appropriate administrative actions are taken to correct identified deficiencies.
- examine the numbered receipts of collections to ensure that receipts are properly accounted for, recorded, and support the collections and deposits reported (SF 215 Deposit Ticket and SF 5515 Debit Voucher) through Treasury's cash concentration and reporting network, called CASH-LINK.
- verify the cash amount recorded and entered into the accounting system and the reported cash balance with Treasury in the financial statements with the source documents as a test of the cash accountability procedures.
- periodically review the increased vulnerability or risks from check theft and check tampering because of advances in modern technology such as chemical washing of checks (changing dollar amount and payee), counterfeiting checks using desktop publishing equipment, and other techniques. In addition, examine the safeguarding facilities and procedures.
- Prepare and submit a written summary report on the results of the management control review or study to the Bureau/Office head by the office in charge of the collection activity. Submit a copy of the report to PFM.



Include any recommendations and corrective actions to address identified deficiencies.

All officers and employees of the Federal Government, who officially receive funds for the United States, shall keep proper records, provide adequate physical control over such funds, and place the collections under accounting control promptly after receipt. This includes donated, quasi-public, and unearned monies. Designated accountable officers shall account for all receipts and deposits.

4.9.1 **What are the Basic Controls?**

Segregation of duties prevents the misuse of cash receipts and concealment of fraud in the accounting records. Special accounting controls are essential when sales or operating persons handle cash receipts. Persons responsible for handling cash receipts should not participate in the accounting or operating functions relating to:

- Shipping goods and billing for goods and services;
- Controlling accounts receivable and subsidiary ledgers;
- Preparing and mailing statements of balances due;
- Authorizing and approving credits for returns, and allowances or adjustments of amounts due; or
- Reconciling bank or Treasury reports with accounting records. Do not commingle official collections with personal funds or use for cashing checks or money orders. (See Section 4.8 of this Chapter for details on the frequency of making deposits.)

4.9.2 **What Records Should Bureau/Offices Maintain?** Units shall maintain records for sufficiently identifying collections if requested. Control records shall disclose:

- Undeposited collections;
- Unacknowledged deposits in transit (to the depository); and
- Deposits acknowledged by the depository.

Keep proper control and accounting records for checks and money orders received. When any unit makes or receives collections for another agency, the unit shall identify the collections in control records sufficiently to permit



complete identification. Also, controls must ensure that contractors collecting funds for the Department maintain proper records and provide adequate physical control over such funds.

4.9.3 What are the Proper Inscriptions and Endorsements?

Units shall, where possible, instruct payers to make checks and other negotiable instruments payable to the bureau or the Department of Interior in U.S. Dollars. These instruments should generally not be made payable to the Treasury. However, accept and process any remittance payable to the Treasury. Units should never instruct payers to make checks, money orders, or other instruments payable to individual officers or employees. In addition, units are to follow endorsement regulations in (I TFM 5-2000 <http://www.fms.treas.gov/tfm/index.html>).

4.10 How Do Bureau/Offices Credit Collections?

Treasury has three types of receipt accounts: general funds, special funds, and trust funds. Of these three, the general and trust fund accounts are primary to the cash inflow considerations at DOI. The general fund account has three major classes: taxes, custom duties, and miscellaneous receipts. Taxes and miscellaneous receipts apply to DOI. In short, all funds collected by DOI generally will be deposited into one of the line item accounts unless statute provides to the contrary (i.e., deposit in a special or trust fund). Record collections in accordance with the Interior's Standard General Ledger at the transaction level.

Generally, remit collections from sources outside the Federal Government, received for the United States, into the Treasury as general fund receipts. Such funds can be withdrawn only in consequence of appropriations made by law. However, collections from external sources can be credited to appropriation accounts if specifically authorized by law.

4.11 How Do Bureau/Offices Classify Reimbursements and Refunds?

Collections credited to appropriation and fund accounts fall within two general classifications: reimbursements and refunds.

Depositing Reimbursements and Refunds

- Reimbursements--payments from the public or from other Government accounts, received by the Government for goods sold or services rendered. Such payments are legally authorized for credit directly to specific appropriation and fund accounts. The amounts are deducted from the total obligations incurred (and outlays) in determining net obligations (and outlays) for such accounts.



- Refunds--returns of advances, collections for overpayments made, adjustments for previous amounts disbursed, or recovery of erroneous disbursements from appropriation or fund accounts that are directly related to, and reductions of, previously recorded payments from the accounts. Refunds are deposited to appropriation accounts.

Documentation

Collections credited to appropriation and fund accounts must be proper and authorized by law or appropriate regulations. Units must produce references to such authorizations if requested by GAO. Collection records for refunds and reimbursements will include descriptions sufficient for identifying the source of, or reason for, the collection.

4.12 How Does a Bureau/Office Handle Unidentified Remittances?

Credit unidentified remittances to a receipt clearing account if the remittance is presumed to be credited ultimately to a receipt, appropriation (expenditure), or fund account within the budget. Otherwise, credit the remittances to a deposit fund suspense account outside the budget. If remittances are later identified to accounts within the budget, transfer the amounts to the proper account. Transfer documents must show the purpose for which the remittances were received and documentation for the transfer. Reclassify by journal voucher within an accounting station when corrections or adjustments are expenditure transactions between appropriation, fund, or receipt accounts. If the adjustment involves separate Agency Location Codes (ALCs), accomplish by IPAC; i.e., transfer between ALCs.

When an amount (or portion) due has been received but misclassified to the wrong account, clear by making a collection transfer to the correct receipt account. When a receipt of all or a portion of an amount is received to which an agency is not entitled, (i.e., duplicate billing), and the receipt was credited to an agency's appropriation, the refund should come from that appropriation.

If the receipt has been deposited as a miscellaneous receipt (which cannot be received without an appropriation), the refund must be charged to account symbol 20X1807, "Refund of Moneys Erroneously Received and Covered."

4.13 How Does a Bureau/Office Handle Anticipated Collections?

Units shall record all anticipated collections in their account. When anticipated collections have matured into valid receivables or become valid obligations of the paying agency as defined in 31 U.S.C. Subtitle II, Chapter 15, Subchapter I, Sec. 1501 <http://www.gpoaccess.gov/uscode/browse.html>, credit them to the appropriate accounts.



4.14 How are Collections Reported to Treasury?

The principal means of reporting disbursements and/or collections is via the monthly SF 224, "Statement of Transactions." Rules and regulations on SF 224 reporting are in Fund Balance with Treasury Reconciliation Procedures: a Supplement to 1 TFM 2-5100 at <http://www.fms.treas.gov/tfm/vol1/supp.html> , and 1 TFM 2-3300 <http://www.fms.treas.gov/tfm/index.html>.

The features of this report are as follows:

Title - SF 224, Statement of Transactions (Classified According to Appropriation, Fund, and Receipt Account, and Related Control Totals).

Purpose – The SF 224 provides Treasury with a monthly statement of the payments and collections of agencies for which Treasury disburses, classified by appropriation, fund, and receipt accounts. (Payments are reported based on vouchers paid by Treasury disbursing centers; collections are reported based on monies received by agencies for deposit, whether deposited or not.) The SF 224 is the basis for Treasury's monthly reports to Congress and the public on Federal revenue by source and Federal expenditure by appropriation or fund account.

Preparation – Finance offices prepare SF 224s for each Treasury assigned Agency Location Code (ALC).

Submission – The finance offices transmit the SF 224 data electronically via the Government On-Line Accounting Link System (GOALS) to Treasury's Financial Reports Branch. The Bureau/Office keeps a signed copy of the statement for auditing and reconciliation purposes. Bureaus/Offices reporting to Treasury will follow reporting procedures established by the Director, PFM.

Frequency – Monthly, transmit SF 224s to Treasury no later than the third business day of the month following the month for which information was reported.

References:

- 12 U.S.C, Banks and Banking <http://www.gpoaccess.gov/uscode/browse.html>
- 31 U.S.C. Subtitle II, Chapter 15, Subchapter I, Sec. 1501 <http://www.gpoaccess.gov/uscode/browse.html>
- 31 CFR Chapter II, Part 206.4 <http://www.gpoaccess.gov/cfr/index.html>
- 31 CFR Chapter II, Part 206.5 <http://www.gpoaccess.gov/cfr/index.html>
- 31 U.S.C. Subtitle III, Chapter 33 <http://www.gpoaccess.gov/uscode/browse.html>
- 1 TFM 2-3300 <http://www.fms.treas.gov/tfm/index.html>
- 1 TFM 2-5100 at <http://www.fms.treas.gov/tfm/vol1/supp.html>
- 1 TFM 5-2000 <http://www.fms.treas.gov/tfm/index.html>



Cash Management Handbook

Revised 2009

- 1 TFM 5-4000 <http://www.fms.treas.gov/tfm/index.html>
- 1 TFM 6-8000 <http://www.fms.treas.gov/tfm/index.html>
- Cash Management Made Easy”, Chapter 2, Section 2 at <http://fms.treas.gov/crm/cashmanagementmadeeasy.html>
- Debt Collection Improvement Act of 1996, Chapter 10, (P. L. 104-134 (31 U.S.C. Secs. 3701, 3322, 3716, et seq.)) <http://www.fms.treas.gov/debt/dmdcia.pdf>
- Federal Managers Financial Integrity Act (FMFIA) of 1982 <http://www.whitehouse.gov/omb/finan/fmfia1982>.
- OMB Circular A-123 Revised, Management Accountability and Control <http://www.whitehouse.gov/omb/circulars/>
- SFFAS No. 1, Accounting for Selected Assets and Liabilities <http://www.fasab.gov/pdffiles/sffas-1.pdf>
- 340 DM 1, Management Accountability and Control http://elips.doi.gov/app_dm/index.cfm?fuseaction=home
- Internal Control and Audit Follow-Up Handbook <http://www.doi.gov/pfm/handbook>



CHAPTER 5. DISBURSEMENTS

5.1 What is the Purpose of this Chapter?

This chapter includes authoritative sources, Department of Interior (Interior) guidance, responsibilities, payment processing, responsibilities of individuals involved in the payment process, document retention, reporting disbursements to the Internal Revenue Service, and required audits.

5.2 What are the Authoritative Sources?

The following authorities govern disbursing practices:

- Code of Federal Regulations (Access at <http://www.gpoaccess.gov/cfr/index.html>)
 - 5 CFR Chapter III, Part 1315, Prompt Payment
 - 31 CFR Chapter II, Part 210, Federal Government Participation in the Automated Clearing House
 - 31 CFR Chapter II, Part 208, Management of Federal Agency Disbursements;
- Public Law 104-134, Debt Collection Improvement Act of 1996
<http://www.fms.treas.gov/debt/dmdcia.pdf>
- Government Accountability Office (GAO) Policy and Procedures Manual for Guidance of Federal Agencies, Title 7 <http://www.gao.gov/fedagencies.html>
- Treasury Financial Manual, Volume I, Part 4 and 6 <http://www.fms.treas.gov/tfm>
- GAO Internal Control bulletin “Streamlining the Payment Process While Maintaining Effective Internal Control”, May, 2000 [GAO/AIMD-21.3.2](http://www.gao.gov/aimd-21.3.2);
- Treasury, Financial Management Service, Fiscal Service, “Electronic Authentication Policy”, Federal Register, January 3, 2001 (Volume 66, Number 2) <http://www.gpoaccess.gov/fr/index.html>;
- “Records Management Guidance for Agencies Implementing Electronic Signature Technologies”, NARA <http://www.archives.gov/records-mgmt/policy> (under electronic records guidance)
- Manual of Procedures and Instructions for Cashiers (Cashiers Manual) at www.fms.treas.gov/impres



5.3 What is the Department of Interior Guidance for Disbursements?

- Bureaus/Offices shall use Electronic Fund Transfer (EFT) when disbursing Federal funds. This requirement applies whether the payment is recurring or non-recurring. Exemptions to this requirement are noted in Section 5.16 of this chapter.
- Small purchases (under \$3,000 for supplies, \$2,500 for services, and \$2,000 for construction) shall, whenever possible, be made using a Purchase Charge Card. In some instances, purchase card account holders may be authorized to hold and use account-related convenience checks for payments to vendors who do not accept credit cards. Eliminate Imprest Funds whenever possible or reduce in value to the minimum dollar level required to support operational requirements. Use convenience checks to reduce reliance on the use of Imprest Funds.
- Digital signatures should be: (1) unique to the signer; (2) under the signer's sole control; and, (3) capable of verification. In addition, link the signature to the data in such a manner that if the data is changed, the signature is invalidated. The technical standards for digital signatures are set forth in Federal Information Processing Standard (FIPS) 186-2, Digital Signature Standard (DSS), [Federal Register, February 15, 2000 (Volume 65, Number 31 <http://www.itl.nist.gov/fipspubs/by-num.htm>).]
- Remote field locations may retain paper documents supporting vendor payments or travel claims under procedures contained herein.
- Bureau Chief Financial Officers are designated as the official responsible to assess Federal financial payment, collection, and collateral transactions and to assign them to appropriate risk categories, as specified in Treasury's Electronic Authentication Policy Federal Register, January 3, 2001 (Volume 66, Number 2) <http://www.gpoaccess.gov/fr/index.html>;
- Travel claims submitted by Federal employees and travel reimbursement payment certifications processed over government networks (Intranet) are deemed by the Department to be Low Risk transactions when appropriate sampling procedures are utilized by the Bureau(s).
- Bureau Chief Financial Officers are designated the official responsible to assess, determine, and monitor that paper documents retained in remote storage locations are being maintained by properly trained personnel in accordance with standards set forth in this guidance, Treasury policy, and GAO best practices guidance.
- Third-party drafts (used only as a last resort) are presently authorized for use by Interior.



- All payments to Federal employees shall be made by EFT direct deposit -- unless the employee does not have a bank account or unless the employee receives a hardship waiver.
- Bureaus/Offices must make it clear at the earliest possible point of contact with intended payment recipients that the submission of a Taxpayer Identification Number (TIN) and banking information to facilitate payment by EFT is a condition for payment. When collecting banking information, units may use such methods as telephone voice response systems, electronic forms, the SF 3881 Automated Clearing House (ACH) Vendor/Miscellaneous Payment Enrollment form, or other means.
- Bureaus/Offices must manage procurement activities to achieve low cost to the Government for property and services purchased, while maintaining good business relationships with suppliers. To achieve this goal, Bureaus/Offices shall:
 - Pay bills by the established due date;
 - Pay interest on bills paid late, which are subject to the Prompt Payment Act, without businesses requesting late penalties; and
 - Take economical cash discounts on a routine basis, consistent with applicable Treasury guidelines and Prompt Payment Act Requirements.

5.4 What are the Responsibilities of the Head of the Office for Making Payments?

The head of each office making payments shall maintain appropriate internal controls to process payments in the correct amount and payable to the proper vendor. Because of the critical nature of the disbursements function, Bureaus/Offices are expected to have in place the appropriate, effective internal controls over disbursements -- controls that are both cost effective and practical. Each Bureau/Office should base the system of internal controls (both manual and automated) on the operating needs of that particular entity and should conform to the financial policies and accounting standards prescribed in this Handbook. At a minimum, controls over payments should include the following:

- **Control Environment**: Establish and maintain an environment where honesty and integrity are valued and the highest ethical standards are upheld.
- **Separation of Duties**: To the extent practicable, separate operations to reduce risk of error, waste, and wrongful acts. In automated systems, achieve a separation of duties by the assignment of different responsibilities by function. For example, assign different responsibilities to computer operations personnel, software maintenance specialists, and users. Further, Bureau/Office responsibilities include ensuring that disbursing operations are separated from such operations as purchasing, receiving, examining invoices, preparing



vouchers, authorizing hiring of employees, keeping time and attendance records, maintaining voucher registers or similar records, collections, and accounting. Review internal control procedures at field office sites on an annual basis for large or complex operations (once every three years for smaller operations) and resolve any actual or potential violations.

- **Modern Payment Processes:** Modern payment processes like statistical sampling, fast pay procedures, electronic signatures, and record retention at remote sites do not reduce the need for effective internal control nor relieve the Bureau/Office of its responsibility. These measures merely provide a mechanism to reduce clerical costs and expedite processing while continuing to meet prompt payment requirements and maintain effective internal control.
- **Documentation:** Each Bureau/Office must have a well-defined organization structure, precise workflows for the disbursement process, and clearly written policies and procedures.
- **Closed Appropriations:** Establish special controls over disbursements for any accounts payable applicable to closed appropriations because of the limitation on such payments. Because disbursements cannot be made from appropriations that are closed, Bureaus/Offices are authorized to pay accounts payable from an unexpired appropriation within certain limits. Maintain records and controls for any accounts payable remaining in the appropriation at the time the appropriation was closed to ensure compliance with these requirements.

Bureaus/Offices that make or request payments must conduct periodic reviews of disbursing operations. Management should provide for periodic review of all disbursing operations to ensure that the prescribed requirements are being observed and that the control structure is effective. Reviews that provide reasonable assurance that disbursing procedures and controls are effective and working are necessary support for reports required by the Federal Managers' Financial Integrity Act and to support the certification function.

The head of each office making payments shall ensure that records or voucher-schedules sent to the disbursing officers for payment are kept by the office making payments according to appropriate retention schedules (for most financial transactions, this is 6 years and 3 months). Make such records available for review by the Interior's Office of Inspector General (OIG) and/or GAO for audit and settlement. Additional payment responsibilities are cited throughout this chapter.

5.5 What are the Accounting Events for Disbursements?

Bureaus/Offices must recognize the accounting events which occur at the various stages of the disbursement process. Upon initiating an order for goods or services,



Bureaus/Offices should record a commitment (optional). Upon issuing a purchase order, contract, or other legal document to order goods and services, Bureaus/Offices must record an obligation of funds. Bureaus/Offices must institute appropriate funds control measures to avoid over-obligation of funds and potential violations of the Anti-Deficiency Act.

Upon receipt and acceptance of goods or services or contract performance, Bureaus/Offices must establish a liability; upon making a request for payment, Bureaus/Offices should record a disbursement in transit. Upon confirmation of the actual payment, Bureaus/Offices record a disbursement. In addition, recognize such transactions as overpayments, duplicate payments, advances, establishment of accounts receivable, offsets of payments against receivables, et al. in the general ledger.

Bureaus/Offices must generate a reportable transaction to accrue the liability and assets or expense, either fully or partially, based on the acceptance of goods or services by a Federal government official. When a Bureau/Office accepts title to goods, whether the goods are delivered or in transit, the Bureau/Office should recognize a liability for the unpaid amount of the goods. If invoices for those goods are not available when financial statements are prepared, estimate the amounts owed. (See the Interior Accounting Handbook <http://www.doi.gov/pfm/handbooks>)

Bureaus/Offices must provide management information in a timely and useful fashion to: (a) support management's fiduciary role; (b) support budget formulation and execution functions; (c) support fiscal management of program delivery and program decisionmaking; (d) support external and internal reporting requirements; and, (e) ensure that appropriate internal controls are in place and are operating effectively.

5.6 What are the Common Payment Practices that Bureaus/Offices Should Follow?

- **General Controls**

- Except as specifically provided by contract, lawful agreement, or Bureau/Office implemented fast pay procedures, do not make payment on an invoice before accepting the related goods or services. Process invoices and other claims for payment to permit the issuance and mailing of checks on time. A payment is considered made either on the date an EFT payment is specified for settlement at a Federal Reserve Bank or the date a check for payment is dated.



- Each Bureau/Office shall maintain an invoice tracking system to facilitate timely payment of invoices. The tracking system shall include a provision that prior administrative approval, or electronic approval, of an invoice or claim by the appropriate approving official (supervisor, contracting officer, or program officer, as applicable) is required before an invoice or claim is paid.
- Prepare and transmit receiving reports promptly to the payment office. Delays in sending a receiving report to the payment office do not extend the due date.
- **Payee Information** – Bureaus/Offices are responsible for verifying the names, addresses, taxpayer identification numbers, and eligibility for payment of the payee. Finance offices are also responsible for sharing payee information with organizations performing procurement, personnel, disbursement, debt collection, and other activities, as applicable. Finance Offices must also obtain and maintain information needed for reporting to the Internal Revenue Service on disbursements made to payees and to third parties that act as an agent for the payee. See 1 TFM 4-2035 <http://fms.treas.gov/tfm/vol1/index.html> for additional requirements.

5.7 What Documentation and Review is Required for Disbursements for Goods and Services?

Contracts, Purchase Orders, and Invoices – The procurement office(s) will promptly provide a copy, or electronic copy, of each issued purchase order or contract to the paying office. After receiving a purchase order or contract, the finance office will review its provisions to determine if the document contains all data needed, including banking information, to make a timely and accurate payment(s) by EFT. If the finance office determines that the provisions are deficient, it will notify the contracting or procurement office immediately to request the necessary modification(s). Title 5 CFR Chapter 3, Part 1315.9 <http://www.gpoaccess.gov/cfr/index.html> includes the required documentation for contracts, purchase orders, and invoices.

Lost or Destroyed Original Invoices – If an original invoice has been lost or destroyed, a duplicate invoice must be obtained from the vendor along with a written explanation of the circumstances of the loss or destruction of the original invoice and a statement that steps have been taken to prevent a duplicate payment (1 TFM 4.2025) <http://www.fms.treas.gov/tfm/>.

Invoices Covering Separate Line Items – Measurement of the number of units performed is needed when the contract calls for payment on a unit price basis. If a contract contains separate line items, setting different rates of payment for different categories of work, computation of the amount due for any work completed requires the contracting official's technical representative (COTR) to



determine the proper amount of payment and allocate the payment to the appropriate line item. A contract may stipulate compensation of a fixed sum price for some categories of work and unit price payment for others.

Defective Invoices – An improper or defective invoice must be returned to the vendor within seven days of receipt (5 CFR Chapter 3, Part 1315.4(c)(2))
<http://www.gpoaccess.gov/cfr/index.html>.

Blanket Purchase Agreements

- A delivery ticket or sales slip signed by the requisitioner or receiving individual within the organization shall accompany all shipments under a blanket purchase agreement (BPA). The signature, or electronic approval, of that individual shall signify acceptance.
- A copy of the delivery ticket signed by the requisitioner or receiving individual in the organization shall accompany invoices sent to the finance office for payment (or may be retained in the field location as set forth in Chapter 5.20 of this Handbook). The copy of the delivery ticket may be omitted if the requisitioner or receiving individual signs the invoice and includes the information required on the delivery ticket.
- Each delivery ticket shall contain:
 - Name of contractor;
 - BPA number and the Federal Supply Schedule number (if applicable);
 - Purchase date;
 - Call order number;
 - Accounting code data;
 - Name of individual placing call and telephone number/electronic order reference;
 - Itemized list of supplies/services;
 - Quantity, unit price, less applicable discounts; and
 - Delivery date.
- Vendors shall submit a summary invoice monthly or within the first 60 days after the BPA expires, whichever occurs first, for all deliveries made during a billing period. The invoice will identify the delivery tickets covered therein, stating the total dollar value, supported by receipted copies of the delivery tickets. Vendors not submitting monthly summary billings, as required under the BPA, will be paid as follows: Call order billings received between the first and the last day of the month will be paid within 30 days from the last day of the month. The period for any discounts will begin the final date of the billing period or on the receipt date of summary invoices for all deliveries accepted during the period, whichever is later.



Receiving Reports – Bureaus/Offices will ensure that receipt and acceptance reports are executed or electronically approved in a prompt manner. The following information is required on a receiving report:

- Name of vendor;
- Contract or other authorization number;
- Goods or service description;
- Quantities received, if applicable;
- Date(s) goods or service was delivered and accepted; and
- Signature (or electronic alternative when supported by appropriate internal controls), printed name, title, telephone number, and mailing address of the receiving official.

Receiving officials must send receiving reports in time to be received by the servicing payment center by the 5th business day after receipt or acceptance of goods or services. Since the untimely receipt of these reports is the primary reason for late payments, payment offices are to work closely with the appropriate officials in their Bureau/Office to ensure that receiving reports are sent to the payment office in an expeditious manner. Designated receiving and payment offices must stamp receiving reports and invoices or electronic payment orders with the date received in that office. Where performance does not satisfy contract provisions, the responsible purchasing or contracting office will notify the business concern no later than 7 days from receipt of the invoice. A copy of the improper invoice should be kept with a notation of the date returned to the vendor in a central file for reference.

Audits – Effective control over disbursements generally requires that the certifying officer audit and approve vouchers before certifying for payment. Automated control procedures and computer assisted audit techniques can provide viable alternatives to the traditional requirement for the 100 percent prepayment examination of vouchers. Bureaus/Offices can use such techniques to reduce the need to conduct 100% audit of vouchers. Specifically, statistical sampling may be used for vouchers, including travel vouchers, up to \$2,500. Vouchers exceeding \$2,500 are subject to a 100-percent audit. When an invoice is received in the payment office, it becomes a voucher (or electronic voucher) that is used during the prepayment audit. The objectives of the prepayment audit of a voucher are included in GAO Policy and Procedures Manual for Guidance of Federal Agencies, Title 7, "Fiscal Guidance," Section 6.5 <http://www.gao.gov/special.pubs/ppm.html>.

A partial exception to the prepayment audit requirement, known as fast pay, is allowed. Fast Pay defers specific examining steps, usually the verification of receipt and inspection, on the condition that they are performed after payment.



5.8 How Does the Prompt Payment Act Affect Disbursements?

Purchase activities should be conducted in a manner that will achieve the lowest possible cost while maintaining good business relationships with suppliers. See “Cash Management Made Easy” at <http://fms.treas.gov/crm/cashmanagementmadeeasy.html> and Green Book at <http://fms.treas.gov/greenbook/index.html>. To achieve this objective, Bureau/Office’s finance offices shall observe the following principles:

- Pay bills by the established due date, but not earlier than 7 days prior to the payment due date -- unless earlier payment will result in a discount or rebate.
- Base payment on receipt of proper invoices and satisfactory performance of contract terms. Exception: accelerated payment to a vendor is permitted prior to verification that merchandise has been received, under certain circumstances, such as the maximization of rebates.
- Automatically pay interest and late penalties (if any) on invoices that are paid late and that are subject to the Prompt Payment Act, without payees requesting these payments.
- Take advantage of cash discounts, consistent with applicable Treasury guidelines, and in compliance with the Prompt Payment Act.

5.8.1 Who is Responsible for Implementing the Prompt Payment Act?

The Director, Office of Financial Management (PFM), is responsible for ensuring that the Prompt Payment Act is effectively implemented Departmentwide and that Bureaus/Offices develop and maintain internal operating procedures to ensure timely payment of invoices.

Each Bureau/Office Finance Officer is specifically responsible for: ensuring timely payment of invoices and the payment of interest and penalties, when required; developing a monitoring and reporting system as well as an effective quality control program (5 CFR 1315.3 <http://www.gpoaccess.gov/cfr/index.html>); and keeping late payments within the parameters set by Interior.

5.8.2 What are the Standards for Prompt Payment?

Title 5 CFR Chapter 3, Part 1315 <http://www.gpoaccess.gov/cfr/index.html> lists the standards for prompt pay including required documentation, receipt and review of invoice, receipt of goods and services, acceptance, starting the payment period, determining the payment due date, late payment, timely payment, and payments for partial deliveries.



- **Interagency Payments** – Prompt Payment late interest penalties do not apply to interagency payments. However, agencies are required to use electronic payment methods for interagency payments and to include payment terms in Interagency Agreements to ensure payments are made in a timely manner.
- **Late Interest Penalties Regulated by State, Local, or Foreign Governments** – Late payment rates for utility services issued by state, local, or foreign governments take precedence over the Prompt Payment late interest penalties for determining the amount of interest due for late payments.
- **Travel Reimbursements to Federal Employees** – The Travel and Transportation Reform Act requires Bureaus/Offices to reimburse a traveler within 30 days after a proper travel voucher has been submitted to the approving official. Late payments are subject to an interest penalty based on the Prompt Payment interest rate in effect. The Bureau/Office must notify the traveler within 7 days of receipt of a travel voucher of any error therein that would prevent payment within 30 calendar days of submission. When the payee is an employee entitled to reimbursement for travel expenses:
 - ❖ The Bureau/Office should not hold payments due on travel vouchers (to utilize the 30-day period allowed), but should make payments as soon as possible to the travelers. In the event of late payment, the Bureau/Office will pay the traveler a late payment fee in addition to the amount due. Late payment fees are calculated using the prevailing “Prompt Payment Act Interest Rate beginning upon the 31st day after the required Payment Date and ending upon the day the payment is made”. In addition to the late payment fee, the Bureau/Office must also pay the traveler the equivalent of any late payment charge that the credit card contractor would have been able to levy upon the traveler.
- **Determining the Amount of the Late Payment Interest Penalties** – Information on the calculation of late interest penalties including examples can be accessed on the Prompt Pay website at: <http://www.fms.treas.gov/prompt/calculations.html>.
- **Payment Due in One Fiscal Year but Paid After the Payment Due Date in a New Fiscal Year** – A Bureau/Office must pay an interest penalty out of amounts made available to carry out the program for which the penalty is incurred. The interest payment is charged to the fiscal year of the day after the invoice payment due date (which is the day the agency incurred the obligation to pay interest). Therefore, if the product or service in support of this program was purchased in FY 2008, it should be paid from FY 2009 funds.

5.9 How Does a Bureau/Office Process Transportation Invoices?



Payment offices may, subject to limits in GSA Federal Management Regulations 41 CFR, Chapter 102, Parts 102-118 (<http://www.gpoaccess.gov/cfr/index.html>), make payment for transportation tickets, bills of lading, or equivalent documents before confirming the satisfactory completion of such services. Bureaus/Offices shall file refund claims with transportation carriers for unused ticket portions and transportation services. Payments for transportation services are subject to special audit requirements. In general, certifying and disbursing officials are not responsible for overpayments due to improper rates, classifications, or failure to make proper deductions under equalization or other agreements with respect to charges for transportation services where the charge is subject to the centralized post-payment audit by the General Services Administration. However, these officers are responsible for overcharges due to illegal payments, mathematical errors, or other errors in the paying operation. At Interior, all transportation invoices are subject to a third party audit.

5.10 How Does a Bureau/Office Process Recurrent Payments?

Payments for services of a continuing nature for definitive amounts at fixed intervals may be paid without submission of invoices by the vendor (1 TFM 4-2025.30 <http://fms.treas.gov/tfm/vol1/index.html>).

5.11 How Does a Bureau/Office Process Assignment of Claims?

The Assignment of Claims Act of 1940, as amended, 31 U.S.C. Sec. 3727 and 41 U.S.C. Sec. 15, requires that an assignee send a written notice of the assignment with a true copy of the assignment to the contracting officer or the agency head, surety on any bond applicable to the contract, and disbursing officer designated in the contract to make payment. For details on assignment of claims, see the Federal Acquisition Regulation, 48 CFR Chapter 1, Part 32.800 (<http://www.gpoaccess.gov/cfr/index.html>).

5.12 How are Payments Scheduled?

1 TFM 4-Chapter 2000, Payment Issue Disbursing Procedures, prescribes payment issue disbursing procedures related to scheduling manual and Electronic Certification System (ECS) payments. (See <http://fms.treas.gov/tfm/vol1/index.html>).



5.13 How Does a Bureau/Office Prevent Duplicate Payments?

The heads of payment offices shall establish procedures to prevent duplicate payments. Mark and control vouchers, voucher-schedules, and supporting documents to prevent presentation for payment a second time. In addition, design controls in the automated system to detect duplicate payments. If supporting documents are retained in remote field locations, the payment officer may use sampling procedures to assure that duplicate payments are not being made. See 1 TFM 4-2025.10 (<http://fms.treas.gov/tfm/vol1/index.html>) for situations where duplicate payments may exist.

5.14 What are the Delegation Requirements for the Disbursing Function?

There is a formal process for designating officials in a Bureau/Office associated with the disbursing function. This process is described in 1 TFM 4-1100 <http://fms.treas.gov/tfm/vol1/index.html> and 205 DM 6 (http://elips.doi.gov/app_dm/index.cfm?fuseaction=home). Descriptions of specific positions that can be designated are shown below.

- **Certifying Officers** - Certifying Officers are individuals to whom authority to approve disbursement of Bureau/Office funds has been delegated, by a properly authorized designating official. The designating official must have a valid FMS Form 2958 on file with Financial Management Service (FMS), providing authority to designate Certifying Officers for the Bureau/Office.
- **Assistant Disbursing Officers** – Assistant Disbursing Officers are individuals who have been delegated Disbursing Authority by a Disbursing Officer of the FMS. Documentation submitted to FMS, usually by means of FMS Form 2958, notifies FMS of the delegation (transfer of) authority to make designations of disbursing related authority. The right to further delegate (re-delegate) such authority may also be included in such delegations. Bureaus/Offices are required to furnish a SF-210 to designate an Assistant Disbursing Officer.

Signature cards for certifying officers whose vouchers are forwarded to an Assistant Disbursing Officer for payment will be submitted directly to the Assistant Disbursing Officer designated by the Bureau/Office and delegated by Treasury, and to the Director of a Disbursing Center. Signature cards for certifying officers, certifying to Assistant Disbursing Officers, except for those certifying to Assistant Disbursing Officers for the American Samoa Government (ASG), are signed by the Bureau/Office official making the designation. Signature cards for designation of certifying officers for ASG who service the Office of the Governor of Guam, will be signed by the Director, National Business Center.



- **Electronic Certification System (ECS)** – Each individual designated authority to utilize the Treasury Electronic Certification System must have valid forms on file with FMS. See 1TFM 4-1150 for instructions on preparing the applicable forms (<http://fms.treas.gov/tfm/vol1/index.html>).
- **Designated Agent to Receive and Deliver Checks** – Designated Agents are individuals to whom authority is delegated to receive and deliver checks drawn on Bureau/Office funds. Treasury prefers that all payments be remitted directly to the financial institution of the payee/recipient, for crediting to their account, or direct mailed (in the case of checks). However, it is understood that under some circumstances it may be necessary for an agency to pick up or receive checks from a Treasury Regional Financial Center, upon approval of the Disbursing Officer, for direct delivery to the payee/recipient. See 1 TFM 4-1160 for procedures (<http://fms.treas.gov/tfm/vol1/index.html>).
- **Encryption Officers for Treasury Telecommunications Systems** – Treasury regulations require telecommunication links used to transmit payment request data files be protected by encryption. The use of encryption devices entails the generation, distribution, loading, and protection of encryption keys (secret data strings used to encrypt data). See 1 TFM 4-1170 for requirements (<http://fms.treas.gov/tfm/vol1/index.html>).
- **ASAP Authorizing Officials and/or Financial Officials** – ASAP Authorizing Officials (AO) and Financial Officials (FO) are positions required for a Non-Federal organization (recipient) to participate in the ASAP program. See 1 TFM 4-1175 (<http://fms.treas.gov/tfm/vol1/index.html>) for procedures.

5.15 What are Common Questions Regarding Certifying Officers and Accountable Officers?

See GAO Policy and Procedures Manual for Guidance to Federal Agencies, Title 7, Chapter 7 (<http://www.gao.gov/fedagencies.html>) for more information.

5.15.1 Who are Accountable Officers?

Accountable Officers are authorized certifying officers, disbursing officers, collection officers, and other employees who by virtue of their employment are responsible for or have custody of government funds.

5.15.2 What is the Definition of an Authorized Certifying Officer?

Authorized certifying officers are those individuals who certify vouchers for payment by Treasury disbursing officers, or their agents, acting under the



authority of 31 U.S.C. Subtitle III, Chapter 33, Subchapter II, Section 3325 and Subtitle III, Chapter 35, Subchapter III, Section 3528 (<http://www.gpoaccess.gov/uscode/browse.html>).

5.15.3 What are the Responsibilities of the Certifying Officer?

Interior funds are disbursed by Treasury, through Treasury's Regional Financial Centers, under the direction of the Chief Disbursing Officer, FMS. Disbursing officers for entities subject to 31 U.S.C. Subtitle III, Chapter 33, Subchapter II, Section 3321(b) (<http://www.gpoaccess.gov/uscode/browse.html>) derive their authority by direct delegation from the Chief Disbursing Office or by delegation from Treasury disbursing officers providing centralized disbursing services to the entities. An authorized certifying officer must certify all basic vouchers, voucher-schedules, and invoices or bills used as vouchers as legal and proper for payment. A voucher schedule, or an electronic voucher schedule, covers all basic vouchers listed. Therefore, the certification of a voucher schedule applies to all individual vouchers listed on the schedule.

- Certified payment vouchers submitted to the disbursing official must include the Tax Identification Number (TIN) of every payment recipient listed on the voucher.
- The certifying officer's responsibility (31 U.S.C. Subtitle III, Chapter 35, Subchapter III, Sec. 3528(a) (<http://www.gpoaccess.gov/uscode/browse.html>) extends to the:
 - Information stated in the certificate, voucher, and supporting records;
 - The computations of the voucher unless statistical sampling is involved which modifies this accountability. See GAO Policy and Procedures Manual for Guidance of Federal Agencies, Title 7, Chapter 7 (<http://www.gao.gov/fedagencies.html>) regarding statistical sampling;
 - The legality of the payment under the appropriation or fund involved; and
 - Repayment for: illegal, improper, or incorrect payments because of inaccurate or misleading certification; a payment prohibited by law; or a payment that does not represent a legal obligation under the appropriation or fund involved.

The certifying officer is personally liable for the improper payment of funds for which they are accountable.

5.15.4 How are Certifying Officers Selected?

Select certifying officers with due consideration to the responsibilities placed upon them. Consider the following primary factors in selecting certifying officers:



(a) the responsibilities of certifying officers under the law; (b) the classes of vouchers to be certified and the certifying officer's potential liability; and, (c) the knowledge, experience, and judgment required of the prospective certifying officer. Do not choose a person for this purpose that is not qualified to verify the accuracy and legality of proposed payments.

5.15.5 Can an Employee Act in a Dual Capacity as a Certifying Officer and a Cashier or Assistant Disbursing Officer?

Individuals can serve in dual capacities, such as certifying officers, cashiers, and assistant disbursing officers in extenuating circumstances with the approval of Treasury.

5.15.6 What is Cross-Service Certifying?

Designated Bureau/Office certifying officers may certify vouchers of other bureaus or other Federal agencies when so requested. Cross-service certifying functions are performed under a written agreement and delegation from the requesting bureau or agency. The agreement must specify the class of vouchers to be certified, the agency location code (ALC) to be cited on the vouchers, and the date on which the cross-service certifying function is to begin.

In those instances where certification is made under another ALC (i.e., the ALC is different from that normally used by the certifying officer), complete a separate set of SF-210, Signature Card for Certifying Officer, for each ALC. In all cases, the ALC must correspond to the Departmental bureau or office shown on the face of the SF-210. Advise the Treasury disbursing officer in writing of Bureau/Office certifying officers who perform cross-service certifying for other Bureaus/Offices or other Federal agencies.

5.15.7 How do Bureaus/Offices Keep the Office of Financial Management (PFM) Current on Certifying Officer's Status?

Bureaus/Offices are required to compile a listing of all current authorized certifying officers on an annual basis. Bureaus/Offices must furnish this listing to PFM by September 1 of each year. PFM will then consolidate the listings on a Departmentwide basis and forward it to the appropriate servicing disbursing office by September 30.

5.15.8 What are the Certifying Procedures in a Civil Emergency?

In the event of major emergencies, such as natural disasters, Treasury FMS will issue payments to emergency victims, based on certified requests received from Interior. Normally, the emergency payments will be issued from Treasury



Financial Management Service's (FMS) Regional Finance Centers, but if a need exists, FMS can establish an emergency disbursing office at or near the location of the disaster. FMS has the capability to issue emergency payments in both check and electronic form, in any volume necessary. For more information, contact the FMS Emergency Disbursing Manager (see Contacts page in 1TFM 4-2000 at <http://fms.treas.gov/tfm/vol1/index.html>).

5.15.9 What Records and Reports are Required for Certifying Officers?

Bureaus/Offices are responsible for maintaining a current record of addresses of former employees who have acted as certifying officers until their payments have been approved by the GAO or disallowances have been adequately explained, repaid, or relief has been obtained. Certifying officers must cooperate by keeping their former Bureau/Office advised as to their current address until GAO settles their accounts. Bureaus/Offices will maintain in a current status of: (a) a copy of the authorization of each certifying officer to certify vouchers, including cross-servicing authorizations; (b) a copy of the applicable signature cards for each certifying officer; and, (c) a copy of notification to the employee of the amendment, revocation, or termination of his/her certifying officer duties.

5.15.10 How Does Automation Affect the Certifying Officer's Responsibility?

Title 7, Chapters 7.2 - 7.5 of the GAO Policy and Procedures Manual for Guidance to Federal Agencies (<http://www.gao.gov/fedagencies.html>) discusses the reliance on automated systems; the organization structure and operating procedures required; the application of available technology and concepts such as computer edits, data authentication and electronic certification, fast pay procedures, statistical sampling, and combining fast pay and statistical sampling; and evaluations of the voucher processing system and controls. When a certifying officer relies on systems and controls and the existence of general requirements for their periodic assessment, he/she must have confidence in the system and the controls based on the following significant factors:

- A well-defined organizational structure and flow of work, with appropriate separation of responsibilities and clearly written policies and procedures governing the examination, approval, and certification of disbursement vouchers.
- Effective application of available technology and concepts to achieve efficient and effective voucher processing.
- Review of the voucher processing procedures and controls in sufficient scope, depth, and frequency to provide reasonable assurance that key processing procedures and controls are working and reliable.



Whenever a request for relief from repayment of an amount erroneously paid is supported by a contention that the certifying officer relied on the system and its controls, the reasonableness of such justifications—that is the basis for such reliance—will be carefully considered before relief is granted.

5.15.11 What is the Certifying Officer's Liability and How are Accounts Settled?

See GAO Policy and Procedures Manual for Guidance to Federal Agencies, Chapter 8 (<http://www.gao.gov/fedagencies.html>).

Pecuniary Liability of Certifying Officers. Unlike a disbursing officer or a collector of public moneys who is accountable for public moneys received (31 U.S.C. Subtitle III, Chapter 35, Subchapter III, Section 3522 (<http://www.gpoaccess.gov/uscode/browse.html>), a certifying officer has no public funds in his/her possession. He/she is accountable for and required to make good to the United States only the amount of any illegal, improper, or incorrect payment resulting from any false, inaccurate, or misleading certification made by him/her, as well as any payment prohibited by law or which did not represent a legal obligation under the appropriation or fund involved (see 31 U.S.C. Subtitle III, Chapter 35, Subchapter III, Section 3528 (<http://www.gpoaccess.gov/uscode/browse.html>)). Until an improper payment based upon an inaccurate certification is made, there is no pecuniary liability on his/her part nor are there accounts requiring settlement by GAO.

Right to an Advance Decision. Certifying officers are provided with a means of protection against the certification of vouchers for payment which may prove to be illegal. They have the right to apply for and obtain an advance decision by the Comptroller General on any question of law involved in a payment on any vouchers presented to them for certification (see 31 U.S.C. Subtitle III, Chapter 35, Subchapter III, Section 3529 (<http://www.gpoaccess.gov/uscode/browse.html>)). Certifying officers may also request a decision by the Comptroller General whenever it is determined that a notice of exception involves a doubtful question of law.

Certifying officers must, prior to requesting a decision by the Comptroller General, use assistance within Interior to resolve doubtful questions of law. In lieu of requesting a decision by the Comptroller General for items of \$100 or less, disbursing and certifying officers may rely upon written advice from Interior's Office of the General Counsel. Requests should be submitted through the Bureau/Office. Also consider whether the matter may have a previous ruling and be covered in published/unpublished decisions of the Comptroller General. Whenever it is decided to obtain a decision on the legality of a questioned payment, submit the request promptly in order to avoid undue delay.



The Legislative Branch Appropriations Act, 1996, Public Law 104-53, section 211(a) (<http://www.gpoaccess.gov/plaws/index.html>) transferred the claims settlement functions of GAO to Office of Management and Budget (OMB) effective June 30, 1996. OMB delegated the settlement of claims for civilian federal employees travel, transportation and relocation allowances, and transportation carriers' requests for review of General Services Administration (GSA) audits of their bills, to the GSA Civilian Board of Contract Appeals (CBCA). The CBCA has a web site at <http://www.cbca.gsa.gov> where its rules and cases are made available. Effective October 19, 1996, the Comptroller General's authority under 31 U.S.C. Subtitle III, Chapter 35, Subchapter III, Section 3529) <http://www.gpoaccess.gov/uscode/browse.html> to issue advance decisions to agency officials on such transferred claims settlement functions was also transferred pursuant to the General Accounting Office Act of 1996, Pub. L. 104-316, § 204, 110 Stat. 3845 (1996), to GSA. The Comptroller General retains the authority under 31 U.S.C. Subtitle III, Chapter 35, Subchapter III, Section 3529) <http://www.gpoaccess.gov/uscode/browse.html> to issue decisions to disbursing or certifying officials and heads of agencies on matters involving the expenditure of appropriated funds not specifically involving the claims delegated above.

Limited Liability of Disbursing and Certifying Officers. Certifying and disbursing officers are not responsible for overpayments for transportation furnished on Government Bills of Lading (GBL) or transportation requests when due to improper rates, classification, or failure to make proper deductions under equalization or other agreements (31 U.S.C. Subtitle III, Chapter 33, Subchapter II, Section 3322(b) and 31 U.S.C. Subtitle III, Chapter 35, Subchapter III, Section 3528(c) <http://www.gpoaccess.gov/uscode/browse.html>). In other words, when the particular shipment is covered by a GBL or the particular travel is covered by a Government Transportation Request, these officers may not be held responsible for overpayments for transportation except those involving mathematical errors and illegal payments or errors made in the paying operations.

Settlement of Accounts. The head of an agency is authorized to compromise claims that do not exceed \$100,000 (31 U.S.C. Subtitle III, Chapter 37, Subchapter II, Section 3711 <http://www.gpoaccess.gov/uscode/browse.html>). See also 205 DM 7 (http://elips.doi.gov/app_dm/index.cfm?fuseaction=home). No accountable officer may be held liable for an amount which cannot be recovered because of a compromise by the person primarily responsible (31 U.S.C. Subtitle III, Chapter 37, Subchapter II, Section 3711(c)).



Settlement Process. (See Title 7, Chapter 8.5 of the GAO Policy and Procedures Manual for Guidance to Federal Agencies <http://www.gao.gov/fedagencies.html>) for the GAO settlement process.

Statutory Time Limit for Settling Accounts. See Title 7, Chapter 8.7 of the GAO Policy and Procedures Manual for Guidance to Federal Agencies <http://www.gao.gov/fedagencies.html>) for time limits.

5.15.12 How Do Certifying Officers Receive Relief of Liability?

Refer to Title 7, Chapter 8 of the GAO Policy and Procedures Manual for Guidance to Federal Agencies <http://www.gao.gov/fedagencies.html>) which discusses settlement of accounts and relief of accountable officers.

5.16 When Does a Bureau/Office Process Payments by Electronic Funds Transfer (EFT)?

The Debt Collection Improvement Act of 1996 mandated EFT for all Federal payments after January 1, 1999.

Payment Types – Bureaus/Offices are to use EFT when disbursing the following payment types:

- **Payments to Employees** – Make payments including but not limited to performance awards, cash awards, allotments from salary, garnishments, wage and salary payments by EFT. The EFT salary provision applies when the individual first enters into Federal service (on or after July 26, 1996), transfers from another agency, or resumes Federal service after a break in employment.
- **Payments to Vendors.** Make payments for all contracts, purchase orders, and under any other procurement arrangements by EFT. Specifically, Bureaus/Offices shall use the automated payment system when paying invoices from charge card companies.
- **Expense Reimbursement Payments.** Make payments including but not limited to travel advances and cash advances by EFT.
- **All Other Payments.** Make payments including but not limited to interagency payments, grants, loans, fees, and refunds by EFT.

Waivers – Bureaus/Offices as delegated by 205 DM 6 (http://elips.doi.gov/app_dm/index.cfm?fuseaction=home) may waive the EFT requirement in accordance with 31 CFR 208.4 if a recipient certifies in writing that he/she would



suffer a hardship if required to receive funds by EFT transfer. Other exemptions include the following:

- Where the political, financial, or communications infrastructure in a foreign country does not support payment by EFT.
- Where the payment is to a recipient within an area designated by the President or an authorized agency administrator as a disaster area. This waiver is limited to payments made within 120 days after the disaster is declared.
- A response to contingency operations conducted by or in support of the Department of Defense.
- Where payment by EFT may pose a threat to national security, the life or physical safety of an individual may be endangered, or a law enforcement action may be compromised.
- Where the agency does not expect to make more than one payment to the same recipient within a one year period (i.e., the payment is non-recurring, and the cost of making the payment by EFT exceeds the cost of making the payment by check).
- Where an agency's need for goods and services is of such unusual and compelling urgency that the Government would be seriously injured unless payment is made by a method other than by EFT; or, where there is only one source for goods or services and the Government would be seriously injured unless payment is made by a method other than EFT.

Records of EFT waivers granted are to be maintained by the Bureau/Office and made available for review upon request.

Withholding Payments – A Bureau/Office may not withhold payment to an individual. A Bureau/Office may use its discretion when deciding whether to withhold payments to commercial vendors who refuse to provide banking information. Withholding payments should only be done after sufficient advance notification has been given and after a reasonable effort to obtain this information has failed. If the payment is withheld, efforts to obtain information should be documented.

Performance Standards – Reporting requirements are included in the Interior Accounting Handbook, Chapter 5 (<http://www.doi.gov/pfm/handbooks>).



5.17 What Controls are Required for Payroll?

Interior employees' payroll is processed by the National Business Center. Nonetheless, Bureaus/Offices must ensure that proper controls exist over all source documents relating to payroll operations. Apply systematic control procedures to all documents which affect the computation of earnings and amounts due to Interior employees. These procedures must ensure that all valid documents are considered in determining amounts payable, as well as to prevent the fraudulent misuse of payroll documents. These documents include personnel authorizations, time and attendance reports, computations of pay, and leave records.

No employee shall perform all phases of a payroll transaction. Intervention of another person provides a crucial crosscheck. In addition, employees who prepare and maintain documents authorizing or evidencing payments shall not service their personal pay accounts.

Provide suitable control procedures in each system for effective checks and to ensure that payroll data is processed correctly. Consider all data in processing, process accurately, and permit no unauthorized changes to transactions and records. Design the specific control procedures to fit the specific payroll system; i.e., use of predetermined totals.

The employee's supervisor certifies the Time and Attendance Report. The cash certification process is further enhanced when the Bureau/Office's accounting office reconciles payroll transactions. This reconciliation process takes place when the Abstract of Transactions, provided by the payroll office, and the Undisbursed Appropriation Account Ledger (TFS Form 6653), provided by Treasury, are reconciled to the General Ledger. Certifications may be in hard copy (on paper) or in electronic format.

5.18 How are Unvouchered Expenditures Handled?

Certain laws authorize certificated or unvouchered payments, which are specified amounts for specified purposes for a given fiscal year. They are accounted for solely on the certificate or approval of a designated Government official, for example President, Vice President, or the head of a Department. OMB Circular A-11, "*Preparation, Submission, and Execution of the Budget*," Section 140 <http://www.omb.gov> specifies that Interior submit an annual report. To ensure that accurate information is reported to OMB and that proper financial controls are in place for unvouchered payments (especially those made from confidential payments), Bureau/Offices' finance officers shall identify on an annual basis those offices where such payments may be made and enter into a formal memorandum of agreement each year. This agreement shall redelegate authority to make such payments and shall describe the internal controls and reporting that are required for



certificated payments. Payment to a confidential informant is an example of an unvouchered expenditure.

Certification Requirements – Unvouchered expenditures are accounted for on the certificate of a designated official. The certificates do not reveal all of the information normally contained on vouchers. Certain basic information must be included on the certificate so that any legal limitation on the amount that may be spent will not be exceeded. Therefore, the statement on the certificate must include:

- The appropriation to be charged;
- The amount of the expenditure;
- The legal authority for certification;
- A general statement that the types of expenditures covered by the certificate are proper under the legal authority cited; and,
- The signature, or electronic signature, of the official having authority to certify the expenditure.

Documentation – The finance office may file certificates supporting unvouchered expenditures with the payment vouchers. The office, which authorized the payment, will generally retain supporting records, documents, and papers. Keep a complete audit trail. An annual memorandum of understanding between the finance officer and the authorizing official should specify what documentation is required, how it is to be controlled, and how access can be obtained.

5.19 What is the Procedure for Issuing Replacement Checks Drawn on the Treasury?

Title 31, U.S.C. Subtitle III, Chapter 33, Subchapter II, Section 331
(<http://www.gpoaccess.gov/uscode/browse.html>).

5.20 What is the Procedure for Document Retention in Remote Locations?

In order to achieve greater administrative efficiency and to reduce processing costs, paper documents supporting vendor or travel claims may, under procedures stated herein, be retained in remote locations. The Bureau Chief Financial Officer must determine that procedures are in place to insure the following standards are being met:

- Designate an official responsible for the proper storage and retention of the documents. In the case of travel vouchers, purchase card transactions and



convenience check transactions, the Approving Official is the lowest acceptable level designated to retain documents in field locations.

- Train the designated retention official in document retention standards and time retention requirements as set forth by the National Archives and Record Administration.
- Make the designated official aware that documents must be promptly produced for audit or administrative review procedures.
- Advise the designated retention official and staff members that random samples of all payment transactions will be selected for the purpose of verifying the validity of the payments and that they will be required to forward all documents related to the selected transactions to the certifying officer's location for review.
- Provide field staff with training regarding retention and storage requirements.
- Have procedures in place to retrieve travel vouchers, vendor payment, and similar related supporting documents from departing employees at, or prior to, the departing employee's exit interview.

5.21 What Payments are Reported to the Internal Revenue Service (IRS) on IRS Form 1099?

File Form 1099-MISC, Miscellaneous Income, as described and required by IRS (<http://www.irs.gov/govt/fslg/article/0,,id=110124,00.html>).

In the context of purchase charge card transactions, it is important to note that the requirement to prepare IRS Form 1099-MISC generally applies to service-related transactions--rather than transactions involving the outright purchase of goods.

Bureaus/Offices must establish procedures to collect vendor information, including payee taxpayer identification number (TIN), for all payments subject to 1099 reporting (except refunds and exempted items) made via convenience checks or third party drafts. Ensuring the availability of information relating to payment amounts, TIN, and payee address information is essential for compliance with IRS 1099-MISC reporting requirements. This is particularly important in Bureaus/Offices where non-electronic funds transfer payments may have been made outside of the Bureau/Office's finance office.

Since convenience check payments are typically made by non-Financial personnel (as payment for goods and services where the charge card is not accepted), Bureau/Office procedures should focus on identifying the most expeditious means for collecting the required TIN, payee address, and transaction value information for all 1099-reportable transactions.



References:

- Code of Federal Regulations (Access at <http://www.gpoaccess.gov/cfr/index.html>)
 - 5 CFR Chapter III, Part 1315, Prompt Payment
 - 31 CFR Chapter II, Part 210, Federal Government Participation in the Automated Clearing House
 - 31 CFR Chapter II, Part 208, Management of Federal Agency Disbursements
 - 48 CFR Chapter 1, Part 32.800 <http://www.gpoaccess.gov/cfr/index.html>
- 31 U.S.C. Subtitle III, Chapter 33 <http://www.gpoaccess.gov/uscode/browse.html>
- 31 U.S.C. Subtitle III, Chapter 35, Subchapter III <http://www.gpoaccess.gov/uscode/browse.html>
- 31 U.S.C. Subtitle III, Chapter 37, Subchapter II <http://www.gpoaccess.gov/uscode/browse.html>
- GAO Internal Control bulletin "Streamlining the Payment Process While Maintaining Effective Internal Control", May, 2000 [GAO/AIMD-21.3.2](http://www.gao.gov/aimd-21.3.2)
- GAO Policy and Procedures Manual for Guidance of Federal Agencies, Title 7 <http://www.gao.gov/fedagencies.html>
- OMB Circular A-11, "Preparation, Submission, and Execution of the Budget," Section 140 <http://www.omb.gov>
- OMB Circular A-123, *management's Responsibility for Internal Control*, <http://www.omb.gov>
- File Form 1099-MISC, Miscellaneous Income, as described and required by IRS (<http://www.irs.gov/govt/fslg/article/0,,id=110124,00.html>)
- Records Management Guidance for Agencies Implementing Electronic Signature Technologies, NARA <http://www.archives.gov/records-mgmt/policy> (under electronic records guidance)
- GSA Civilian Board of Contract Appeals (CBCA). The CBCA has a web site at <http://www.cbca.gsa.gov>
- Public Law 104-134, Debt Collection Improvement Act of 1996 <http://www.fms.treas.gov/debt/dmdcia.pdf>
- Public Law 104-53, section 211(a), Legislative Branch Appropriations Act, 1996, (<http://www.gpoaccess.gov/plaws/index.html>)
- Federal Register, February 15, 2000 (Volume 65, Number 31 <http://www.itl.nist.gov/fipspubs/by-num.htm>)
- Cash Management Made Easy" at <http://fms.treas.gov/crm/cashmanagementmadeeasy.html>
- Green Book at <http://fms.treas.gov/greenbook/index.html>
- Prompt Pay website at: <http://www.fms.treas.gov/prompt/calculations.html>.
- Treasury's Electronic Authentication Policy Federal Register, January 3, 2001 (Volume 66, Number 2) <http://www.gpoaccess.gov/fr/index.html>



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- Treasury, Financial Management Service, Fiscal Service, “Electronic Authentication Policy”, Federal Register, January 3, 2001 (Volume 66, Number 2)
<http://www.gpoaccess.gov/fr/index.html>;
- Manual of Procedures and Instructions for Cashiers (Cashiers Manual) at
www.fms.treas.gov/impres
- 1 TFM 4 Chapter 2000, <http://fms.treas.gov/tfm/vol1/index.html>
- 1 TFM 4 Chapter 1100 <http://fms.treas.gov/tfm/vol1/index.html>
- 1 TFM 6 <http://www.fms.treas.gov/tfm>
- 205 DM 6 (http://elips.doi.gov/app_dm/index.cfm?fuseaction=home)
- 205 DM 7 (http://elips.doi.gov/app_dm/index.cfm?fuseaction=home).
- Interior Accounting Handbook, Chapter 5 (<http://www.doi.gov/pfm/handbooks>)



CHAPTER 6. CASH ADVANCES

6.1 What is the Purpose of this Chapter?

This chapter establishes Departmental policies and procedures for the administration of cash advances (advances) made under Federal programs to State and local governments, educational institutions, other public or private organizations, and employees.

6.2 What are the Authoritative Sources?

In accordance with 31 U.S.C. Subtitle III, Chapter 33, Subchapter II, Sec. 3324, Bureaus/Offices may only advance public monies when authorized by a specific appropriation, law, or the President to a disbursing official. However, there are statutory exceptions to this policy. This chapter notes a few of these exceptions. The following authorities also govern the management of advances: See <http://www.gpoaccess.gov/cfr/index.html> for Code of Federal Regulation References and <http://www.gpoaccess.gov/uscode/browse.html> for U.S. Code References.

- 31 U.S.C. Subtitle III, Chapter 33, Subchapter II, Sec. 3324 provides for advances for a publication printed or recorded in any way for the auditory or visual use of an agency.
- 31 U.S.C. Subtitle III, Chapter 37, Subchapter III, Sec. 3726 provides that a carrier or freight forwarder presenting a bill for transporting an individual or property may be paid before an audit is conducted by the General Services Administration (GSA). Payment for transportation ordered, but not provided, may be recovered by deduction or other means.
- 5 U.S.C. Part III, Subpart C, Chapter 41, Sec. 4109 provides for advances for all or part of the necessary expenses for training employees under the Government Employees Training Act.
- 5 U.S.C. Part III, Subpart D, Chapter 59, Subchapter II, Sec. 5912 provides for a living quarters allowance granted to an employee assigned to a foreign area.
- 5 U.S.C. Part III, Subpart D, Chapter 59, Subchapter III, Sec. 5927 provides that up to three months pay may be paid in advance to an employee upon the assignment of the employee to a post in a foreign area.
- 5 U.S.C.S. Part III, Subpart D, Chapter 55, Subchapter III, Sec. 5524a provides for regulations that allow the head of each agency to make advance payments of basic pay, covering not more than two pay periods, to any individual who is newly appointed to a position in the agency.



- 31 CFR Subtitle B, Chapter II, Part 205, Rules and Procedures for Efficient Federal-State Funds Transfers.
- 43 CFR Part 12.41, Subpart C, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.
- 43 CFR Part 12.901, Subpart F, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations.
- Interior Integrated Charge Card Program Policy Manual provides detailed policy on providing travel advances to employees on official travel <http://www.doi.gov/pam/chargecardmanual/608.pdf>.
- Treasury Financial Manual, Volume I, Part 6, Chapter 2000, Cash Advances Under Federal Grant and Other Programs <http://fms.treas.gov/tfm/vol1/index.html>.
- OMB Circular No. A-102 (Revised), "Grants and Cooperative Agreements with State and Local Governments." http://www.omb.gov/circulars_default
- OMB Circular No. A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Nonprofit Organizations." http://www.omb.gov/circulars_default
- General Accounting Office (GAO) "Accounting Principles, Standards and Requirements Title 2, Standards Not Superseded by FASAB Issuances, GAO-02-2486, November 2001 <http://www.gao.gov>

6.3 What is the Department of Interior Guidance?

Federal Grant Programs - Bureaus/Offices authorizing a grant may provide advance financing to qualifying recipients as part of the grant agreement. However, no grantee is automatically entitled to receive advances. Eligibility requirements for receiving advances and considerations as to the adequacy of the recipient's financial management system are discussed in this chapter.

Advances to Employees - As a general rule, public funds are not advanced to employees. However, there are some exceptions. Imprest fund cashiers may, in certain cases, issue advances to employees to cover the cost of a small purchase. Chapter 7 of this Handbook outlines the requirements for imprest fund purchases. Advances of pay and allowances are generally not authorized, but pay and allowances may be advanced to employees assigned to posts in a foreign area under applicable regulations (see Section 6.10 of this Handbook).



6.4 What are the Federal Grant Program Requirements for Advances?

- **Eligibility for Advances** – The recipient must be financially stable. A grants officer shall evaluate an applicant's eligibility for receiving advances. The following factors may assist the grants officer in determining when an applicant is ineligible to receive advance financing: Improper control and accountability over receipt and disbursement of funds:
 - Insolvency or threat of insolvency;
 - Financial dependency on Federal support (i.e., 80 percent or more of the organization's revenues are expected to be derived from a Federal award or awards in the forthcoming year);
 - Inexperience in management of Federal awards;
 - Inadequate internal, financial, or administrative controls (i.e., inability to comply with the financial management standards or procurement standards contained in Office of Management and Budget and/or Treasury circulars);
 - History of unsatisfactory performance or material violations of award terms and conditions;
 - Present debarment or previous termination of a Federal award for cause;
 - Final audits with \$1,000,000 or more of unallowable costs;
 - Delinquency of \$50,000 or more in payments to the Internal Revenue Service for Federal income and/or FICA taxes withheld from employees;
 - Accounts receivable with the Federal Government for which no repayment plan has been established or payment is delinquent; and/or
 - Other adverse information so grave as to cause the grants officer to question the entity as an award recipient.

- **Adequacy of Financial Management Systems** – The financial management systems of the recipients will provide for effective control over and accountability for advances. The adequacy of the recipient's financial management system will be initially determined during the preaward procedures. The financial management system of the recipient organization shall provide effective control over, and accountability for, all Federal funds. Bureaus/Offices, in cooperation with the Assistant Inspector General, shall arrange for a preaward survey of financial management systems when the Bureau/Office doubts the adequacy of the recipient's financial management system. In addition, the Inspector General will review the adequacy of a recipient's financial management system during regularly scheduled or specially requested audits.

The single audit is a major accountability mechanism for grants management on the state and local level. In fulfilling the accountability requirements under the American Recovery and Reinvestment Act (ARRA), the Office of Management and Budget (OMB) plans to make changes within the Single Audit Act policy that address more oversight and transparency at various levels of managing grants. The sub-recipient level will be a major focus for OMB. The focus will include:



- Creating a Recovery Accountability and Transparency Board Recovery Funds Working Group Committee;
- Creating a single audit database to track single audit findings (recipient/sub-recipient);
- Audits will have to be completed within 6 months instead of 9 months; and,
- Focus the risk assessment process on ARRA at the recipient and sub-recipient level.

Grantees who fail to qualify for advance financing shall be reimbursed with Federal funds after they have incurred the program costs and have made authorized payments.

- **Advance Financing Agreements** – Request recipients prepare Advance Financing Agreements if the recipient requests advances. Advance financing agreements are irrevocable to the extent that the recipient has obligated funds in good faith in performing the authorized Federal program according to the grant, contract, or other financing agreement.
 - Advance financing agreements shall clearly state that recipients will first consider the timing of checks issued to pay program liabilities when requesting cash advances.
 - Advance financing agreements shall specify the use of ASAP or HHS/PMS. The clause shall state that the recipient commits himself/herself to:
 - ❖ Initiating cash drawdowns only when actually needed for disbursements;
 - ❖ Reporting timely cash disbursements and balances as required by Office of Management and Budget and Treasury;
 - ❖ Imposing the same standards of timing and dollar limitation on any secondary recipients, including reporting on cash disbursements and balances; and
 - ❖ Acknowledging that failure to follow these provisions may cause recipients to be ineligible for future cash advances.
 - Advance financing agreements shall state that the award recipient is responsible for effectively controlling and accounting for all Federal funds.
- **Recipient Financial Reports** – Bureaus/Offices will require that the recipients use, prepare, and submit the prescribed financial reports. Bureaus/Offices will use the required reports to assist them in monitoring advances. The recipients will be required to:
 - Submit reliable, accurate, and timely financial reports no later than the prescribed due date. When a recipient continually refuses to submit required



- financial reports by the prescribed due date, Bureaus/Offices will take appropriate corrective action in accordance with Interior's latest policy regarding financial status reporting requirements related to grants". Actions which may be taken are: suspension of advance funding; disallowance of reimbursement of expenditures; disallowance of any new awards; and, any other available legal remedies.
- Prepare financial reports on an accrual basis. In those instances where the recipient does not normally keep accounting records on an accrual basis, Bureaus/Offices will not require conversion of the financial system, but the recipient will develop accrual information through an analysis of the documentation on hand.
 - **Bureau/Office Monitoring of Advances** – Monitoring of advances enables the Bureau/Office to maintain effective control and accountability of funds. Bureaus/Offices will:
 - Establish procedures so that cash advanced to recipients is limited to minimum amounts necessary for immediate disbursement needs, monitor compliance, and take corrective action;
 - Develop procedures that control all funds advanced;
 - Maintain records of advances;
 - Establish and maintain procedures that will identify excessive cash;
 - Establish procedures to require that recipients develop procedures that will provide control over advances to secondary recipients, monitor compliance, and take corrective action; and,
 - Perform reviews, at least quarterly, of each recipient's use of funds advanced (see I TFM 6-2075.20 <http://fms.treas.gov/tfm/vol1/index.html>). Guidelines for these reviews will be prescribed by PFM.
 - **Limitation and Timing of Cash Advances** – 1 TFM 6-2025 <http://fms.treas.gov/tfm/vol1/index.html> provides guidance on the limitation and timing of cash advances. Recipients shall agree not to base advance requests on accrued expenses or non-current liabilities. Accrued expenditures are defined by Office of Management and Budget Circular A-110 as the charges incurred by the recipient during a given period requiring the provision of funds for: (1) goods and other tangible property received; (2) services performed by employees, contractors, sub recipients, and other payees; and, (3) other amounts becoming owed under programs for which no current services or performance is required.
 - **Instructions to Secondary Recipients** –1 TFM 6-2065 <http://fms.treas.gov/tfm/vol1/index.html> provides guidance on secondary recipients.
 - **Advance Payment Applications** – Two payment applications are provided: Automated Standard Application for Payments (ASAP), and Health and



- Human Services' Payment Management System (HHS/PMS). For a discussion of these applications see Chapter 3 of Treasury's Cash Management Made Easy <http://www.fms.treas.gov/eft/regulations/cashmanagementmadeeasy.html>. These payment applications enable the award recipient to electronically receive funds through their financial institution. Funds are sent to the recipient's financial institution either the same day or the next day. For the payment delivery method, FEDWIRE provides same day service and ACH provides next day service.
- **Evaluation of Request for Draw downs** – Before approving the payment, Bureaus/Offices are to ensure that the review required in the Bureau/Office “Monitoring of Advances” bullet above has been completed and approval of all advance or reimbursement requests has been received. Cash advances are to be made only to meet immediate disbursement needs. The program or grants officer should review documentation and certifications made by the recipients to verify that the recipient has expended any previous advance held.
 - **Changes in Levels of Activity** – If the recipient's program activity decreases, the Bureau/Office should reduce the advance by either requesting a partial refund or reducing one of the recipient's requests for reimbursement. At the close of the program, the recipient will return the unused portion of the advance with the final report of expenses, both of which will be used to liquidate the outstanding advance.
 - **Quarterly Review of Advances** – I TFM 6-2075.20 <http://fms.treas.gov/tfm/vol1/index.html> gives guidance for the review of advances.
 - **Return of Idle Cash** – I TFM 6-2075.30 <http://fms.treas.gov/tfm/vol1/index.html> gives guidance on idle cash.
- In the event the recipient delays prompt repayment, Bureaus/Offices will consider suspending further advances until collection action has been completed.
- **Monthly Reporting by Recipient**
 - The grants officer may require a monthly report from each recipient receiving advances totaling \$1 million or more annually. However, the officer may waive the requirement when monthly advances do not exceed \$25,000 per recipient, provided that such advances are otherwise monitored, or the recipient's accounting controls minimize the possibility of excessive advances.
 - When practical and necessary, the grants officer may require the recipient to report the amount of excess advances in the hands of sub-recipients. A short explanation of what actions, if any, were taken by the recipient to reduce excessive cash held should also be provided.



6.5 When is Advance Financing Terminated?

When a recipient organization receiving cash advances has demonstrated to a Federal program agency an unwillingness or inability to establish procedures that will minimize the time elapsing between cash advances and the disbursement thereof, the Federal program agency, unless prohibited by the statute(s) governing the program(s) in question, will terminate advance financing and will require the recipient organization to finance its operations with its own working capital. Payments to the recipient organization will be made by one of the two payment applications, ASAP or HHS/PMS, to reimburse it for actual cash disbursements. Federal program agencies will process such reimbursements expeditiously so as to minimize the time elapsing between disbursement by and payment to the recipient organization.

6.6 What is the Procedure for Interest Earned by the Recipient?

Follow the procedures in 43 CFR Part 12.61 and 43 CFR Part 12.922 (<http://www.gpoaccess.gov/cfr/index.html>) for interest earned by the recipient. A State, instrumentalities of a State, and tribal organizations are not accountable for interest earned on grant money pending its disbursements for program purposes. A Bureau/Office may retain interest earned by a recipient only when there is specific statutory authority or when the Government Accountability Office has issued a waiver. A recipient may not use obligations to pay interest penalties to meet matching requirements of Federally assisted programs. Bureaus/Offices must require recipients to report interest earned; review audit reports to determine if a recipient has earned any unreported interest income; and take prompt action to recover any such interest noted.

Unless otherwise provided by statute, the Bureau/Office shall deposit all interest income recovered in receipt account 1435 General Fund Proprietary Interest, not otherwise classified. These transactions will be reported on the Bureau/Office's Statement of Transactions reports.

The Cash Management Improvement Act of 1990 (31 U.S.C. Subtitle V, Chapter 65, Sec. 6503 (<http://www.gpoaccess.gov/uscode/browse.html>)) specifies that the Federal Government will accrue an interest liability when State recipients disburse their own funds for program purposes. Similarly, the State recipient will accrue an interest liability when Federal funds are deposited into the State recipient's bank account before the presentment or redemption date. Federal entities and States will calculate interest at the average equivalent rates of the thirteen-week Treasury bills auctioned during the period for which interest is estimated. In the absence of statutory authority giving Bureaus/Offices the right to retain refunded interest, deposit all interest payments from States into Treasury's "miscellaneous receipts" account. Interest payments to the States will come out of Treasury's account designated for the operation of the program.



6.7 What are the Reporting Requirements?

Interior will periodically require specific information to effectively monitor the efficiency and the effectiveness of Bureaus/Offices' administration of advances. PFM will transmit any reporting procedures established to satisfy this Departmental requirement by separate memoranda (Financial Management Memoranda) under the authority of this chapter. Such reporting will be in addition to any other reporting requirements imposed by statute, Office of Management and Budget, Treasury, etc.

- **Quarterly Review of Advances** – Bureaus/Offices will submit quarterly reports (Reports Control Symbol TD-84-005) to PFM on the results of the reviews performed in accordance with Monitoring of Advances above. The content and format of such reports will be prescribed by PFM.

6.8 Who Performs Audits of the Administration of Advances?

The OIG will perform periodic audits of the administration of advances by Bureaus/Offices.

Audit Disallowances – Follow the procedures in 43 CFR Part 12.90 (d)(2) and 43 CFR Part 12.971 (d) <http://www.gpoaccess.gov/cfr/index.html> for return of funds by recipients which are disallowed by the grants officer as a result of an audit or other review process. The Bureau/Office should suspend future drawdowns on financing agreements pending the outcome of the recovery action on the disallowances. If the recipient fails to return the advanced funds, the responsible Bureau/Office's accounting office will discontinue processing drawdowns until further notice.

6.9 What are the Procedures for Advances to Employees for Travel?

Travel Advances – The Federal Travel Regulation (41 CFR 300-304) and the Integrated Charge Card Program Policy Manual (<http://www.doi.gov/pam/chargecard/policy.html>) provide procedures for travel advances to employees.

6.10 What are the Procedures for Advances of Pay?

- **Foreign Commercial Service Officers** – 5 U.S.C. Part III, Subpart D, Chapter 59, Subchapter III, Sec. 5927 (<http://www.gpoaccess.gov/uscode/browse.html>) states up to three months pay may be paid in advance to an employee upon the assignment of the employee to a post in a foreign area. However, an employee may not request an advance that would exceed repayment ability, after voluntary allotments, over an 18 pay periods timespan. An employee who has an outstanding balance from a prior advance of pay may be issued a new one after arrival at the new foreign post or, if the employee is reassigned to another foreign post, before full repayment of a previous advance of pay.



Limitations

- Base the amount of the advance on net pay (i.e., gross pay—exclusive of allowances, differentials, and other compensation—less required deductions).
 - Advance may be made up to 45 days before departure to a new duty post (but not sooner than the issuance of travel orders), or not later than 60 days after arrival at the new duty post.
 - Make repayments by payroll deductions for a period of not more than 18 pay periods beginning with the second full pay period following the pay period in which the advance check was issued. However, the employee will make full repayments immediately when assignments are cancelled for the convenience of the employee or if the employee separates prior to the completion of the repayment period.
- **Newly Appointed Employees** – 5 U.S.C. Part III, Subpart D, Chapter 55, Subchapter III, Sec. 5524a <http://www.gpoaccess.gov/uscode/browse.html> provides for regulations that allow the head of each agency to make advance payments of basic pay, covering not more than two pay periods, to any individual who is newly appointed to a position in the agency. "Newly appointed" means first appointment, regardless of tenure, as an employee of the Federal Government or a new appointment following a break in service of at least 90 days.

Limitations

- Base the maximum amount of pay that may be advanced on the rate of basic pay to which the employee is entitled on the date of his/her new appointment with the Bureau/Office, reduced by the amount of any applicable allotments or deductions from pay. The rate of basic pay is the rate fixed by law or administrative action for the position held by an employee, including annual premiums for standby duty; night differentials for prevailing rate employees; any special rates established under 5 U.S.C. Part III, Subpart D, Chapter 53, Subchapter 1, Sec. 5305 <http://www.gpoaccess.gov/uscode/browse.html>, or other legal authority; and locality-based comparability payments or interim geographic adjustments.
- Do not make an advance in pay to an employee before the date of the employee's appointment with the agency or after the employee has received his/her first regular pay check.
- Require repayment by installments under procedures for payroll deductions or by salary offset, unless repayment is waived. The recovery period shall be no longer than 13 pay periods beginning on the date of appointment. Recover any balance remaining after transfer or termination of employment by salary offset.



6.11 When May Advances be made to Contractors?

The appropriate procurement official in the Bureau/Office, with the advice and concurrence of the Bureau/Office's cash management officer, shall make findings and determinations with respect to advance payments under a contract. As a general rule, contractors are to provide their own financing and any payment under a contract may not be more than the value of the service already provided or the article already delivered. Under statutory authority, however, the agency head may make advances of funds to contractors as a financing tool where the agency head determines that the use of an advance payment is in the public interest, no other means of contract financing is available to the contractor, or the contract is for national defense (41 U.S.C. Chapter 2, Sec. 108 <http://www.gpoaccess.gov/uscode/browse.html>). The statutes authorizing advance payments under contracts apply equally to negotiated contracts and contracts awarded by formal advertising.

Bureaus/Offices should approve advances sparingly, even when statutory authority exists, and base the approval on an analysis of the cash flow required under the contract. The advance should not exceed the interim cash needs arising during the reimbursement cycle, nor exceed the unpaid contract price. Advance payments may be made only to prime contractors, but advance payments may be made to prime contractors for the purpose of making sub-advances to subcontractors.

Contractors are required to give security for any approved advance. Advances will be liquidated from payments due to the contractor, incident to performance under the contract.

Subject to certain exceptions, advances shall be deposited into special bank accounts and protected by suitable covenants, such as a Government lien on the balance, the Bank's liability for the account, access to bank records, etc. (48 CFR subpart. 32.411 <http://www.gpoaccess.gov/cfr/index.html>).

Normally, interest will be charged on the unliquidated balance of advance payments at the rate established by Treasury for the Renegotiation Act (P.L. 92-41, 85 Stat. 97), and published in the Federal Register each six-month period. Use the rate in effect at the time the advance is authorized throughout the term of repayment. Exceptions may be made to the charging of interest (48 CFR Chapter, subpart 32.407 <http://www.gpoaccess.gov/cfr/index.html>).

Interest Earned From Advances – Unless prohibited by the Cash Management Improvement Act of 1990, or specifically prohibited by any other law, the finance office should determine if the recipient has earned interest derived from cash advances by reviewing reports submitted by the grant or financial assistance recipient. The finance officer shall require the recipient to remit to the Bureau/Office any interest earned on cash advances. Deposit interest collections to the Treasury receipt account number 1435, "Miscellaneous Interest Collections, Not Otherwise Classified."



References -- See <http://www.gpoaccess.gov/cfr/index.html> for Code of Federal Regulation References and <http://www.gpoaccess.gov/uscode/browse.html> for U.S. Code References.

- 5 U.S.C. Part III, Subpart C, Chapter 41, Sec. 4109 provides for advances for all or part of the necessary expenses for training employees under the Government Employees Training Act.
- 5 U.S.C. Part III, Subpart D, Chapter 53, Subchapter 1, Sec. 5305
- 5 U.S.C. Part III, Subpart D, Chapter 59, Subchapter II, Sec. 5912 provides for a living quarters allowance granted to an employee assigned to a foreign area.
- 5 U.S.C. Part III, Subpart D, Chapter 59, Subchapter III, Sec. 5927 provides that up to three months pay may be paid in advance to an employee upon the assignment of the employee to a post in a foreign area.
- 5 U.S.C.S. Part III, Subpart D, Chapter 55, Subchapter III, Sec. 5524a provides for regulations that allow the head of each agency to make advance payments of basic pay, covering not more than two pay periods, to any individual who is newly appointed to a position in the agency.
- 5 U.S.C. Part III, Subpart D, Chapter 55, Subchapter III, Sec. 5524a
- 5 U.S.C. Part III, Subpart D, Chapter 59, Subchapter III, Sec. 5927
- 31 CFR Subtitle B, Chapter II, Part 205, Rules and Procedures for Efficient Federal-State Funds Transfers.
- 31 U.S.C. Subtitle III, Chapter 33, Subchapter II, Sec. 3324 provides for advances for a publication printed or recorded in any way for the auditory or visual use of an agency.
- 31 U.S.C. Subtitle III, Chapter 37, Subchapter III, Sec. 3726 provides that a carrier or freight forwarder presenting a bill for transporting an individual or property may be paid before an audit is conducted by the General Services Administration (GSA). Payment for transportation ordered, but not provided, may be recovered by deduction or other means.
- 41 U.S.C. Chapter 2, Sec. 108
- 43 CFR Part 12.41, Subpart C, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.
- 43 CFR Part 12.61 and 43 CFR Part 12.922
- 43 CFR Part 12.90 (d)(2) and 43 CFR Part 12.971 (d)
- 43 CFR Part 12.901, Subpart F, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations.
- 48 CFR subpart 32.407
- 48 CFR subpart. 32.411
- Treasury Financial Manual, Volume I, Part 6, Chapter 2000, Cash Advances Under Federal Grant and Other Programs <http://fms.treas.gov/tfm/vol1/index.html>
- Treasury's Cash Management Made Easy <http://www.fms.treas.gov/eft/regulations/cashmanagementmadeeasy.html>



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- OMB Circular No. A-102 (Revised), “Grants and Cooperative Agreements with State and Local Governments.” http://www.omb.gov/circulars_default
- OMB Circular No. A-110, “Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Nonprofit Organizations.” http://www.omb.gov/circulars_default
- General Accounting Office (GAO) “Accounting Principles, Standards and Requirements Title 2, Standards Not Superseded by FASAB Issuances, GAO-02-2486, November 2001 <http://www.gao.gov>
- Cash Management Improvement Act of 1990 (31 U.S.C. Subtitle V, Chapter 65, Sec. 6503 (<http://www.gpoaccess.gov/uscode/browse.html>
- Interior’s Integrated Charge Card Program Policy Manual <http://www.doi.gov/pam/chargecard/policy.html>



CHAPTER 7. CASH HELD OUTSIDE TREASURY

7.1 What is the Purpose of this Chapter?

This chapter discusses cash held outside Treasury that includes cash maintained in imprest funds, government checks, non-government checks, charge cards, or other negotiable instruments. Integrated charge cards for travel, purchase, and fleet, and convenience checks are discussed in the Integrated Charge Card Policy Manual at <http://www.doi.gov/pam/chargecard/policy.html>

7.2 What are the Authoritative Sources?

- Treasury Financial Manual <http://fms.treas.gov/tfm/vol1/index.html>.
- 31 CFR, Subtitle B, Chapter II, Part 202 (Depositaries and Financial Agents of the Federal Government) and Part 380 (Collateral Acceptability and Valuation) <http://www.gpoaccess.gov/cfr/index.html>.

7.3 What are the Regulations for Imprest Funds?

The Imprest Fund Policy Directive issued November 9, 1999, by Treasury required all Federal agencies to eliminate agency use of imprest funds by October 1, 2001, except where provided under the Imprest Fund Policy Directive. Any Bureau/Office that currently has an imprest fund **MUST**:

- Certify in writing that the imprest fund meets one of the waivers specified in the Imprest Fund Policy Directive, **AND** maintain this certification in the Bureau/Office's records for inspection and audit.
- Perform administrative reviews and certify to PFM that the reviews have been conducted.

Refer to the Cashier's Manual for instructions and procedures for Imprest funds.

Bureaus/Offices are responsible for providing cashiers with the following resources:

- physically secure facilities, training, and copies of the Treasury Financial Management regulations and Interior policies covering Imprest fund operation;
- review Imprest funds with a balance of \$5,000 or less and audit at least once a year;
- review funds with a balance greater than \$5,000 and audit twice a year; and



- conduct the review without prior notice to the cashier or staff in the office that is responsible for the Imprest fund.

The Office of Financial Management (PFM) is responsible for ensuring that reviews and audits are performed, the results reported to the cashier and responsible officer, and that any corrective actions implemented.

Refer to Chapter 10 of this Handbook for annual reporting to PFM of imprest funds.

7.4 How do Bureaus/Offices Secure Government Deposits?

Federal Agencies must ensure the security of public money. In instances where public money is held in financial institutions, Bureaus/Offices establishing such accounts must ensure that legal authority exists to have such accounts and that the financial institution establishes sufficient collateral to protect the funds. Federal Reserve Banks (FRBs), or authorized third party custodians, must secure and monitor pledged collateral. Treasury issues regulations under 31 CFR, Subtitle B, Chapter II, Part 202 (Depositaries and Financial Agents of the Federal Government) and Part 380 (Collateral Acceptability and Valuation) <http://www.gpoaccess.gov/cfr/index.html>.

Bureau/Office finance officers must meet all the requirements of 1 TFM 6-9025 <http://fms.treas.gov/tfm/vol1/index.html>.

7.5 How do Bureaus/Offices Select a Depository and Establish an Account?

Financial institutions used to hold public money must meet the requirements of 31 CFR Subtitle B, Chapter II, Part 202 (Depositaries and Financial Agents of the Federal Government) <http://www.gpoaccess.gov/cfr/index.html>. Bureaus/Offices are encouraged, but not required, to use minority financial institutions as depositaries whenever these institutions can provide required banking services without an appreciable increase in cost or risk to the Government. Treasury certifies qualified minority banks on an annual basis; see <http://www.fms.treas.gov/mbdp> for a roster of qualified banks.

7.6 How do Bureaus/Offices Secure an Account and Collateral Requirements?

All public money must be fully secured at all times. The current Federal deposit insurance limit per insured account is \$250,000 (through December 31, 2013). Public money is considered sufficiently secured if the total amount on deposit at a single depository is less than the recognized deposit insurance limitation or if the depository pledges eligible collateral.

When a bureau deposits public money exceeding the deposit insurance limit, it must request that the depository pledge eligible collateral to secure the uninsured amount.



The depository must pledge collateral with a Federal Reserve Bank or an authorized third party custodian approved by the Federal Reserve Bank. If a third party custodian is used, the depository must notify the Federal Reserve Bank by a trust receipt. The National Customer Service Area (NCSA) must ensure that the depository pledges collateral according to the list of “Acceptable Collateral for Pledging to Federal Agencies” under 31 CFR Subtitle B, Chapter II, Part 380 (Collateral Acceptability and Valuation) <http://www.gpoaccess.gov/cfr/index.html>. See the website at <http://www.publicdebt.treas.gov>.

7.7 How do Bureaus/Offices Document Mergers and Insolvencies?

It is important that Bureau/Office and NCSA collateral records correctly reflect the results of depository mergers. This ensures that collateral deficiencies do not develop. When a Bureau/Office maintains accounts with two depositories, each account is separately insured. If two depositories serving the same Bureau/Office merge, the surviving depository may need to pledge additional collateral to replace the insurance coverage lost because of the merger.

If a Bureau/Office maintains public funds in an account at a depository that becomes insolvent, the Bureau/Office must immediately contact Treasury’s Financial Management Service (see 1 TFM Part 6 Chapter 9000, “Contact page” <http://fms.treas.gov/tfm/vol1/index.html>).

References:

- 31 CFR, Subtitle B, Chapter II, Part 202 (Depositaries and Financial Agents of the Federal Government) and Part 380 (Collateral Acceptability and Valuation) <http://www.gpoaccess.gov/cfr/index.html>
- 1 TFM 6-9025 <http://fms.treas.gov/tfm/vol1/index.html>
- Treasury’s list of minority banks <http://www.fms.treas.gov/mbdp>
- Bureau of Public Debt <http://www.publicdebt.treas.gov>
- Federal Reserve: <http://www.frbervices.org>
- The Financial Management Service: <http://www.fms.treas.gov/collateral>
- Integrated Charge Card Policy Manual at <http://www.doi.gov/pam/chargecard/policy.html>



CHAPTER 8. FOREIGN TRANSACTIONS

8.1 What is the Purpose of this Chapter?

This chapter prescribes the U.S. Department of Interior cash management guidance and procedures relating to transactions with foreign countries and international organizations. The guidance and procedures cover collections and deposits of funds from foreign sources, disbursements to payees in foreign countries, as well as the system of control over the use of excess and near-excess foreign currencies.

8.2 What are the Authoritative Sources?

The provisions stated herein are based on Volume 1, Treasury Financial Manual (TFM), Part 4-2065, Part 4-9000, Part 5-6000, and Part 6-8000 <http://fms.treas.gov/tfm/vol1/index.html>; and annual Office of Management and Budget (OMB) Bulletins issued on the subject of excess and near-excess foreign currencies.

8.3 What is the U.S. Department of Interior Guidance?

Bureaus/Offices will observe the following guidance to ensure that the cost of foreign transactions is kept to a minimum:

- U.S. dollars are retained in the account of the Treasury as long as possible to minimize interest costs on the public debt;
- Interest on Federal funds will not be used to subsidize program activities; and
- Arrangements with foreign countries and international organizations will accommodate the financial policies and procedures of each participating country or organization to the maximum extent feasible.

Specific Guidelines

- The preferred currency in all international financial arrangements is the U.S. dollar, except in those instances where the payee is located in a foreign country and the country is not listed by OMB as being an excess or near-excess foreign currency country (I TFM 4-2065.20, 4-9000 and 6-8070) <http://fms.treas.gov/tfm/vol1/index.html>.
- Unless authorized by the Secretary of the Treasury, a Bureau/Office accountable officer shall not purchase or direct the purchase of foreign exchange from any source outside the U.S. Government, except when exchange for the purpose intended is not available for purchase for accounts maintained in the Treasury. In such event, purchases should be made from



- sources authorized by the Government of the country concerned in the manner stated in I TFM 4-9000.
- Bureaus/Offices shall not withdraw dollars from the Treasury for placement with any program management organization before the funds are actually needed as determined by the actual immediate funding requirements of the recipient organization to carry out the project.
 - To the maximum extent practical, each program should provide the flexibility required for each participating country or international organization to fund the program consistent with its fiscal needs and policy considerations. Monthly payments are the norm.
 - The share of funding from the United States required to support a program will be obtained by appropriation. No part of such funding will be derived from interest earned on contributions by the United States. Promptly deposit any interest earned to Treasury Receipt Account 1435, General Fund Proprietary Interest, Not Otherwise Classified.
 - Each request from a foreign country or international organization for the temporary deposit and safekeeping of dollars in trust in a Treasury account will be based on merit, the specific financial arrangements proposed, and relevant United States Government political and financial considerations.
 - Unless otherwise required by law, Bureaus/Offices shall not invest funds on behalf of a foreign country or international organization when the receipt of such funds would serve as the basis for creating contract obligation authority for a United States Government department or agency.
 - Application of these policies in negotiations with foreign countries and international organizations will not be compromised by Bureau/Office administrative practices. Existing practices should be altered or revised when necessary to achieve the principles of the funding policy.
 - The Treasury Fiscal Assistant Secretary and the Treasury Assistant Secretary for International Affairs shall be immediately advised of negotiations on international programs and shall review the financial provisions of any pertinent Memorandum of Understanding agreement before it is signed.

8.4 What are the Guidance and Procedures for Foreign Transactions?

This section reflects Departmental guidance and procedures on the use of U.S. Government funds in international programs which have a potential impact on Treasury interest costs and on foreign exchange.

Types of Transactions – Included are transactions with foreign countries and international organizations involving such matters as procurement, co-production, grants, or others, which require:

- The outlay of U.S. dollars or foreign currencies;
- The inflow of funds from foreign countries; or



- The exchange of U.S. dollars and foreign currencies.

Treasury Contact Point – Contact the Funds Flow Division at Treasury as early as possible on any potential or pending negotiations which will involve matters discussed in this section. Exceptions to Treasury policies and guidelines will be granted only if a determination is reached that such exceptions would be advantageous to the U.S. Government. The Director, Office of Financial Management (PFM) should be advised of any requested exceptions.

8.5 How do Bureaus/Office Operate an Account in a Foreign Country?

Bureaus/Offices requiring a local currency operating account in a foreign country must formally request approval and designation of the financial institution from Treasury (1 TFM 4-9030). If authorized by Treasury to hold foreign currency, Bureaus/Offices should avoid holding foreign currency in excess of immediate working requirements (1 TFM 4-9045.10) <http://fms.treas.gov/tfm/vol1/index.html>. Purchases of foreign exchange should be made from financial institutions authorized by the Government of the country concerned in the manner stated in 1 TFM 4-9000. When exchanging U.S. dollars for foreign currencies, organization units will apply the following guidelines in 1 TFM 4-9045.10.

8.6 What is the Policy for Collections and Deposits of Foreign Currency and Foreign Bank Checks from Foreign Sources?

Billings and Collections – The same cash management policy under 1 TFM 6-8025, "Billings and Collections," <http://fms.treas.gov/tfm/vol1/index.html> is applicable to foreign exchange billings and collections. Should those guidelines prove to be limited because of geographic distances and international mailing delays, the Bureau/Office may request a waiver according to 1 TFM 6-8090.

Deposits by Agencies within the U.S. of Foreign Bank Checks – Follow these procedures when depositing checks drawn on foreign banks (foreign checks) into a domestic U.S. Treasury Account. This applies to Bureaus/Offices whose depositing officers are not authorized to deposit foreign checks directly into an overseas Treasury General Account.

- **Place of Deposit** – Deposit foreign checks as directed by Treasury.
- **Minimum Check Amount** – Observe the following minimum check amounts in processing deposits through the Citibank:
 - The minimum U.S. dollar amount or foreign currency equivalent of each Canadian bank check that Citibank will accept for deposit is \$5 U.S. currency.
 - The minimum U.S. dollar amount or foreign currency equivalent of all other foreign bank checks that Citibank will accept is \$15 U.S. currency.



- Bureaus/Offices may increase the minimum check amount to reflect charges a deposit may incur.
- Citibank will assess a \$2 fee for any checks processed for deposit that is less than the minimum amount.
- **Responsibility** – Bureaus/Offices shall deposit all foreign checks with the appropriate deposit ticket(s).

- **Procedures for Deposit of Foreign Checks**

- Record all U.S. dollar foreign checks on a daily Deposit Ticket, SF 215, and transmit with the checks to the depository. Use only one deposit ticket per day. Show the U.S. dollar amount on the deposit ticket, and complete as described in 11 TFM 5-3000 <http://fms.treas.gov/tfm/vol1/index.html>. Date the SF 215 after receipt at the depository. The depository will return the confirmed copy immediately to the depositing organization unit.
- Use a separate deposit ticket for depositing checks of each type of foreign currency that is sent to the depository. Complete the SF 215 as described in 11 TFM 5-3000, except for the monetary amount, which will be left blank. After collection, the depository will record the dollar amount on the corresponding SF 215 and return the dated confirmed copy to the depositing Bureau/Office.
- Deposit checks drawn on foreign banks in U.S. dollars, which are payable through a bank in the United States. Such checks will have an American Bankers' Association (ABA) routing and transit number and may be Magnetic Ink Character Recognition (MICR) encoded with the U.S. bank's routing symbol at the foot on the left side of the check. These checks will not be deposited with the depository. Such checks will be deposited under the procedures used for domestic U.S. dollar deposits.
- Maintain a description of each check to permit duplication if a check is lost, destroyed, or mutilated. The information required for each check is:
 - ❖ Type and amount of currency;
 - ❖ Name and address of drawer;
 - ❖ Name and address of bank on which check is drawn;
 - ❖ Date drawn;
 - ❖ Name of person from whom received, if not the drawer; and
 - ❖ Number of check, including a cashier's check number or similar item.

Additional record maintenance will not be needed if checks are microfilmed, photo copied, or if records are maintained to provide identification through an audit trail.



- **Uncollected Checks and Collection Charges**

- The depository will present foreign checks that are returned for “insufficient funds” a second time for payment.
- Other nonpayment checks will be charged against the Treasury's General Account after the first presentation.
- The depository will mail a monthly tracer to the collection bank for any check that is not collected within 30 days.
- The depository will charge back to the depositor any check that is uncollectible after 120 days.
- The amount of checks returned as uncollectible, returned item fees, exchange fees, tracers, and/or any other subsequent collection charges incident to the collection of the foreign checks assessed after the dollar credit has been given in Treasury's account will be charged back to the depositor on a Debit Voucher, SF 5515. Copies of the SF 5515 will be forwarded to the depositor as prescribed in 1TFM-5-5000.

Preferred Use of U.S. Dollar Checks – Explicit pricing by financial institutions makes foreign clearings more expensive. When possible, Bureaus/Offices should require payment in U.S. dollars with checks drawn on or payable through United States financial institutions located in the United States. If the U.S. dollar value of a check is less than the collections charge imposed, reconsider the form of payment because the net proceeds will be negative.

8.7 How do Bureaus/Offices Deposit Foreign Currencies in the U.S.?

- Bureaus/Offices will transmit foreign currency (bills and coins) by mail with an SF 215, Deposit Ticket, completed as described in 1 TFM 5-3000 <http://fms.treas.gov/tfm/vol1/index.html>. Only one type of foreign currency may be included on each deposit ticket. Address to:

Chief, Paying and Receiving Division
Cash Department
Federal Reserve Bank of New York
33 Liberty Street
New York, NY 10045

- A transmittal letter will contain: (a) specific instructions to sell the enclosed currency and credit the dollar proceeds in the Treasury's General Account; and (b) a description of each currency (i.e., name of foreign country, medium of exchange, and foreign currency amount).
- The U.S. dollar amount on the accompanying deposit ticket(s) will be left blank. The Federal Reserve Bank of New York, after sale of the currency, will enter the



amount of the net dollar proceeds on the deposit ticket, provide U.S. dollar credit in Treasury's account, and distribute the copies of the confirmed deposit.

8.8 How do Bureaus/Offices Deposit Foreign Exchange Outside the U.S.?

- Unless other deposit arrangements have been approved, all foreign exchange (checks, bills, and coins) collected by the Bureau/Office operating overseas will be delivered promptly to an accountable officer in a foreign service facility provided by the Department of State (i.e., U.S. Disbursing Officer or cashier) for credit to the Treasury. The Secretary of the Treasury can only authorize exceptions to this requirement.
- The accountable officer must be advised of the source of the collections, the proper accounting classification, and any restrictions on their use.

8.9 How does a Bureau/Office Disburse to Payees in Foreign Countries?

Disbursements – The cash management policies applicable to domestic disbursements is also applicable to foreign exchange disbursements (1 TFM 6-8000) <http://fms.treas.gov/tfm/vol1/index.html>. If such policies are contrary to the normal and customary practices of the country, the Bureau/Office may request a waiver according to 1 TFM 6-8090.

Payments Scheduled in the U.S.

- Foreign currency payments may be accomplished by submitting an SF 1166, Voucher and Schedule of Payments (an original and three copies), to the Treasury regional financial center serving the organization unit. Such schedules are restricted to one type of foreign currency and must be submitted to Treasury 10 days before the payment date. The date that the payment is due must be shown on the SF 1166. SF 1166 Optical Character Recognition (OCR) forms scheduled for foreign currency payments that are not received 10 days before the payment date will be processed by Treasury regional financial centers within a normal 24-hour timeframe. This could potentially result in the Bureau/Office's loss of cash discounts.
- If payment to a payee in a foreign country is to be made in U.S. dollars (and the payee is not in a restricted currency country or in an excess or near-excess foreign currency country), the SF 1166 will be scheduled for payment in U.S. dollars. The form should be submitted to a Treasury regional financial center in the same manner used for domestic U.S. dollar payments.



- Payments should be scheduled in the currency billed unless the payment is for a payee in a restricted currency country or for a U.S. dollar payment in an excess or near-excess foreign currency country.

Note: Affected Bureaus/Offices will be notified by Treasury of restricted currencies. Information on the scheduling of foreign currency payments is provided in 1 TFM 4-2065 <http://fms.treas.gov/tfm/vol1/index.html>. Bureaus/Offices should determine in advance from foreign vendors if payment may be made in the local currency before scheduling payments. This determination is necessary because some countries prohibit local exporters from receiving or accepting payment in local currency for items to be exported.

- If the invoice or enclosure allows payment in either U.S. dollars or foreign currency, and the payee is not located in a restricted currency or in an excess or near-excess foreign currency country, the SF 1166 will be scheduled for payment in U.S. dollars.
- If the invoice or enclosure indicates payment in U.S. dollars to a payee located in a foreign country and the country is identified as an excess or near-excess foreign currency country, the SF 1166 OCR will be scheduled for payment in the foreign currency. If there is reason for payment in U.S. dollars, the authorized certifying officer must specify this information on the SF 1166 OCR that the invoice is to be paid in U.S. dollars.

Payments Scheduled Overseas

- Interior Bureaus/Offices will seldom need disbursing authority in foreign countries because of the availability of foreign disbursing facilities provided by the Department of State. However, if the need exists, Bureaus/Offices can have their own disbursing activities by a delegation of authority from Treasury's Chief Disbursing Officer.
- For overseas payments, a Bureau/Office may use a foreign disbursing facility provided by the Department of State for payments in connection with the Bureau/Office's operation located overseas. Payment may be made in U.S. dollars or foreign currencies. The Department of State may levy charges to cover salaries and other expenses in providing this service on a regular basis. United States Disbursing Officers may also process collections for Bureaus/Offices. To arrange such services write to:

Management/Comptroller
Office of Financial Operations
Department of State
Washington, DC 20520



The Department of State has been delegated the authority to certify payments for Bureau/Offices operating overseas. (See Department of State, Volume 4, Foreign Affairs Manual, Section 038.2 <http://www.state.gov/m/a/dir/regs/fam>)

- Foreign currency payments scheduled or accomplished and collections processed by a United States Disbursing Officer overseas will be acknowledged on an SF 1221, Statement of Transactions According to Appropriation, Funds, and Receipt Accounts (Foreign Service Account). The statement will be forwarded by the disbursing officer to the central accounting office of the appropriate organization unit. A copy of the SF 1166, documentation supporting payments, and check-issue number information (or by documentation supporting collections) will accompany the disbursements. Bureaus/Offices will not include such SF 1166 payments or collections on the monthly Statement of Transactions, SF 224, sent to Treasury.

8.10 What is the System of Control Over the Use of Foreign Currencies?

- **Use of Treasury Held Foreign Currencies** – Treasury holds excess and near-excess supplies of certain foreign currencies. These supplies should generally be used before purchasing additional supplies through the exchange of U.S. dollars. Treasury, on an annual basis, determines if its supply of certain available United States-owned currencies is in excess (more than a 2-year supply) or near excess (sufficient for immediate needs) of probable requirements of the United States for the coming year. The list of such currencies is announced by an OMB bulletin.
- **Responsibilities** – Bureaus/Offices who manage programs that may use excess or near-excess foreign currencies in any way, or who travel to or through any of the countries named by OMB, should be made aware that the system of control over the use of foreign currencies imposes certain responsibilities that may influence their activities.
- **System of Control** – Important elements of the system of control should be shared with appropriate employees involved in overseas activities of Interior, including persons who occasionally have temporary duty travel overseas.
 - Efforts should be made to ensure that any obligations incurred in excess and near-excess foreign currency countries are made payable in the currencies of those countries rather than in U.S. dollars. This is true even though U.S. dollar appropriations are charged for the payment, unless such use would be contrary to an international agreement. Bureaus/Offices should consult with the Funds Flow Division, Department of the Treasury, in cases where the use of Treasury held excess or near-excess foreign currencies would result in materially increased charges to U.S. dollar appropriations because of Treasury's selling (exchange) rate, as compared with the direct expenditure of dollars.



- Contractual obligations with U.S. contractors doing business overseas are subject to these policies. When such a contractor may be expected to require the use of such currencies for necessary expenses in excess or near-excess foreign currency countries, insert a provision in the applicable contract(s) requiring that:
 - ❖ U.S. dollars not be expended in those countries; and
 - ❖ Foreign currency required to carry out the contract be obtained solely through a United States Disbursing Officer at a United States Embassy.
- Allowances payable to employees or others sponsored by a Bureau/Office, and who are located in excess or near-excess currency countries, should be paid in the currency of that country.
- Interior personnel are to use United States Government accommodations exchange facilities overseas, i.e., United States Disbursing Officers or cashiers at United States Embassies to the maximum extent possible when obtaining local currency for their personal needs while residing or traveling in excess or near-excess foreign currency countries.
- When feasible, transportation and travel expenses of individuals traveling within excess or near-excess foreign currency countries paid or reimbursed from Bureau/Office funds should be paid in the currencies of the countries. This applies to employees and/or non-employees, whether on temporary duty travel, invitational travel, or assignment in one of the excess or near-excess foreign currency countries.
- The Department of State issues a Foreign Currency Bulletin, which provides information on procedures for making payments in foreign currencies for the transportation of persons and things. The Bulletin also covers the use of personal funds, including per diem, while in designated excess and near-excess foreign currency countries.

8.11 How do Bureaus/Offices Obtain Advice and Assistance?

Advice and assistance on foreign currencies is available overseas at United States Embassies, or in the U.S. Department of State, Office of Banking and Foreign Currency, Washington, D.C. 20520.



CHAPTER 9 INTERNAL CONTROLS FOR CASH MANAGEMENT

9.1 What is the Purpose of this Chapter?

This chapter examines the requirements, responsibilities, standards, and objectives for internal control. Implementing internal controls is important in the area of cash management because of the diverse nature of the processes involved, i.e., billings, collections, deposits, and disbursement processes, as well as the fragmented oversight responsibilities generally associated with these processes. Some of the other major factors that impose a need for a consistent application of sound internal controls are:

- The prevalence of a high turnover rate of operating personnel and supervisors in cash management functions;
- The assignment of cash handling responsibilities to personnel with limited fiscal experience or understanding;
- The fragmentation of billing and cash handling functions which makes monitoring the whole process difficult; and,
- The inherent risk of loss, or opportunity for personal gain, created by the nature of cash transactions.

9.2 What are the Authoritative Sources?

In addition to this chapter, the following laws, regulations, and guidelines are relevant to the Bureau/Office's system of internal control.

- The Federal Managers' Financial Integrity Act of 1982 (P.L. 97-255) <http://www.ustreas.gov/offices/management/dcfo/management-controls/fmfia-legislation.pdf> addresses cash management controls in the Federal Government and amends Section 113 of the Accounting and Auditing Act of 1950 (31 U.S.C. Sec. 66a);
- Office of Management and Budget Circular A-123, "Internal Control Systems;" <http://www.omb.gov/circulars>;
- Department of Interior "Internal Control and Audit Follow-up Handbook" <http://www.doi.gov/pfm/>
- 340 DM 1, Management Accountability and Control http://elips.doi.gov/app_dm/index.cfm?fuseaction=home



9.3 What is the Department of Interior Guidance?

It is Interior's policy to implement internal controls in the area of cash management to minimize the cost of the use of money to the U.S. Government. Bureau/Office's accounting and administrative controls must also provide reasonable assurance that all Federal assets, including funds, are safeguarded against waste, loss, unauthorized use, or misappropriation. While the need for internal controls may seem burdensome or restrictive, the value should be obvious. It is the responsibility of financial managers to interpret the value of internal controls for other managers and employees. They should also assist in establishing internal controls that may require tailoring to specific situations. However, Bureaus/Offices should carefully evaluate the costs and benefits of proposed controls for unusual situations and the costs should not normally exceed the benefits likely to be derived. On the other hand, do not mistakenly use such evaluations as a justification for relaxing controls or accepting an increased risk of loss to the Federal Government based strictly on cost.

9.4 Who is Responsible for Cash Management?

Internal controls over cash management are needed at all levels of the organization that handle cash and/or cash equivalents (i.e., coupons, credit card slips, etc). Both program managers and financial managers are accountable for cash under their control. However, the Bureau/Office finance officers must provide guidance to all employees who have cash management responsibilities. The Bureau/Office finance officer bears the ultimate responsibility for internal controls over cash collections, disbursements, and holdings that are accounted for by the Bureau/Office operations. Therefore, Bureau/Office finance officers should formally delegate responsibilities of cash management officers, cashiers, certifying officers, and other accountable officers to establish and maintain controls.

9.5 What are the Internal Control Standards?

Cash management internal controls represent an application of common sense and prudent conduct to use and properly safeguard Government assets. Proper internal control mechanisms provide management with a reasonable assurance that intended safeguards are being practiced consistently. Therefore, the integrity of any cash management activity depends on the application of internal control principles and standards. Bureaus/Offices can achieve the attainment of these principles and standards in the cash management area by pursuing the following guidelines:

- Recognize the time-value-of-money as a part of each cash management decision.
- Allow cash related transactions to occur only after the approval of an individual with delegated authority.



- Fully document cash related transactions so that an undisputable audit trail exists. Although not required, it is suggested that copies be maintained of checks.
- Record cash related transactions promptly during each step of the cash handling function.
- Use serially numbered forms to document cash related transactions to enhance reconciliation and accountability.
- Safeguard documents used in cash related transactions against re-use, tampering, or unauthorized disposal.
- Make provisions for the regular review and comparison of transaction documentation to detect errors and duplicate payments.
- Administratively control the approval of adjustments to cash related transactions.
- Strictly and continually administer supervision of cash management activities.
- Segregate cash related duties, such as maintenance of accounts receivable, cashiering, accounting, disbursing, and collecting funds.
- Frequently review and reconcile cash related accounts with subsidiary records.
- Restrict and administratively control the accessibility to funds and fund records.
- Properly designate employees that handle imprest funds, disbursement certifications, and collection duties.
- Train employees assigned cash related duties and assure that they accept the responsibilities.
- Eliminate unnecessary clerical routines and handling of cash or cash related documentation to lessen the risk of loss and exposure to errors.
- Use electronic funds transfer and direct deposit, where feasible and advantageous.
- Use computer edit programs to the maximum extent possible to disclose or reduce the incidence of error in cash related transactions.
- Do not commingle cash derived from collections and cash used for disbursements.



- Do not use cash transactions to substitute, or circumvent, prescribed procurement approvals and procedures.
- Endorse checks received in collections upon receipt and safeguard collections until deposit is accomplished.
- Process deposits within prescribed intervals and reconcile against records of funds received.
- Make prompt responses to reviews performed by the Office of Inspector General and the Government Accountability Office on cash management activities to correct cited deficiencies.
- Process cash disbursement transactions promptly and reconcile collections (cash and checks) on a daily basis.
- Maintain the minimum amount of cash held outside the Treasury to cover current transactions.
- Extend credit only when authorized by a designated official who is aware of the Interior's debt management policies.
- Publish approved price lists to ensure a control over income for goods and services.

This list of guidelines is by no means all-inclusive. Cash handling techniques and methods change as programs change and as new collection and disbursement technologies evolve over time. However, establish similar economically feasible standards to fit these new collection and payment processes. Submit questions on applying internal controls in cash management to the Director, Office of Financial Management (PFM).

9.6 When are Charge Cards Substituted for Cash Transactions?

Bureaus/Offices shall use the charge card for small purchases when economically feasible and will accept personal credit cards for collections--in lieu of cash or check--whenever possible. The use of the charge card for small purchases not only reduces the administrative cost of the procurement transaction, but also results in better cash management with resultant interest savings. Acceptance of personal credit cards reduces the cost of collection activity, lessens the loss or possible theft of cash collected, and generally results in faster deposits to the U.S. Treasury.



CHAPTER 10. CASH MANAGEMENT REVIEW AND REPORTING REQUIREMENTS

10.1 What is the Purpose of this Chapter?

This chapter provides guidance for monitoring and reporting the effectiveness of a Bureau/Office's cash management practices. The Current Assets Management Review and Analysis (CAMRA) may be required every five years.

10.2 What are the Authoritative Sources?

The following authoritative sources provide the basis for cash management within the Federal Government:

- Federal Claims Collection Act of 1966 (Public Law 89-508, as amended by the Debt Collection Act of 1982 (Public Law 97-365) <http://thomas.loc.gov/cgi-bin/bdquery/z?d097:HR04613:@@LITOM:bss/d097query.html#summary>
- Deficit Reduction Act of 1984 (Public Law 98-369 and 31 CFR 206) <http://www.gpoaccess.gov/cfr/index.html>
- Cash Management Improvement Act of 1990 (Public Law 101-453) as amended by the Cash Management Improvement Act Amendments of 1992 (Public Law 102-589) <http://www.fms.treas.gov/cmia/index.html>
- Prompt Payment Act (U.S.C. Title 31, Subtitle III, Chapter 39) <http://www.gpoaccess.gov/uscode/browse.html>
- Debt Collection Improvement Act of 1996, Chapter 10, (Public Law 104-134 (31 U.S.C. Secs. 3701, 3322, 3716, et seq.) <http://www.fms.treas.gov/debt/dmcdcia.pdf>
- 31 U.S.C Money and Finance <http://www.gpoaccess.gov/uscode/browse.html>
- Title 31, CFR, Money and Finance: Treasury <http://www.gpoaccess.gov/cfr/index.html>

10.3 What are the Requirements for Cash Management Systems?

Bureaus/Offices must maintain systems that review cash management practices. Such systems should:

- Monitor efficiency, effectiveness, and savings attributable to improve cash management practices, 1 TFM 6-8075.50 <http://fms.treas.gov/tfm/vol1/index.html>.



- Measure the compliance with written internal regulations and guidance prescribed in the Treasury Financial Manual (TFM).

This chapter discusses reporting requirements for cash management policies/procedures and monitoring and reporting processes for Electronic Fund Transfer (EFT), Imprest Funds, and banking information. Bureaus/Offices must submit the required information to the Office of Financial Management (PFM) by the prescribed due dates.

10.4 Where is the Guidance for Conducting Cash Management Reviews?

The specific requirements for conducting cash management reviews are found in the TFM, Volume 1, Part 6 Section 8075, titled “Review, Monitoring, and Reporting of Agency Cash Management” <http://fms.treas.gov/tfm/vol1/index.html>. This reference states that a comprehensive cash management review may be required every 5 years.

Further guidance for conducting internal control reviews is covered in the Interior “Internal Control and Audit Follow-up Handbook” (<http://www.doi.gov/pfm/handbooks>) and 340 DM 1, Internal Control (http://elips.doi.gov/app_dm/index.cfm?fuseaction=home)

10.5 What Should a Cash Management Review Include?

Bureaus/Offices must maintain systems for reviewing cash management practices. Officials should first determine where cash flow activity is taking place to establish the scope of the review. The review system should:

- Include billings, collections, deposits, disbursements, cash advances, and cash held outside Treasury;
- Provide timely information necessary for proper control and oversight of cash flows;
- Account for 100% of the unit's cash flows including trust funds and interagency funds;
- Isolate operational areas, by function and location, that do not contribute to effective cash management;
- Administer follow-up on the status of corrective measures with the appropriate individuals; and
- Provide for periodic, but not less frequent than annual, examination of a unit's cash management practices.



10.6 What is the Current Assets Management Review and Analysis (CAMRA)?

CAMRA is a comprehensive review of cash flows that may be conducted every five years to identify opportunities for improving agency cash management practices. Improvements may be achieved either through using Treasury assisted mechanisms or by internal improvements. Bureaus/Offices are to conduct this review when requested by Treasury. The Treasury Financial Management Service will notify Bureaus/Offices when reviews are scheduled and will also provide detailed information to the Bureau/Office regarding the process. When requested to perform a CAMRA review, units will provide statistical data for each collection and disbursement that includes:

- ❖ dollar amount;
- ❖ item volume;
- ❖ account symbol; and,
- ❖ title.

CAMRA requires units to complete separate reports covering:

- ❖ collections;
- ❖ disbursements;
- ❖ travel;
- ❖ payroll;
- ❖ cross servicing arrangements;
- ❖ funds held outside of Treasury;
- ❖ inventory management; and,
- ❖ Imprest Funds.

10.7 What is the Current Assets Management Annual Certification (CMAC)?

CMAC is an interim (annual) reporting program within the Department of the Treasury's 5-year CAMRA Program. Identical reporting requirements are applied to both CAMRA and CMAC. Each year that a CMAC review is not performed, Finance Offices may be required to certify that their cash flows meet Treasury Financial Management standards. CMAC also requires units to:

- ❖ provide the status of cash management improvement efforts;
- ❖ report on all cash flows; and,
- ❖ describe collection and disbursement systems and procedures.



10.8 What Reviews are Required for Imprest Funds?

Interior's intent is to reduce Imprest Funds to the maximum extent possible. The Bureau/Office's best practice is to implement alternatives to Imprest Funds. Make all payments by Electronic Funds Transfer unless holding Imprest Fund cash is more cost-effective, practicable, and consistent with existing statutes.

Refer to Chapter 7 of the Cash Management Handbook for policies and procedures relating to Imprest Funds.

Annual Reporting to the Office of Financial Management (PFM) – Bureaus/Offices are required to provide Imprest Fund information to PFM on an annual basis. The list of information to be submitted is:

- the number of Imprest Fund accounts;
- the balance in each Imprest Fund account;
- the number of transactions and total amount disbursed;
- a brief statement of what efforts have been undertaken by organization units to reduce Imprest Fund accounts;
- a statement describing what alternative methods are used when Bureaus/Offices do not maintain Imprest Funds; and,
- certification that the administrative review has been performed.

Due Date – Each Bureau/Office's Finance Officer, or responsible party, will provide the information to PFM on an annual basis by the first Friday of July. The requirement for this report is issued through a Financial Management Memorandum.

10.9 What Report is Required for Banking Information?

Bureaus/Offices must submit relevant information pertaining to the servicing financial institutions/banks to PFM. Information that should be included in the report is:

- the name(s) of the financial institution/bank;
- the name(s) of the minority financial institution/bank;
- the types of activity (Credit Cards, Lock Box, Deposits, Collections, Payments, EFT etc.);



- the number of Transactions (per annum);
- the dollar amount (per annum);
- the total Fee charged; and,
- any issues/problems arising from dealings with the financial institution/bank.

Due Date – Each Bureau/Office’s Finance Officer, or responsible official, will submit the required banking information to PFM on a periodic basis. PFM will notify Bureaus/Offices of the reporting requirement through the issuance of a Financial Management Memorandum.

10.10 What Reports are Required for Electronic Funds Transfer (EFT)?

Monthly Monitoring – The Debt Collection Improvement Act (DCIA) of 1996 required that all Federal payments (other than payments under the Internal Revenue Code of 1986) made after January 1, 1999, must be made by EFT. PFM is responsible for monitoring Departmental compliance with the EFT requirement. A monthly internal compliance report is prepared each month which includes an EFT payment summary broken-down by Bureau/Office. Within each Bureau/Office, the following is provided by subcategory:

- ❖ Number of transactions (check and EFT)
- ❖ EFT percentage rates

10.11 What Elements Should a Cash Management Review Include?

The following references are at <http://fms.treas.gov/tfm/vol1/index.html>.

- Deposits (1 TFM 6-8030)
- Checks and Cash Received in Collections (1 TFM 5-2000)
- Billings and Collections (1TFM 6-8025)
- Late Payments (1 TFM 6-8025.20)
- Disbursements (1 TFM 6-8040)
- Cash Advances (1 TFM 6-2000)
- Cash Held Outside Treasury (1 TFM 6-8060)



- Cash Management Control
 - Include cash management as a part of the unit's review of financial operations (i.e., internal control review);
 - Ensure that current cash management policies and operating procedures are clearly stated in writing, systematically organized in either handbooks or other publications, and communicated and accessible throughout the organization;
 - Ensure that a responsible and accountable official reviews the unit's cash management policies and operating procedures on a periodic basis;
 - Separate key duties so that no single individual can control a transaction from beginning to end; and,
 - Provide the organization unit's financial manager with periodic cash management training.

10.12 How do Bureaus/Offices Document a Cash Management Review?

- **Current Assets Management Annual Certification** – After completing the annual CMAC review, units will submit the following eight reports via disk to the Director, PFM:
 - **Collection Cash Flow Reports**
 - ❖ Register Form: this form captures the cash flow number, title, dollar amount, and description for each flow reported. Receipts should encompass every category of revenue such as loan repayments, fees, taxes, rents, and overpayments.
 - ❖ Cash Management Mechanisms Form: this form captures collection methods used.
 - ❖ Treasury Financial Management (TFM) Standards Compliance Form: this form captures agency compliance with cash management standards.
 - **Disbursement Cash Flow Reports**
 - ❖ Register Form: this form captures the cash flow number, title, and annual dollar amount for each reported cash flow. Disbursements should encompass every category of payments such as refunds, purchases, contracts, purchase orders, grants, payroll, and leases.
 - ❖ Cash Management Mechanisms Form: this form captures payment methods used.
 - ❖ TFM Standards Compliance Form: this form captures agency compliance with cash management standards.



➤ **Other Reports**

- ❖ General Cash Management Practices Form: this form captures agency's daily cash management practices.
 - ❖ Accomplishments Form: this form captures efforts to implement or upgrade a cash management system or process.
- **Current Assets Management Review and Analysis** – After completing CAMRA, Bureaus/Offices will submit the following 4 data reports and 4 cash flow reports to the Director PFM:

➤ **Data Reports**

- ❖ Inventory Management Survey: this report is used to obtain an understanding of the inventory needs and holdings of Federal agencies.
- ❖ Funds Held Outside Treasury: this report is used to document monies deposited to and paid from accounts held outside Treasury excluding Imprest Funds which are reported separately.
- ❖ Imprest Fund Report: this report captures data only. Account for actual monies disbursed from Imprest Funds under the appropriate cash flow (e.g., vendor payments, travel).
- ❖ Financial Cross Servicing Report: this report is used to capture cross servicing activity. This form is to document all such activity, reimbursable or not, inside or outside of the organization. All agencies providing services or using service providers must complete this report.

➤ **Flow Reports**

- ❖ Collection Cash Flow Report: this report is used to capture receipt activity (i.e., fees, sales, services, loan repayments). Complete a report for each activity.
 - ❖ Disbursement Cash Flow Report: this report is used to capture payment cash flows except for payroll, benefit payments made to individuals, or travel payments. Disbursement flows include payments made under grant, vendor, rents, and lease activity.
 - ❖ Payroll and Benefit Payments: this report is used to capture payroll and benefit payments made directly to individuals. Report payroll and benefits separately.
 - ❖ Travel: this report is used to document travel related disbursement including travel related payments made from Imprest Funds. Specific reporting formats with instructions will be provided to Bureaus/Offices once received from Treasury.
- **Due Date** – Each Bureau/Office's finance officer, or responsible official, may be required to submit a CMAC report on an annual basis and a CAMRA



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report every five years. The Director, PFM will announce the due date for these reports through the issuance of a Financial Management Memorandum.



GLOSSARY OF FINANCIAL TERMS AND DEFINITIONS

Accountable Officer — a Government official who, on behalf of the United States, receives and maintains public funds, certifies vouchers, or maintains/draws checks on accounts of the United States in depository banks designated by the Secretary of the Treasury.

Accrued Expenses — for the purposes of cash advances, accrued expenses are all expenses incurred to date, regardless of whether they have been paid for with cash.

Administrative Charges — additional costs incurred in processing and handling a debt because it has become delinquent. Charges are based on actual costs incurred or a cost analyses which estimates the average of actual additional costs incurred for particular types of debt at similar stages of delinquency. Accrue and assess administrative charges from the date of delinquency.

Administrative Offset — to withhold money payable by the Government to, or held by the Government for, a person or entity to satisfy a debt that the person or entity owes the Government. Generally, administrative offset does not apply to current Federal employees except for the collection of travel advances (5 U.S.C. Sec. 5705) and employee training expenses (5 U.S.C. Sec. 4108). See Salary Offset.

Agency Location Code (ALC) — a 4 or 8 digit number identifying a Bureau/Office within an agency. The first 2 digits identify the agency or department, the second 2 digits identify the organization unit, and if applicable, the remaining 4 digits identify the particular accounting station within that organization unit. An ALC is used to identify each reporting office that prepares an SF 224, Statement of Transactions.

Amount Encoders (Magnetic Ink Character Recognition (MICR)) — Machine-readable magnetic characters encoded at the bottom of checks. The "MICR Line" includes from left to right: bank identification number, account number, check number, and after encoding, check amount. Organization units processing over 5,000 deposit items per day will incorporate the use of amount encoders.

Appropriation or Fund Symbol — The numeric and/or alphanumeric character assigned by Treasury to an account used to identify an agency's account with the Treasury Department. The availability of the fund for expenditure and the source of the receipts are indicated by the symbol. Example: 14X4417—14 denotes that it is a Department of Interior account, X denotes that it is a no-year appropriation (which is available for obligations for an indefinite period of time), and the last four 4 digits (4417) indicate that it is a revolving fund.

Assistant Disbursing Officer — individuals who have been delegated disbursing authority by a Disbursing Officer of the Financial Management Service.



Audit — an official examination and verification of accounts.

Automated Clearing House (ACH) — a central distribution and settlement point for transferring funds electronically between an originating depository financial institution and a receiving depository financial institution.

Benefit Days — the average number of days that a change in collecting or disbursing funds improves the overall cash management of that cash flow and establishes interest savings to the Government.

Billing — any of a variety of means by which the Government places a demand for payment against an entity that is indebted to the Government. The term encompasses invoices, notices, initial demand letters, and other forms of notification.

Cash Concentration System — a collection system used to accelerate the flow of funds and truncate all paper at the depository by transferring the fund's accounting information electronically.

Cash Discount — a discount offered by a business for early payment of an invoice. Discounts should be taken when the discount terms applied in the conversion formula result in an effective annual discount rate equal to, or greater than, the current value of funds rate.

Cash Flow — each category of: **incoming funds**, including specific program sources, travel reimbursements, and collection of overpayments; and **disbursements**, including payroll, vendors, and travel.

Cash-Link Identification Number (CIN) — a number used within the Federal Reserve Bank to expedite processing that is later converted to the organization unit's agency location code. Organization units are to use the CIN on deposit tickets and debit vouchers for deposits.

Cash Management — practices and techniques designed to accelerate and control collections, ensure prompt deposit of receipts, improve control over disbursement methods, and eliminate idle cash balances.

Cash Management Agency Certification (CMAC) — an annual review of an organization unit's cash flow and the corresponding collection and disbursement systems and procedures performed to ensure compliance with Treasury Financial Manual standards.



Cash Management Savings Goals Plan — a cash management report that documents savings for new and existing cash management initiatives which meet the cash management goals of accelerating receipts, controlling disbursements, and reducing excess cash balances.

Cash Management Officer — an individual within an organization unit who is the primary point of contact with the Office of Financial Management in matters relating to cash management and reporting cash management efforts for that organization unit.

Cashier — an officer or employee of the Federal government who is designated as a cashier by an approving official and is authorized to disburse cash or carry out other cash operations.

Certifying Officer — individuals to whom authority to approve disbursement of Bureau/Office funds has been delegated by a properly authorized designating official.

Chargeback — a transaction reversed by a bank due to incomplete transaction information or inappropriate handling as prescribed in the Master Agreement.

Collection — the transfer of monies from one source to another for the payment of goods and/or services.

Comprehensive Cash Management Review (CCMR) — an in-depth examination of cash flows. This review requires organization units to prepare flow charts reflective of the actual cash management operations, and provide statistical data on the volume of transactions and dollar amounts collected and disbursed. The review facilitates the detection of existing/potential deficiencies and provides the opportunity to identify improvements and to document accomplishments. This review is performed at the request of Treasury.

Current Value of Funds Rate — the percentage rate used to calculate interest on overdue Federal Government receivables and to evaluate the cost-effectiveness of a cash discount. This rate is subject to quarterly revisions, and is published each year by October 31, to become effective January 1, in the Federal Register. This rate is also used in computing interest savings for cash management initiatives.

Data Message and Retrieval System (DMRS) — a personal computer accessed information system that provides organization units next-day information on deposits made through the Fedwire Deposit System.

Delinquency — an account which is past due. A debt is considered delinquent when it is not paid either by the date specified in the applicable agreement or by the date specified on the initial written notification of the debt (unless other satisfactory



repayment arrangements have been made by that date). Delinquency would also occur if, at any time thereafter, the debtor fails to satisfy the obligations under such repayment arrangements made with the organization unit.

Deposit — monies that are presented for credit to Treasury. Either the Bureau/Office or the remitter can make such transfers. All such transactions are affected through a Federal Reserve Bank or other financial institution.

Deposit Cutoff Time — a predesignated time by a financial institution beyond which transactions presented or actions requested will be deferred to the next banking day's business.

Deposit (Same Day) — a deposit made before the cutoff time on the day on which the funds to be deposited were received by the organization unit. For example, if an organization unit receives funds for deposit at 10 a.m. on Monday and transmits the deposits by 1 p.m. on Monday (the bank's cutoff time), then same-day deposit has been achieved.

Deposit (Next Day) — a deposit made on the day following the cutoff time on which the funds to be deposited were received by the organization unit. For example, if an organization unit receives funds for deposit at 3 p.m. on Monday and transmits the deposits by 2 p.m. on Tuesday (the bank's cutoff time), then next-day deposit has been achieved.

Depository — a bank or other financial institution that has been designated by the Financial Management Service (Treasury) to receive monies for credit to Treasury.

Designated Agents — individuals to whom authority is delegated to receive and deliver checks drawn on Bureau/Office funds.

Designated Depository — a financial institution designated and authorized by Treasury to maintain specified U.S. Government accounts in foreign countries and in U.S. territories and possessions. Bureaus/Offices can use these depositories to hold public funds.

Disbursement — an authorized payment or expenditure of monies.

Dollar Volume — the total dollar value of all individual items collected or disbursed. A designation of low dollar volume signifies \$0 to \$1,000. A designation of medium dollar volume signifies \$1,001 to \$25,000. A designation of high dollar volume signifies more than \$25,001.



Electronic Certification System—system whereby a Bureau/Office electronically signs a payment schedule.

Electronic Funds Transfer (EFT)— systems used to transfer funds electronically, i.e., computers, magnetic tapes, automated teller machines, and telephones in lieu of issuing paper checks. These systems include Automated Clearing House (ACH), Fedwire Deposit System (Fedwire), Fedline Payment System (Fedline), and point-of-sale terminals. In certain instances, electronic funds transfer also includes credit card transactions.

Excess Currencies— United States-owned foreign currencies in excess of the normal requirements (generally more than a 2 year supply) of U.S. Government agencies within the country involved.

Federal Reserve Bank (FRB)— any district bank or branch bank of the Federal Reserve System designated by Treasury to receive funds for the U.S. Government.

Fedwire Deposit System (Fedwire)— a wire transfer collection system whereby remitters can instruct their banks to transfer payments by the Federal Reserve Communications System to Treasury's main account at the Federal Reserve Bank of New York. All remitters making individual payments of \$100,000 or more to the Government, although smaller dollar payments may be appropriate depending on the circumstances, should use Fedwire. Fedwire replaces the Treasury Financial Communications System.

Financial Institution— any bank, savings and loan association, or Federal/State-chartered credit union accepting funds on behalf of the U.S. Government.

Float— the period of time that elapses between two collection or disbursement activities. Specific types of float are defined as follows:

Billing Float— average amount of time between the provision of goods or services and the issuance of an invoice.

Collections Float— average amount of time between the financial institution sending a check to the drawee bank and receiving usable funds.

Mail Float— average amount of time between the remitter mailing the payment and receipt of the payment in the organization unit or financial institution for credit to the U.S. Treasury.

Processing Float (Collections)— average amount of time between the initial receipt of the payment in the organization unit's mailroom and receipt of the related deposit by the depository.



Processing Float (Disbursements) — average amount of time between the receipt of goods or services by an organization unit and the issuance of payment.

Full Cost — includes all direct and indirect costs of providing special products or services.

Government On-Line Accounting Link System (GOALS) — a Government-wide telecommunications network that provides financial information. This network enables agencies to transfer funds to each other and receive notification that Treasury has accomplished disbursement.

International Merchant Purchase Authorization Card (IMPAC) — a credit card issued to designated employees for the purchase of goods to facilitate Federal business.

Imprest Fund — a fixed cash or petty cash fund in the form of currency or coin that is advanced by an organization unit from appropriated funds to an authorized (designated) employee.

Interest — the charge assessed on delinquent debts in order to compensate the Government for the time-value-of-money owed and not paid when due. As established by the Debt Collection Act of 1982, the minimum annual rate to be assessed is Treasury's "Current Value of Funds Rate;" a higher rate may be used if the organization unit judges it necessary to protect the Government's interests. Additional interest is accrued and assessed from the date of delinquency.

Intra-Governmental Payment and Collection (IPAC) — one of the major components of the Government On-Line Accounting Link System II (GOALS II). IPACs primary purpose is to provide a standardized interagency fund transfer mechanism for Federal Program Agencies (FPAs). IPAC facilitates the intra-governmental transfer of funds, with descriptive data from one FPA to another.

Invoice — an itemized list of goods or services specifying the price and terms of the sale.

Lockbox — a collection and processing service provided by financial institutions that accelerates the flow of funds to Treasury's General Account. This service includes collecting the organization unit's mail from a specified post office box, sorting, totaling, and recording the payments, processing the items, making the deposits, and transferring the funds. Organization units will receive remittance data either by hard copy or via electronic format.



Wholesale Lockbox — involves the manual processing of invoice documents and is best suited for high-dollar, low-volume remittances.

Retail Lockbox — uses machine-readable documents for automated processing through optical character recognition equipment. It is best suited for low- to moderate-dollar, high-volume remittances.

Electronic Lockbox — accommodates both paper remittances as well as all types of electronic transactions.

Market Price — the price for a unit of property, resource, or service that is based on competition in open markets and creates neither a shortage nor a surplus of the property, resource, or service.

Master Agreement — A contract signed by Treasury and each bank in the Credit Card Collection Network to provide credit card collection services to Federal agencies.

Magnetic Ink Character Recognition (MICR) — (see Amount Encoders).

Mechanized Initiative (MEC) — an initiative that focuses on accelerating or deferring cash flow.

Near-Excess Currencies — United States-owned foreign currencies that are sufficient to exceed the U.S. Government's immediate needs within the country involved, but are not sufficient to be declared excess.

Non-recurring Transaction — a collection or disbursement transaction which occurs only once or at infrequent and undetermined intervals.

Optical Character Recognition (OCR) — a process whereby characters imprinted on documents can be read by a machine and transferred directly to magnetic tape.

Minority Bank Deposit Program — this program promotes the development of minority-owned business enterprises by increasing Federal and private sector use of minority financial institutions. Participating institutions include commercial banks and savings and loan associations which are minority-owned or minority-controlled, women's commercial banks and savings and loans associations, as well as limited income credit unions serving predominantly low income members.

Penalty — a punitive charge assessed for delinquent debts. The rate to be assessed is set by law at no more than 6 percent per year and is assessed on the portion of a debt remaining delinquent more than 90 days, although the charge will accrue and be assessed from the date of delinquency. Penalties and additional interest are separate and distinct charges. Both should be assessed unless otherwise provided in legislation or a contractual agreement.



Receivable — an amount owed the U.S. Government by an individual, organization, or other entity upon completion of the acts giving rise to such claims. Examples of receivables generated by U.S. Government activities include amounts due for loans, sales of goods and services, fines, penalties, forfeitures, interest, overpayments, fees, duties, rents, royalties, claims, damages, audit disallowances, and travel advances.

Recipient — an individual, organization unit of the Government, business entity, or a combination, that is designated to receive goods or services.

Recurring Transaction — a collection or disbursement transaction which occurs repeatedly with the same party.

Refund — a return of advances/collections for overpayments made, adjustments for previous amounts disbursed, or recovery of erroneous disbursements from appropriation or fund accounts that are directly related to, and reductions of, previously recorded payments from accounts. Refunds are to be deposited to appropriation accounts.

Reimbursement — a sum received by the U.S. Government in payment for commodities sold or services furnished either to the public or to another Government account that are authorized by law to be credited directly to specific appropriation and fund accounts.

Remittance Advice — a document designed to identify detailed information on the collection received by an organization unit, i.e., date of deposit, amount, etc.

Salary Offset — the process of collecting certain debts by deducting, in 1 or more pay periods, all/part of the debt from the Federal pay of a current Federal employee who is indebted to the Department, or all/part of the debt from the Federal pay of a current Department employee who is indebted to another Federal agency. Salary offset is used for the collection of all Federal employee-related debts unless collecting the debt is specifically provided for by administrative offset methods (i.e., travel advances (5 U.S.C. Sec. 5705) and employee training expenses (5 U.S.C. Sec. 4108)).

Spot Rate — the price of foreign currencies for delivery in 2 business days.

Statement of Transactions (SF 224) — a report, prepared and submitted to Treasury on a monthly basis that details an organization unit's disbursements and/or collections by appropriation and receipt account.



Treasury Prevailing Rate — the most favorable rate that would be legally available to the U.S. Government for the acquisition of foreign exchange for its official disbursement and accommodation of exchange transactions.

Treasury's General Account (TGA) — a bank account in a commercial bank or other financial institution in which an agency can deposit cash and checks. TGAs are designed to move funds quickly and efficiently from numerous and widely dispersed points of initial deposit to a centrally controlled or "concentration" account.

Truncation — the process of electronically capturing data contained on a paper check. The electronic information, and not the paper check, is then sent through the clearing system.

User Charges — fees or charges collected from sources outside the Federal Government for goods or services. The price may include both the cost to the agency and any profit.

Voucher — a written authorization of a business transaction.