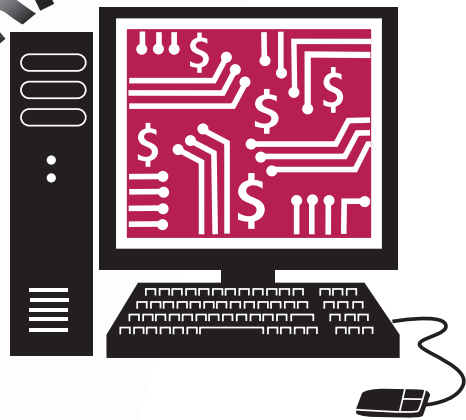

Cash Management Made Easy



INTERNET

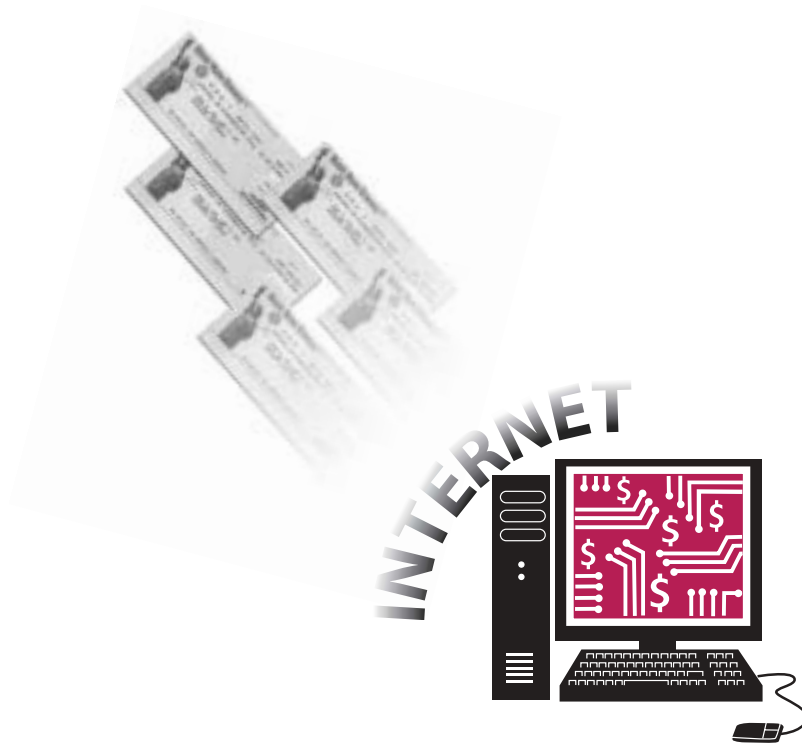


The purpose of the *Cash Management Made Easy* guidebook is to provide a high-level overview of Federal Government cash management tools. This guide will assist Federal agency cash managers in improving the management of the Government's finances. **The Department of the Treasury's Financial Management Service's vision is to move toward an all-electronic Treasury — maximizing the use of technology and providing Federal agencies with comprehensive electronic commerce solutions.**

Department of the Treasury 
Financial Management Service

FINANCIAL MANAGEMENT SERVICE
Federal Finance
401 14th Street, SW
Washington, DC 20227

Cash Management Made Easy



Revised April 2002

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CHAPTER ONE: Introduction

IMPROVING CASH MANAGEMENT practices is one of the most important issues of the financial world. Technological advances and the broadening availability of the Internet provide exciting, cost-saving cash management tools. The Financial Management Service (FMS), a bureau of the Department of the Treasury, is making full use of emerging technologies to improve the management of the Federal Government's finances. ***FMS' vision is to move toward an all-electronic Treasury, maximizing the use of technology and providing Federal agencies with comprehensive electronic commerce solutions.*** The integration of e-commerce technologies in the payment and collection infrastructure will result in:

- timely and accurate disbursement of Federal payments within the optimal payment processing environment, and
- timely collection of Federal Government receipts at the lowest cost.

The cost savings realized by the integration of technology into the Federal Government's cash management tools lessen the Government's borrowing requirements and the interest paid on that debt, thus saving taxpayers' money. As the Internet becomes the standard for how business is transacted, taxpayers (individuals and businesses) will want the convenience and the choice of interacting with the Federal Government in a similar fashion as they would conduct business transactions with the private sector.

Purpose of *Cash Management Made Easy*

The purpose of the *Cash Management Made Easy* guidebook is to provide a high-level overview of Federal Government cash management tools. *Cash Management Made Easy* is published by FMS. This guide, an updated supplement to the Treasury Financial Manual (TFM), will assist Federal agency cash managers in improving the management of the Government's finances.

The information contained in this guide is to be used in conjunction with Treasury regulations, policies, and procedures set forth in the TFM; Office of Management and Budget (OMB) circulars; General Services Administration (GSA) regulations; Joint Financial Management Improvement Program (JFMIP) core requirements; and internal Federal agency regulations. A list of current regulations and OMB circulars that pertain to cash management is provided in Appendix D.

For additional information on any aspect of cash management, contact the Program Assistance Division or the Customer Assistance Staff (CAS) at your local FMS Regional Financial Center (RFC). Telephone numbers for headquarters and RFCs are provided in Appendix C of this supplement.

Purpose of Cash Management

Cash management is the stewardship or proper use of an entity's cash resources. It serves as the means to keep an organization functioning by making the best use of cash or liquid resources of the organization.

The function of cash management at the U.S. Treasury is threefold:

1. **To eliminate idle cash balances.** Every dollar held as cash rather than used to augment revenues or decrease expenditures represents a lost opportunity. Funds that are not needed to cover expected transactions can be used to buy back outstanding debt (and cease a flow of funds out of the Treasury for interest payments) or can be invested to generate a flow of funds into the Treasury's account. Minimizing idle cash balances requires accurate information about expected receipts and likely disbursements.
2. **To deposit collections timely.** Having funds in-hand is better than having accounts receivable. The cash is easier to convert immediately into value or goods. A receivable, an item to be converted in the future, often is subject to a transaction delay or a depreciation of value. Once funds are due to the Government, they should be converted to cash-in-hand immediately and deposited in the Treasury's account as soon as possible.
3. **To properly time disbursements.** Some payments must be made on a specified or legal date, such as Social Security payments. For such payments, there is no cash management decision. For other payments, such as vendor payments, discretion in timing is possible. Government vendors face the same cash management needs as the Government. They want to accelerate collections. One way vendors can do this is to offer discount terms for timely payment for goods sold.

Agency Benefits of Cash Management Improvements

The Chief Financial Officers (CFO) Act of 1990 (Public Law 101-576) marked a new era not only in Federal management and accountability, but also in efforts to gain financial control of Government operations. The Act provided a foundation for comprehensive reform of Federal financial management, established a leadership structure, provided for long-range planning, required audited financial statements, and strengthened accountability reporting.

According to the Act, Federal agencies have the responsibility to use timely, reliable, and comprehensive financial information and systems. To that end, FMS encourages all agencies to improve their cash management practices by using electronic funds transfer (EFT) whenever cost effective, practicable, and consistent with statutory authority.

In addition to those benefits noted above, Federal agencies may also realize the following benefits when EFT mechanisms are implemented:

Cost Savings

- Eliminates printing of bills and payment coupons.
- Reduces postage expenses.
- Reduces personnel time for processing remittances manually.
- Eliminates the need for physical security measures for handling cash and checks.

Paper Elimination

- Reduces paper needed for billing.
- Precludes reminder notices.
- Eliminates paper-check handling.

Cash Management Improvement

- Accelerates availability of funds.
- Improves internal controls.
- Provides better cash management forecasting.

Treasury's Single Account

Basic Principles

The U.S. Treasury provides a consolidated funds pool, a single account, for all funds of the Federal Government. That is, Treasury holds all funds, with very few exceptions, under the management of its fiscal agent, the Federal Reserve Bank of New York (FRBNY). Under the single account system, each agency and bureau is given accounting control and responsibility for the timing and use of its funds. However, the agency/bureau does not actually hold those funds outside the Treasury. Although there are exceptions to this rule, they are severely limited in application.

As a corollary to this policy, the Financial Management Service (FMS) manages the services through which all collected funds are received by the Treasury. This increases overall efficiency by eliminating delays in the collection of funds. FMS designates financial agents to provide for funds transfer and deposit reporting services from the FRB as well as private financial institutions and offers other Federal agencies the use of the services. The arrangement encourages agencies to use the best available services and gives the Treasury accurate and timely information of funds availability.

A second principle of this policy is that the Treasury disburses funds and delegates, if necessary, the authority to the agencies to disburse funds. Most Federal agencies do not have the authority to draw checks or initiate electronic funds transfers against the Treasury's accounts, even to spend their own appropriations.

Federal agencies may also initiate payment requests. However, the requests are drawn against the Treasury's account, NOT against a pool of funds held apart by these agencies. Each payment transaction that FMS makes is done so on the requested instruction and certification by a Certifying Officer of the agency that the voucher for payment is legal, proper, and correct. Further, the Certifying Officers attest to the availability of funds in the accounts to which the payment will be charged. This approach balances control by the agency over its own budget, with control maintained by the Treasury over the public monies.

The third principle of this system is that the Treasury takes responsibility for maintaining adequate liquidity each day to cover the day's expected net cash flow plus an extra target balance as a contingency for unforeseen flows. The Treasury can receive direct information from its collection and disbursement systems and from seasonal tendencies in cash flows to forecast the day's liquidity needs.

Advantages of the Single Account System

The Treasury single account system yields significant advantages to the Federal Government, resulting in reduced operations cost, improved control over funds, and better control over debt issuance. The Treasury, as the chief financial agent of the Federal Government, manages the Government's cash and debt positions to ensure that sufficient funds are available to meet financial obligations, so that idle cash is efficiently invested, and that debt is optimally issued according to the appropriate statutes.

The structure of Treasury funds enhances the value of cash management practices for the Government. By using one treasury account for all agencies, cash management efforts at the Treasury become cash management improvements for the entire Federal Government. FMS makes and receives payments for agencies and works to ensure that agencies use the most efficient and effective payment, collection, and cash management processes available. FMS also coordinates the financial activities of the various Federal agencies so that they can benefit from economies of scale. The aim is to minimize the float time that elapses between steps in financial transactions, particularly collections.

Also, short-term forecasting is used to improve debt issuance. Considering the importance of knowing the cash balance position, the Treasury makes a series of predictions of the Government's daily balance. The Treasury has an office with the responsibility for tracking daily cash receipts and outlays. This office uses an automated system called CASH TRACK to help monitor cash movements. CASH TRACK is a system that processes cash position management data from the Federal Reserve Banks, Internal Revenue Service (IRS), Bureau of the Public Debt, CASH-LINK, and other miscellaneous sources.

Information is also captured daily from the CASH-LINK system. CASH-LINK is an electronic cash concentration and information system used to manage the collection of U.S. Government funds throughout the world and provides deposit information to Federal agencies. When operational, the Web-based CASHLINK II system will replace the current CASH-LINK system.

The cash balance information available under a single account system promotes better decision-making for monetary policy. The Treasury works closely with the Federal Reserve System to help the Federal Reserve achieve its policy goals. Increases and decreases in Treasury's cash balance position can influence the Federal Reserve's ability to meet its policy goals of reserve supply and interest rates. With this information, the scheduling of short-term debt issuance can be managed to the optimal level for current needs.

Cash Management History

In 1981, President Ronald Reagan, OMB, and the President's Private Sector Survey on Cost Control said that the Federal Government could save a great deal of money by managing Federal cash as carefully as businesses manage their cash. Essentially, most Federal agencies concentrated on operating their programs and ignored the time-value of money. The President's Management Improvement Program took aim at reforming Federal financial management by making one of its top priorities the cessation of the needless loss of interest on cash flows.

In 1981-82, a portion of the President's Management Improvement Program, Reform '88, was developed as a comprehensive program to improve, consolidate, and streamline the management systems of the Federal Government by a target date of 1988. Reform '88 put new life into the management of Federal cash. Each Federal agency was required to monitor its own cash flows, selecting the best tools for speeding collections to the Treasury and timing disbursements to vendors, grantees, and other payment recipients.

Before 1982, the U.S. Government made 30 percent of its payments too late and 45 percent too early, resulting in unnecessary late charges and lost interest earnings. Congress passed the Prompt Payment Act of 1982 (and its amendment in 1988) requiring Federal agencies to make payments on time, to pay interest when payments are late, and to take discounts only when payments are made on or before the discount date. It also provides a formula for determining if a discount is cost-effective. OMB wrote the regulations to implement the Prompt Payment Act, which provides for timely payment, better relations with contractors, improved competition for Government business, and reduced costs to the Government.

Once the necessary legislation and regulations were in place to improve Federal agency management of payments, the Government turned its focus on collections. Congress passed the Deficit Reduction Act of 1984. A section of the Act, referred to generally as the Collection and Deposit Legislation, moved agencies closer to the goal of institutionalizing cash management in the Federal Government. It legislated cash management for collections and deposits analogous to the directives given to Federal agencies about paying their bills on time in the Prompt Payment Act of 1982. The Collection and Deposit Legislation mandated that the Treasury would hold Federal agencies responsible for their collection and deposit practices. Federal agencies must use electronic transfer of funds, lockboxes, and automatic withdrawal of funds wherever feasible and in accordance with Treasury regulations.

The Collection and Deposit Legislation requires FMS to conduct periodic cash management reviews of Federal agency financial operations. These reviews examine and analyze agency management of the following programs: collections and deposits, disbursements, inventories, imprest funds, and other cash held outside the Treasury. The Federal agency and FMS agree on recommendations and plans for improvement.

The Cash Management Improvement Act (CMIA) was enacted in 1990 to improve the transfer of Federal funds between the Federal Government and the States. The statutory purpose of CMIA is to: (1) ensure efficiency, (2) provide effectiveness, and (3) ensure equity.

The National Performance Review began in 1993 when President Bill Clinton announced a 6-month review of the Federal Government. The goal was to identify problems and offer solutions and ideas for savings. The report was divided into four sections: (1) Cutting Red Tape, (2) Putting Customers First, (3) Empowering Employees to Get Results, and (4) Cutting Back to Basics. One of the three steps to accomplish the last section, Cutting Back to Basics, is to collect more through imposing or increasing user fees where pricing makes economic sense, and by collecting what the Government is owed in delinquent debt or fraudulent overpayment of benefits. Essentially, the Government must find better, more efficient, and more effective ways to pay for its programs and activities.

On April 26, 1996, Congress passed the Debt Collection Improvement Act of 1996. A major part of this Act began the EFT Program. The EFT Program requires Federal agencies to disburse payments via electronic funds transfer, with few exceptions. The Treasury published regulations to provide guidance to Federal agencies. Agencies began enrolling payment recipients for electronic payments by collecting payment recipients' bank account information and enhancing their systems to provide various electronic payment alternatives.

The cooperative efforts of Federal agencies, the private sector, OMB, and FMS have spawned an impressive list of improvements since the mid-1980's and generated billions of dollars in interest savings.

The Cash Management Arena

The primary entities in the management of the Government's cash are OMB, the Federal Reserve System, and FMS.

The Federal Reserve Banks serve as the fiscal agent for the Federal Government. Created in 1913 by Congress, the Federal Reserve System consists of a 7-member Board of Governors in Washington, DC; 12 regional Federal Reserve Banks (FRBs); and 25 branches. The Federal Reserve lends money to financial institutions, distributes coins and currency, regulates all banks that are members of the Federal Reserve System, and plays a leading role in the operation of the nationwide funds transfer system.

The Federal Reserve Bank of New York (FRBNY) is the largest of the 12 regional FRBs. Because of its size and location in the heart of the U.S. financial district, FRBNY is the center for the Government's financial transactions.

FMS, a bureau of the Treasury, is the Government's financial manager. It is the lead agency in cash, credit, and debt management. FMS manages Federal payments and collections, promotes sound financial management practices by Federal agencies, oversees the Government's central accounting and reporting system, provides debt collection services to Federal agencies, and provides a variety of other financial services. FMS issues guidelines and regulations and assists other agencies in managing financial transactions to maximize investment earnings and reduce the interest costs on borrowed funds.

CHAPTER TWO: Managing Collections

COLLECTIONS ARE THE INFLOW of funds. The Secretary of the U.S. Treasury has the authority to designate a financial institution as a depository and financial agent of the U.S. Government. The Secretary of the U.S. Treasury has delegated to FMS the authority to select designated depositories to support governmentwide collection services (31 CFR Part 202, Depositories and Financial Agents of the Federal Government).

Federal agencies collect funds for a number of reasons, such as taxes, goods and services rendered, privileges granted, and overpayments made. The Federal Government collects primarily from three groups: contractors and corporations, the public, and employees. The people who submit payments are known as “remitters.” Remitters to the Government prefer to deal with Federal agencies in the same manner in which they deal with any business – whether it is a gas station, a grocery store, or an insurance company. They want good products, good service, and a convenient way to pay their bills.

Section 1 - *Participants*

Contractors and Corporations

Contractors and corporations are the most cash management conscious of all the remitters. They are well aware that any remittance change a Federal agency makes means that funds move more quickly out of their accounts and into the agency’s account. Contractors and corporations are also concerned about the transfer of information. They may have several outstanding bills that must be attached to payments. This makes accounts receivable information very important.

Collections from contractors and other corporate remitters include fees for licenses and insurance premiums, taxes, fines, payments for products and services, and the repayments of overpayments and double payments.

The Public

Collections are also received from the general public. Examples of collections from the public include taxes, user fees, sales of publications and other products, and loan repayments.

Employees

Federal employees are the third group from whom the Government collects funds. These collections are from parking fees, overpayments of salary and travel, and other similar situations. Good management procedures such as reducing travel advances and using alternative travel disbursement mechanisms will eliminate or reduce overpayments and the subsequent need to collect such funds.

Section 2 - *Collection Mechanisms*

The Financial Management Service (FMS) oversees several mechanisms that agencies use to process Government collections. FMS manages these programs and makes them available for agency use. This section breaks down the mechanisms into two parts: (1) electronic funds transfer (EFT) and (2) cash and checks.

Electronic Funds Transfer

FMS encourages all Federal agencies to use electronic funds transfer (EFT) mechanisms for collections whenever cost effective and feasible. This section focuses on the EFT collection mechanisms that are available for the agency's use, including the Automated Clearing House (ACH), Pay.gov, the Plastic Card Network, Paper Check Conversion, and the Fedwire Deposit System. (See Chapter Three, Section Two for EFT disbursement mechanisms.)

► Automated Clearing House

The ACH system is a processing and delivery facility that provides for the distribution and settlement of electronic financial transactions. Debits and credits are cleared electronically, rather than through the physical movement of checks or cash.

There are two types of entries (i.e., credit and debit entries) that pass through the ACH system. A credit entry takes value from the Originator's account and credits the Receiver's account. A debit entry removes value from the Receiver's account and credits the Originator's account. While all transactions flow from the Originator to the Receiver, the funds flow in either direction, depending on the type of transaction.

Receiving Depository Financial Institution (RDFI) Service Options (ACH Credit)

Prior to receiving ACH credit items, an agency must initiate an agreement with FMS and the Receiving Depository Financial Institution (RDFI). FMS provides Federal agencies with two RDFI service options for processing ACH credit transactions: (1) Remittance Express and (2) FMS general lockbox financial agents. A description of the service options follows:

Remittance Express

The Remittance Express (REX) program was introduced in June 1995. REX is designed to allow the Federal Government to receive ACH credits directly into the Treasury General Account from the private sector for payments to a Federal agency.

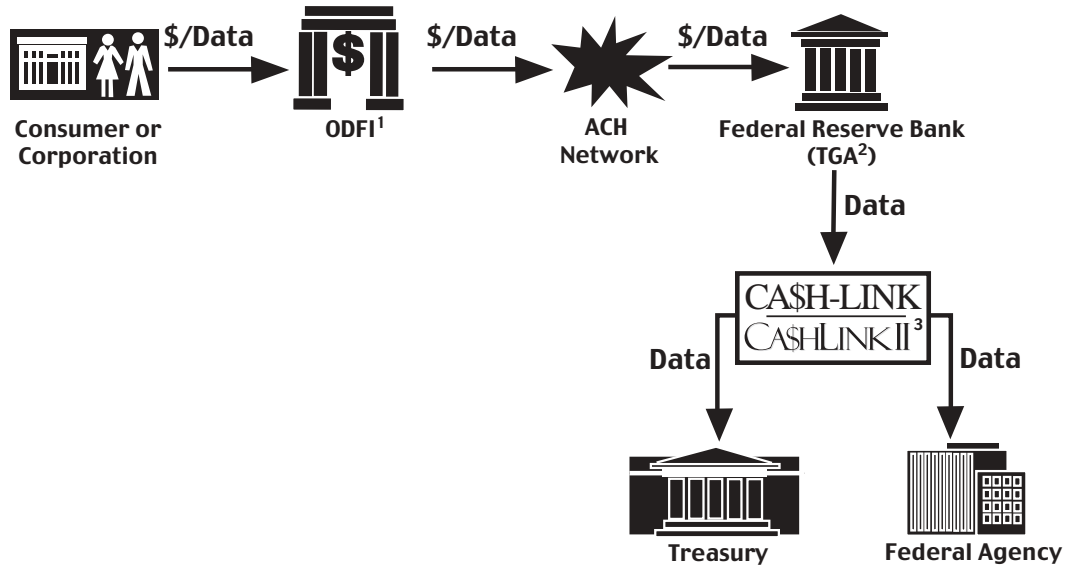
To receive payments via REX, the Federal agency enters into a Memorandum of Understanding (MOU), completes, and signs the ACH Account Set-Up Form with FMS. This form authorizes the establishment of the ACH account. The form is then sent to CASH-LINK operations for entry into the CASH-LINK REX table.

The detail information from the ACH files can be viewed in CASH-LINK and can be downloaded for posting to the agency's remitter files.

The Remittance Express Process:

- The Federal agency advises the consumer or corporation of the obligation due the Government, either by invoice, bill, letter, or other means. The agency also supplies the consumer or corporation with the appropriate information to include in the transaction.
- The consumer or corporation provides the instruction to its financial institution (FI) on the correct ACH format to use [i.e., Cash Concentration or Disbursement Plus Addendum (CCD+) or the Corporate Trade Exchange (CTX)] and the information to include, and authorizes an ACH credit transaction to the Federal Reserve Bank (FRB). (For specific ACH format information, see the NACHA ACH Rules.)
- The FRB receives the transaction and credits the Treasury's account.
- Transaction information is submitted to the Treasury and the agency via CASH-LINK/CASHLINK II. The transaction information includes both detailed payment information and summary deposit ticket (SF 215) information. The agency can download the information to update its accounts receivable system.

Figure 1 — The Remittance Express Process



¹ ODFI — Originating Depository Financial Institution

² TGA — Treasury's General Account

³ When operational, the Web-based CASHLINK II system will replace the current CASH-LINK system.

Remittance Express Benefits

- Provides a safe, effective way to remit payments.
- Solidifies the strategic partnership between the remitter and the Federal agency.
- Allows for the tracing of payments.
- Reduces paper handling.
- Promotes financial confidentiality.
- Avoids costly wire transfer fees.

FMS' General Lockbox Financial Agents – The Electronic Lockbox for ACH Credit Transactions

The lockbox mechanism provides a method for accelerating the deposit of payments mailed to Federal agencies. A lockbox is a post office box established by a financial institution (FI) for receipt of payments to an agency. Lockboxes provide an excellent system for paper-based collections.

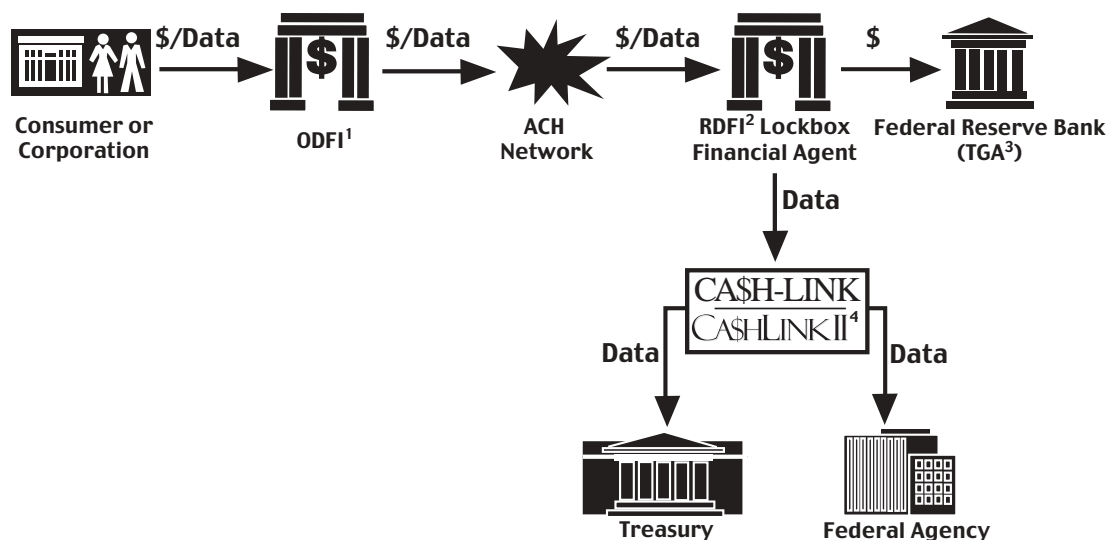
Federal agencies have three types of lockbox services available for their use: retail, wholesale, and electronic. This section focuses on the electronic lockbox. An electronic lockbox accommodates both paper remittances and electronic transactions. The retail and wholesale lockboxes are described on pages 37 and 38.

The financial agents in the General Lockbox Network are designated by FMS to maintain accounts for Federal agencies for the purpose of collecting and transferring funds to the Treasury's account at FRBNY.

The Electronic Lockbox Process for ACH Credit Transactions:

- The Federal agency advises the consumer or corporation of the obligation due the Government and provides the consumer or corporation with the appropriate information to include in the transaction.
- The consumer or corporation provides the detailed payment instructions to its FI to authorize the ACH credit transaction to the designated financial agent (FA) in FMS' network.
- The designated FA collects and deposits the funds for credit to the Treasury's account at the Federal Reserve Bank of New York.
- The designated FA forwards the deposit data to the Treasury and the agency via CASH-LINK/CASHLINK II.

Figure 2 — The Electronic Lockbox Process (ACH Credit)



¹ ODFI — Originating Depository Financial Institution
² RDFI — Receiving Depository Financial Institution
³ TGA — Treasury's General Account
⁴ When operational, the Web-based CASHLINK II system will replace the current CASH-LINK system.

Electronic Lockbox Benefits

Customer Benefits

- Provides the most convenient, reliable, and least expensive way to pay monthly bills.
- Saves time by not having to write checks, thereby saving the cost of checks and postage.
- Eliminates payments from getting lost in the mail and late payment charges.

Agency/Government Benefits

- Eliminates paper-check handling.
- Reduces operating costs.
- Improves funds availability.
- Offers excellent cash-flow forecasting.
- Eliminates lost or stolen checks.

Originating Depository Financial Institution (ODFI) Service Options (ACH Debit)

FMS provides Federal agencies with two ODFI service options for processing ACH debit transactions: (1) FMS' general lockbox financial agents and (2) FMS' Kansas City Financial Center (KFC).

FMS' General Lockbox Financial Agents – The Electronic Lockbox for ACH Debit Transactions

There are two types of preauthorized debit (PAD) applications that the Federal agency may use: (1) recurring and (2) customer-initiated entries.

1. **Recurring PADs/Direct Payments.** Recurring PADs/Direct Payments are authorized by the remitter in writing, in advance, to occur at regular intervals. For the life of the agreement with the remitter, only one authorization is needed unless the terms of the agreement change. Recurring PADs/Direct Payments permit Federal agencies to collect payments automatically on a predetermined date from remitters. Since the agency initiates the transaction, it can predict when payments will be received and the amount of funds to be collected on a given day. Recurring PADs/Direct Payments can be used to collect license fees, loan payments, grant repayments, etc.

2. **Customer-Initiated Entries (CIEs).** The agency bills the remitter for the amount of the obligation due the Government. Once a financial agent (FA) has been designated in the General Lockbox Network for the agency's use, the remitter calls the FA (via a voice response system), identifies himself/herself through a unique customer number, and enters security codes, the payment amount, and date. On the date the remitter specifies, the amount will be debited from the remitter's bank account and credited to the Treasury's account. The funds are properly credited to the agency location code of the appropriate agency. The agency can view the deposit information on CASH-LINK/CASHLINK II on the following business day. The deposit data is forwarded to the agency in the format the agency prefers. CIEs afford remitters the opportunity to maintain control over their funds by initiating the payment.

The Electronic Lockbox Process for ACH Debit Transactions:

- The remitter must enroll with the agency and/or the designated lockbox FA.
- The remitter's account is automatically debited on the settlement date (i.e., recurring PAD) or the remitter calls a designated FA in the lockbox network and requests a specific amount to be debited from the remitter's account on the settlement date (i.e., customer-initiated entry).
- The designated FA automatically collects and deposits all funds for credit to the Treasury's account at the Federal Reserve Bank of New York.
- The designated FA forwards the deposit data to the Treasury and the agency via CASH-LINK/CASHLINK II.

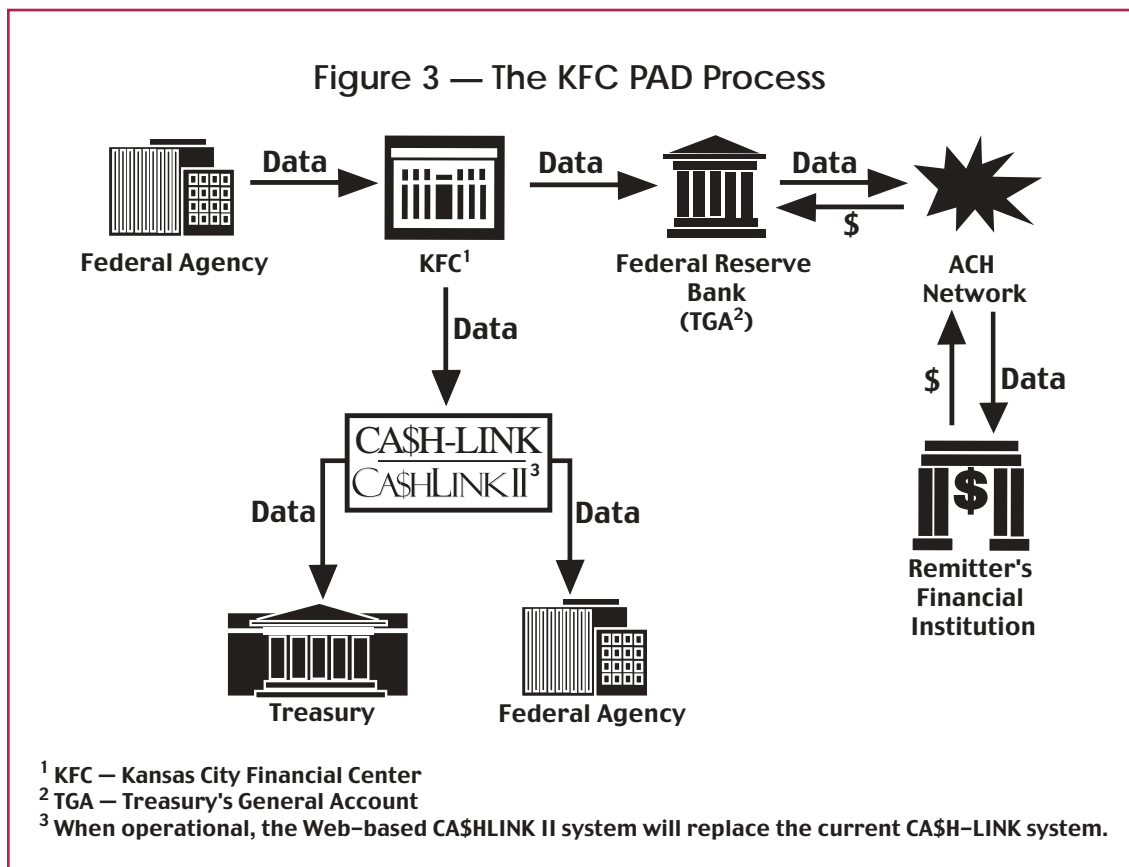
Financial Management Service Kansas City Financial Center (FMS KFC)

FMS KFC can serve as an ODFI for recurring and nonrecurring collections using the PAD program. The PAD process begins at least 1 day before the settlement date.

The Kansas City Financial Center PAD Process:

- The agency enrolls remitters in the PAD program.
- One business day prior to settlement, the agency transmits a file of collection entries to KFC.
- KFC reformats the file into the National Automated Clearing House Association (NACHA) format.
- KFC transmits the file to the Kansas City Federal Reserve Bank (KCFRB) for processing.

- KCFRB distributes the collection entries through the ACH system to the remitter's financial institution.
- On the settlement date, the remitter's financial institution posts the debit to the remitter's account.
- The remitter's financial institution transmits the funds via the ACH network to the KCFRB. The KCFRB credits the Treasury's account.
- KFC reports the deposit data to the Treasury and the agency via CA\$H-LINK/CA\$HLINK II.



FMS' Kansas City Financial Center offers four levels of PAD service:

1. Mainframe - The agency maintains the database of remitters (basic service) on its mainframe system. The business day prior to settlement, the agency transmits the collection file to KFC. On the settlement date, KFC reports account totals to the agency via CASH-LINK/CASHLINK II.
2. Personal Computer - The agency maintains the database of remitters using an off-the-shelf personal computer software package that is supplied by KFC. The software is used to generate and transmit a collection file to KFC, as well as provide detail collection reports to the agency. On the settlement date, KFC reports account totals to the agency via CASH-LINK/CASHLINK II.
3. KFC maintains PAD database - KFC maintains all aspects of the agency's remitter database. The agency provides KFC with the collection information. KFC generates the collection file and provides the agency with detail collection reports. On the settlement date, KFC reports account totals to the agency via CASH-LINK/CASHLINK II.
4. Customized service - KFC creates a customized PAD service to meet the agency's needs.

With all four levels of service, an agency can review its daily activity via CASH-LINK/CASHLINK II.

► Pay.gov

Pay.gov is a governmentwide transaction portal managed by the Financial Management Service (FMS) that offers a suite of electronic financial services to assist agencies. Pay.gov has four functional objectives or cornerstones:

1. **Collections.** Pay.gov facilitates various electronic collection methods. Through Pay.gov, end-users are able to authorize collections using ACH debit entries, credit card collections, and digital cash. (Digital cash requires a card to be installed within the end-user's computer.) In addition, Pay.gov allows collections to be authorized off-line through paper checks, ACH credit authorizations, and Fedwire, in which case FMS marries the reporting information from off-line collections with an on-line form or bill.
2. **Forms acceptance and direct billing.** Pay.gov offers the service of converting an agency's forms into electronic documents that may be submitted by the public to Pay.gov. Pay.gov also offers the service of electronically presenting the bills that an agency sends to end-users. In most instances, the electronic form or bill mirrors the agency's paper form, but an alternative approach is possible as circumstances warrant. The electronic forms invoke error checking and other business rules to ensure that end-users properly complete the forms. FMS will work with agencies to securely obtain information from agencies as needed to pre-populate information on forms and to display bills. Workflow solutions ensure that Pay.gov can handle complex forms with multiple parts or requiring multiple levels of approval. Inboxes allow for end-users to view saved, completed, or pending forms and bills.
3. **Access control.** Pay.gov provides access control to agencies to ensure that end-users may perform only authorized transactions. These services involve authenticating the end-user as necessary, using several authentication components. One, referred to as "ad hoc authentication," relies upon shared knowledge provided at the time of transaction, which will be verified by Pay.gov. The second is a system that uses usernames and passwords issued by Pay.gov. The third uses authentication services from third parties, such as other agencies. This includes, potentially, the General Services Administration's Access Certificates for Electronic Services or digital certificates issued by the Postal Service. Once the authentication process is complete, FMS establishes whether an end-user is authorized to perform a particular action concerning a protected resource by invoking a role-based system. This system determines whether the action sought by the end-user is one that the end-user's roles allow. Agencies have the ability to determine the roles needed to access their resources, as well as control other access parameters.

4. **Reporting.** Pay.gov provides agencies with a unified reporting mechanism by which agencies are able to obtain detailed information about forms, bills, and collections processed by Pay.gov. Pay.gov consolidates this information with other collection system information to provide a single reporting stream to agencies. Pay.gov integrates these reports into an agency's system to the extent and in the format desired by the agency. Pay.gov also makes reports available to end-users and the public.

The services of Pay.gov are modular; i.e., each of the services can be invoked separately of the others, sometimes from an agency's own Web site. For instance, Pay.gov allows an agency to use only the collection services of Pay.gov, as might be the case if the agency wants to accept electronically its forms on its own Web site. As another example, Pay.gov allows an agency to use only the access control services of Pay.gov, as might be the case if the agency wants to provide access to personal information on its own Web site.

The central focus of Pay.gov is on collection services. The other functions of Pay.gov support this key service. By converting agency forms that are accompanied by collection authorizations, Pay.gov will help ensure that agencies can reconcile collections to particular forms. The same can be said of converting an agency's bills for presentment through Pay.gov. The automated processing of forms and bills also should reduce accounting errors. As noted above, the access control service is a necessity for collections. Reporting flows from the collection function as well.

The Pay.gov Process:

- Pay.gov's services are invoked when an end-user submits a request over the Internet. In most cases, the end-user will be an individual acting on the end-user's own behalf or on behalf of another, such as a business. In some instances, the end-user could be a computer (electronic agent), which could be the case for certain businesses that need to submit forms with set data fields on a regular basis.
- An agency may allow the end-user to go directly to Pay.gov or it may require that Pay.gov grant access to the agency's pages only to end-users who have first visited the agency's site and selected a link to Pay.gov. In addition, the agency may do some processing for an end-user on its own site but might invoke additional processing by Pay.gov to complete the transaction, as might be the case if the agency is processing forms on its own site but is using the collection function of Pay.gov.
- Pay.gov customizes the end-user's experience so that Web pages have a look and feel desired by the agency, while disclosing that the end-user is no longer on the agency's own site. The Web address for most pages with agency content begins with "pay" but otherwise reflects the address of the agency's own Web site. Thus,

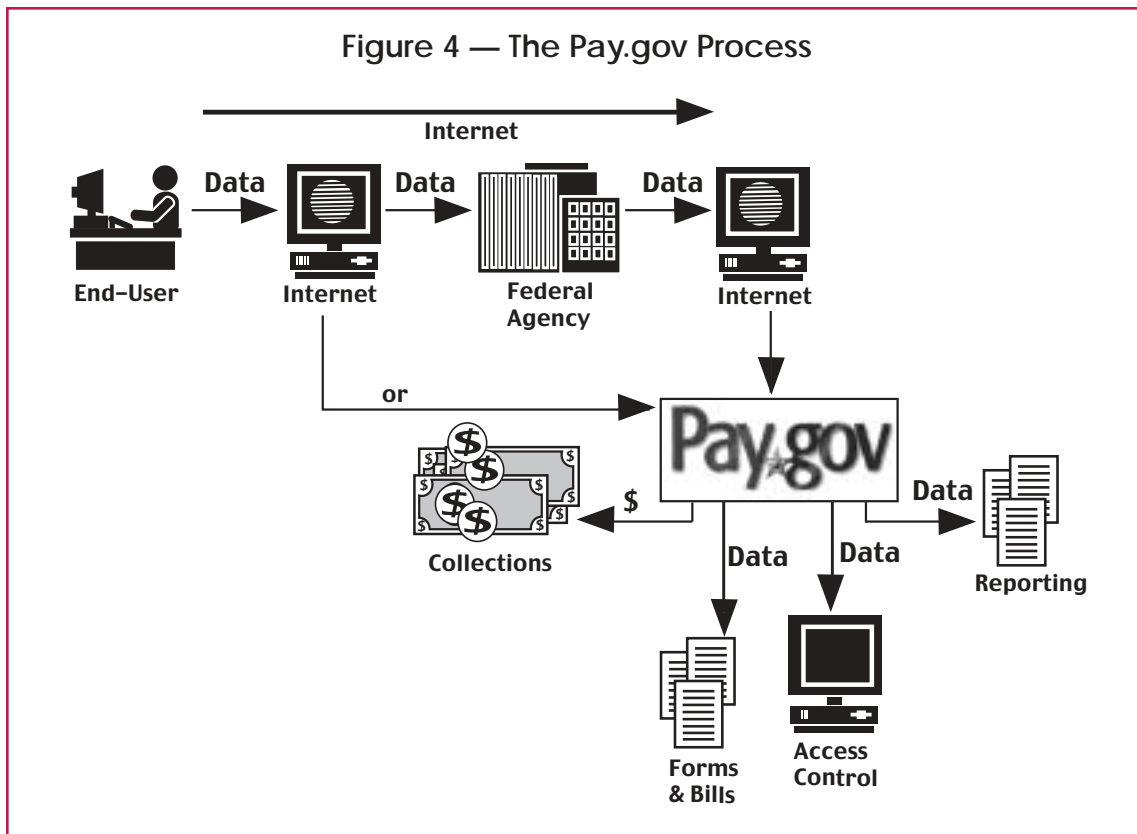
a form of the Bureau of Alcohol, Tobacco and Firearms (ATF) is hosted at: **pay.atf.treas.gov**, which reflects the ATF's own Web site at: **http://www.atf.treas.gov**.

As noted above, it is possible for an agency to use each Pay.gov service on a stand-alone basis; however, all four services are interrelated.

1. The **collection service** is invoked in conjunction with Pay.gov's forms acceptance and direct billing service or separately by an agency. For instance, the agency may ask Pay.gov to host one of its forms, in which case Pay.gov will invoke the collection service when the end-user completes the form. Alternatively, if the agency hosts the form, it may invoke the collection service itself.
2. The **forms acceptance and direct billing service** is invoked when an end-user desires to electronically complete an agency's form or view an agency's bill. The form or bill must be hosted on Pay.gov for this service to apply.
3. The **access control service** is invoked by other Pay.gov services or by agencies. For instance, access control is required to complete a form or view a bill hosted by Pay.gov, to authorize a collection on Pay.gov or to view certain reports on Pay.gov.
4. The **reporting function** takes information about forms, bills, and collections processed through Pay.gov and makes this information available to agencies through information communicated to agency systems or made available for Web viewing.

For instance, an end-user representing a cigarette manufacturer may need to complete an excise tax form for the Bureau of Alcohol, Tobacco and Firearms. The end-user can do so by accessing the form on Pay.gov. Before allowing the end-user to access the form, the forms acceptance service invokes the access control service, which asks for a Pay.gov username and password from the end-user. Upon determining that the end-user has authorization to access the form, the access control service returns a reply to the forms acceptance service, which uses information from the access control service to pre-populate certain fields on the form and allows the end-user to complete the form. The end-user can save the form if the end-user so desires, then return later and submit the form. Once the form has been completed, the end-user may authorize a collection using an ACH debit or a Fedwire entry. The information about the completed transaction is sent to the agency that day, as well as made available to the agency, to FMS, and the end-user for viewing through a Web interface.

Figure 4 — The Pay.gov Process



Pay.gov Benefits

- Offers electronic collection methods that facilitate the ability of agencies to conduct transactions on-line.
- Provides assistance to agencies in converting forms into documents that can be accepted electronically and provides a means by which agency bills may be presented electronically for collection purposes.
- Provides access control services to facilitate forms acceptance, direct billing, and collections.
- Provides reports to agencies about the automated transactions and assists agencies in integrating the reports into their systems.

Pay.gov will assist agencies in complying with the Government Paperwork Elimination Act (GPEA). GPEA requires Federal agencies, by October 21, 2003, to allow individuals or entities that deal with the agencies the option to submit information or transact with the agency electronically, when practicable, and to maintain records electronically, when practicable. The Act specifically states that electronic records and their related electronic signatures are not to be denied legal effect, validity, or enforceability merely because they are in electronic form, and encourages Federal Government use of a range of electronic signature alternatives.

► Plastic Card Network

The Plastic Card Network (PCN) is a governmentwide network that allows Federal agencies to accept VISA, MasterCard, American Express, Diners Club, and Discover/Novus credit cards, and some debit cards for collecting funds due the Federal Government. Plastic cards can be used to collect payments from the public and Government entities for a variety of reasons, including, but not limited to, the following: sales of materials, services, fees, fines, debts, Customs duties, and taxes.

FMS designated two financial agents (FAs) to process plastic card collections for Federal agencies. They provide uniform nationwide credit and debit card services for agencies. Credit and debit cards may be used for collections received over-the-counter, by mail, by phone, or over the Internet.

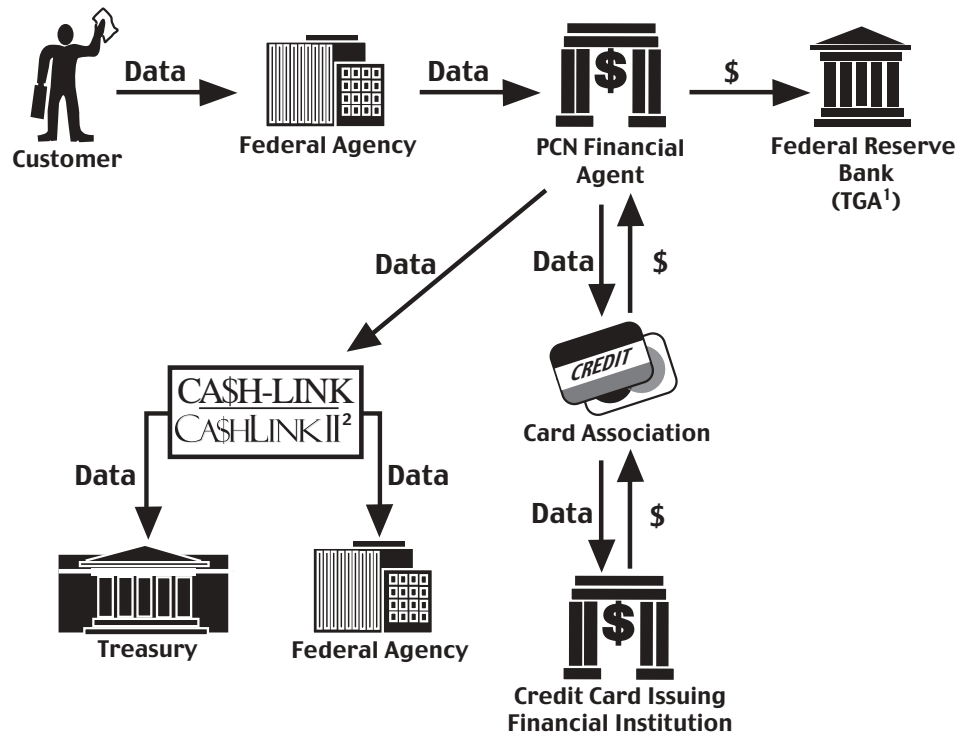
The Internet Credit Card Collections (ICCC) program allows Federal agencies to accept plastic cards over the Internet as a method of collection for offered services and products. In a typical scenario, once a customer chooses to pay with a credit card on an agency's Web site, he or she is shown a form for completing the transaction. In most cases, since this form resides on a secure Treasury server, the customer is transferred to a Treasury Web site with the exact look and feel of the agency's Web site. The customer is returned to the agency's Web site upon successful completion of the transaction (processing of the credit card). Most customers do not realize that they have left the agency's Web site during the actual credit card purchase process.

Services provided to agencies and paid for by FMS include authorization and settlement, chargeback assistance, training, activity reports, and deposit reporting through FMS' CASH-LINK/CASHLINK II system. Costs to agencies include equipment, customized reports, and telephone lines.

The Plastic Card Network Process:

- The Federal agency accepts plastic cards from the public and Government entities. The designated FAs process the transactions electronically.
- The designated FAs authorize and settle transactions.
- The designated FAs transfer funds to the Treasury's account at the Federal Reserve Bank of New York.
- The designated FAs report depository data to the Treasury and the agency via CASH-LINK/CASHLINK II.
- The designated FAs send the PCN account activity statements to the agencies.

Figure 5 — The Plastic Card Network (PCN) Process



¹ TGA — Treasury's General Account

² When operational, the Web-based CASHLINK II system will replace the current CASH-LINK system.

Plastic Card Network Benefits

Customer Benefits

- Provides convenience.
- Gives instant buying potential.
- Provides timely approval.
- Has worldwide acceptability.

Agency/Government Benefits

- Eliminates bad checks.
- Reduces holdings of cash.
- Increases sales productivity.
- Provides next-day access to deposit information via CASH-LINK/CA\$HLINK II.
- Provides a no-default collection mechanism for potential bad debts.
- Provides a vehicle to collect funds via the Internet.

► Paper Check Conversion at the Point-of-Sale

The purpose of Paper Check Conversion (PCC) is to convert personal paper checks into electronic funds transfer (EFT) debit transactions against the check writer's account. Since the process is electronic and eliminates the need to transport paper, the collection process is more efficient.

PCC uses five technologies to create electronic transactions and records:

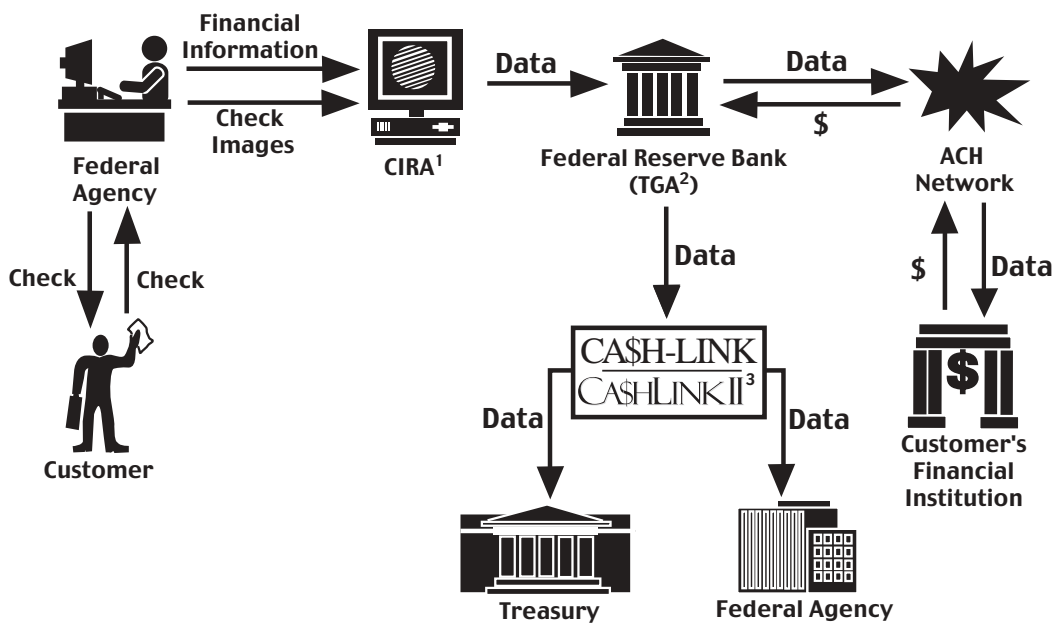
1. **Imaging** Captures a complete electronic image of the check and allows for the retention of a facsimile, without retaining any paper.
2. **Verification**. Verifies that the account upon which the check is written is not closed, or that the check writer does not have a history of writing bad checks.
3. **Conversion**. Converts paper checks to electronic debit transactions for processing through the Automated Clearing House network. Checks converted to electronic debits are collected much faster.
4. **Representation**. Resubmits failed electronic debit transactions up to two times. The representations will be able to be timed to occur on specific days of the month (i.e., 1st and 15th).
5. **Reporting** Occurs by emailing CASH-LINK/CASHLINK II activity statements to areas responsible for the financial operations of that site/agency.

The Paper Check Conversion Process:

- The agency accepts the check from the customer; feeds the check through the check scanner; enters the amount of the check and other relevant information into the Point-of-Sale software application; stamps the check "VOID"; and returns the check to the customer. By presenting his/her completed, signed check to the cashier, the customer authorizes the conversion of his/her check into an electronic debit in the amount of the check. A notice containing this authorization language is posted at the point-of-sale.
- At the end of the day, all of the financial information and images collected at the Point-of-Sale are sent to the Central Image and Research Archive (CIRA – <https://www.cira.gov>).
- CIRA houses the images and corresponding financial information for research purposes, and forwards the financial information to the Federal Reserve Bank of Cleveland.

- FRB-Cleveland uses the financial information received from CIRA to create an ACH debit to the check writer's account and a corresponding credit to the agency's account.
- FRB-Cleveland makes the appropriate CASH-LINK/CASHLINK II entries for the agency deposits.
- FRB-Cleveland electronically delivers each agency's specific Deposit Ticket (SF 215) and Debit Voucher (SF 5515), if applicable.

Figure 6 — The Paper Check Conversion Process



¹ CIRA — Central Image Research Archive

² TGA — Treasury's General Account

³ When operational, the Web-based CASHLINK II system will replace the current CASH-LINK system.

Paper Check Conversion Benefits

The true value of PCC is realized by a combination of factors that allow funds and information to be processed in a streamlined manner, which greatly reduces indirect costs, while increasing accountability and security.

Generally, PCC will:

- Reduce the workload by removing paper from the process;
- Improve returns processing of electronic transactions;
- Improve exception handling;
- Speed the deposit and collection process;
- Automate the preparation of Deposit Tickets (SF 215) and Debit Vouchers (SF 5515);
- Resubmit failed checks twice for insufficient funds;
- Reduce the number of dishonored checks accepted;
- Provide a complete electronic record of converted checks;
- Provide an audit trail for each check;
- Allow enhanced reporting and access to information;
- Facilitate access to stored checks.

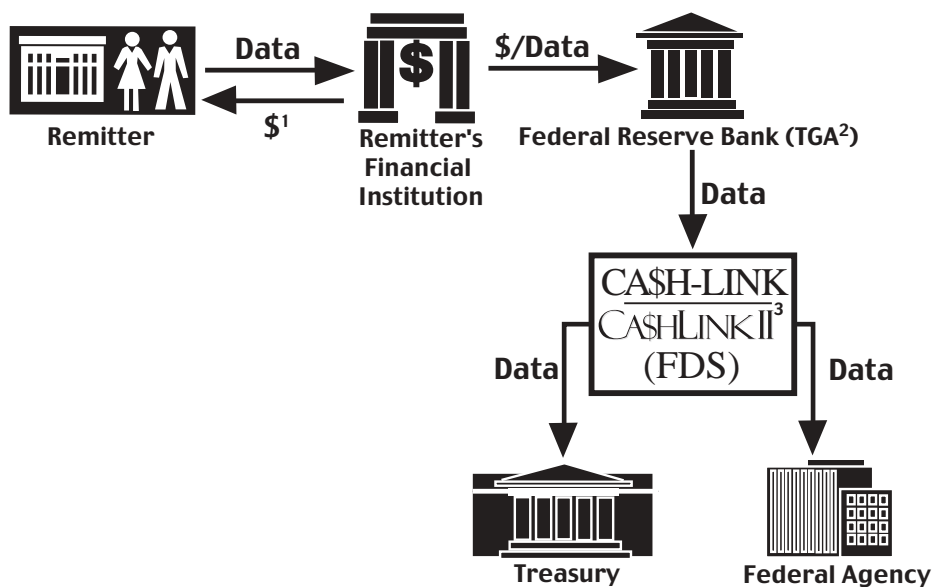
► Fedwire Deposit System

The Fedwire Deposit System (FDS) is an information link for wire transfer collections to the Treasury's General Account at the Federal Reserve Bank of New York (FRBNY). The FDS is used when collections are \$100,000 or more or when there is an immediate need for crediting funds.

The Fedwire Deposit System Process:

- Remitters sending large payments to a Federal agency instruct their financial institution (FI) to wire funds to the FRBNY by providing the agency's accounting data and other detail information.
- The FRBNY receives the Fedwire message, credits the Treasury's account, charges the remitter's FI, and transmits the information to the agency and the Treasury via CASH-LINK/CASHLINK II.

Figure 7 — The Fedwire Deposit System (FDS) Process



¹ The remitter may authorize funds to be released from his/her account.

² TGA — Treasury's General Account

³ When operational, the Web-based CASHLINK II system will replace the current CASH-LINK system.

Fedwire Deposit System Benefits

Customer Benefits

- Allows remitter to delay the transfer of funds until the due date.

Agency/Government Benefits

- Reduces paperwork and related administrative costs.
- Improves reporting and audit control.
- Eliminates mail, processing, and collection float.
- Provides historical deposit data on-line for up to 45 days via a personal computer.

Cash and Checks

While FMS encourages and promotes EFT, it recognizes that there are several cash flows for which agencies need cash and checks. Federal agencies receive cash and checks for various payment receivables. The Government uses four mechanisms to process these collections: (1) Federal Reserve Banks, (2) Treasury General Account Depositories (Domestic), (3) International Treasury General Account Depositories, and (4) Lockbox.

► Deposits at Federal Reserve Banks

Depositors of public monies, namely Federal agencies, will deposit funds at the nearest commercial bank (i.e., Treasury General Account (TGA)) as designated and authorized by FMS or deposit funds at their local Federal Reserve Bank (FRB). If FMS determines that it is not cost effective for an agency to use a commercial bank, or that a commercial bank is not available, FMS will authorize the agency to make deposits at the nearest FRB.

Once FMS has designated an FRB, the agency must contact the FRB (I TFM 5-2000, Appendix 4) for a CASHLINK Identification Number (CIN) (I TFM 5-2000, Appendix 3), and for any other preliminary instructions. The CIN is derived from the agency location code (ALC) and is used by the FRB to identify agency transactions.

Federal agencies may mail deposits to the FRB or have the deposits delivered via courier or armored car service. The FRB will not accept walk-in deposits or cash deposits of any kind. All cash receipts must be converted into a cashier's check or money order and mailed or delivered via courier or armored car service to the FRB. For deposits of seized or mutilated currency, contact the Program Assistance Division (Appendix C).

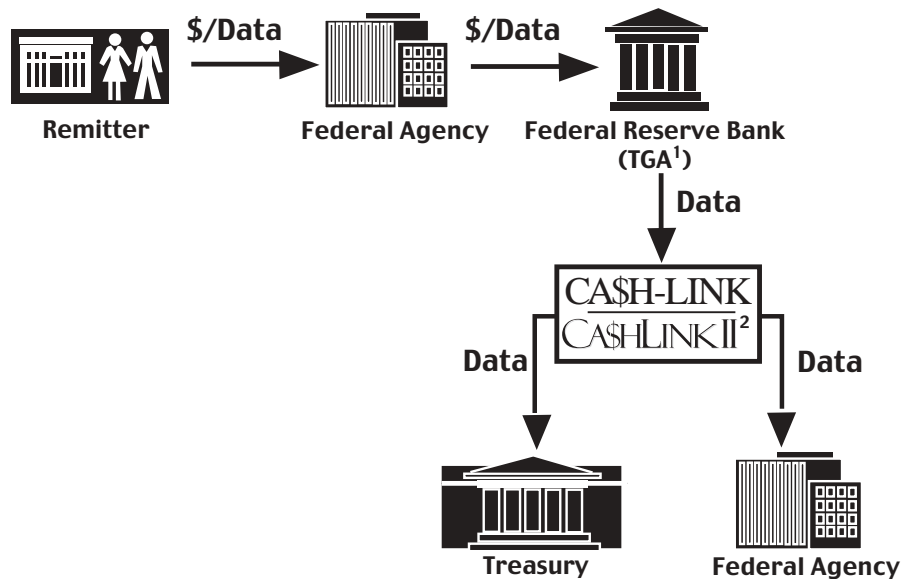
When deposits are delivered to the FRB, via courier or armored car service, an FRB cashier will not be available to confirm the deposits by signing and dating the SF 215 (Deposit Ticket) at the point of delivery. After the checks have been deposited and reconciled, the FRB will confirm the deposit and forward the signed SF 215 to the depositing agency.

Without exception, **all** Treasury checks must be deposited with the nearest FRB. If an agency is currently making deposits at a commercial bank (i.e., TGA), the Treasury checks must be separated out. Depositors will record commercial checks and Treasury checks each on separate SF 215s when depositing at an FRB. The FRBs will credit Treasury's General Account on the date of deposit, if the items are received by 2:00 p.m. local time that day.

The Process for Federal Reserve Bank Deposits:

- Federal agencies receive cash, checks, and other negotiable instruments at numerous office locations around the country.
- The agency processes the deposits received, prepares the SF 215, and submits the deposit (checks and money orders only) to the FRB via mail, courier, or armored car service.
- The FRB posts the funds to the Treasury's account at FRBNY, and passes the detailed deposit information to the Treasury and the agency via CASH-LINK/CA\$HLINK II.

Figure 8 — The Process for Federal Reserve Bank Deposits



¹ TGA — Treasury's General Account

² When operational, the Web-based CA\$HLINK II system will replace the current CASH-LINK system.

➤ Treasury General Account Depositories (Domestic)

Treasury General Account (TGA) depositories are financial institutions (FIs) authorized to receive over-the-counter deposits from Federal agencies located within the 50 States and the District of Columbia (domestic depositories). The Financial Management Service (FMS) designates TGAs at commercial banks, savings and loans, and credit unions.

FMS establishes a depository based on a request from a Federal agency and an evaluation of the efficiencies offered by such a relationship. A financial institution interested in accepting TGA deposits may market its services to Federal agencies in its area. To perform services under the TGA system, the financial institution must:

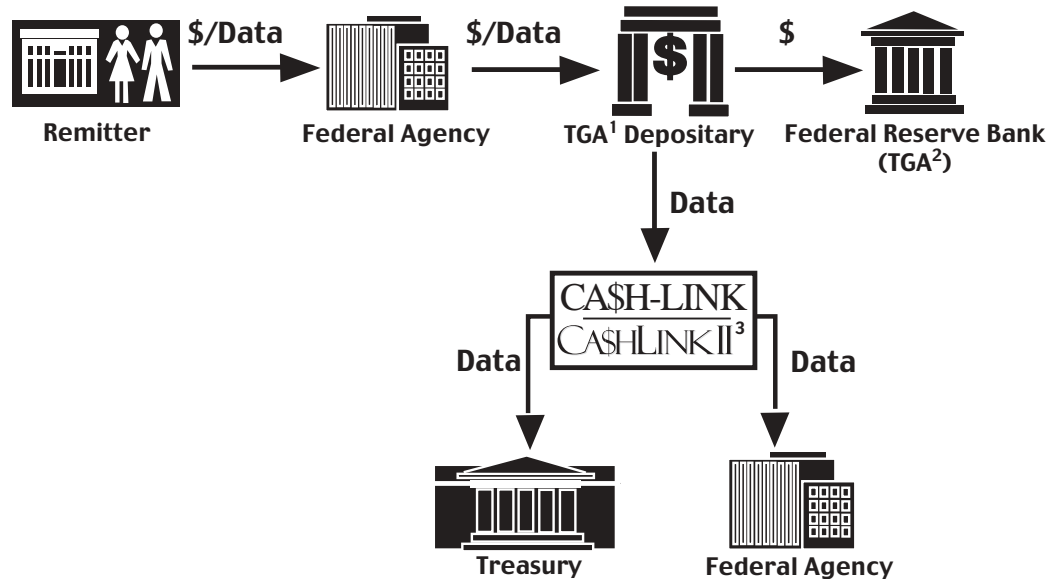
- meet the eligibility requirements under Treasury regulations;
- be able to accept Automated Clearing House (ACH) debits;
- agree to a written Memorandum of Understanding with FMS; and
- be authorized by FMS to accept deposits.

If there is an existing TGA depository located near the agency, the agency can be added to that arrangement. There is no minimum monthly deposit amount. If there is no TGA depository located near the agency, FMS will work with the agency to designate a specific local FI as its TGA depository. The minimum monthly deposit required to establish a new TGA is \$100,000. Two or more agencies in the same vicinity may combine deposits to qualify for the \$100,000 minimum.

The TGA Process:

- Federal agencies receive cash, checks, and other negotiable instruments at numerous office locations around the country.
- The agencies prepare the deposits along with the SF 215 (Deposit Ticket) and take them to the TGA depository.
- The TGA depository processes the deposit and transfers the funds to the Treasury's account at the Federal Reserve Bank.
- The TGA depository submits the deposit data to the Treasury and the agency via CASH-LINK/CASHLINK II.

Figure 9 — The TGA Process



¹ TGA — Treasury General Account

² TGA — Treasury's General Account at Federal Reserve Bank of New York

³ When operational, the Web-based CASHLINK II system will replace the current CASH-LINK system.

TGA Benefits

- Accelerates the collection and availability of funds to the Treasury.
- Provides agencies with a convenient local depository for collections received in field offices.
- Truncates paper movement.
- Provides an electronic reporting of deposit information via CASH-LINK/CASHLINK II.
- Requires minimal effort to implement.

➤ International Treasury General Account Depositories

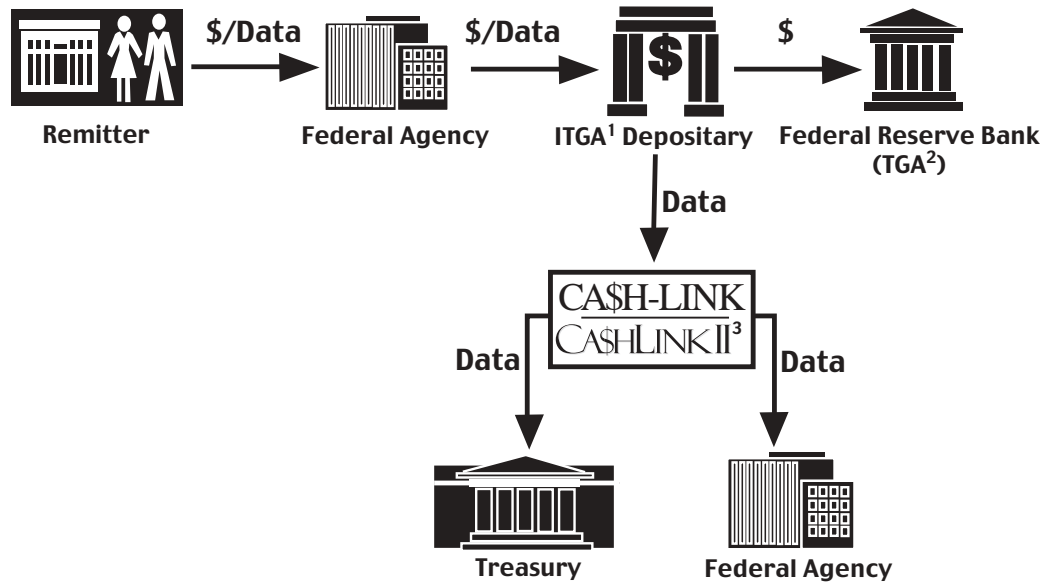
International Treasury General Account (ITGA) depositories can be U.S. or foreign banks authorized to exchange Treasury checks for foreign currency and receive U.S. dollar deposits from Disbursing Officers overseas. The Departments of State and Defense are two of the largest users of ITGAs. To become an ITGA, a depository must meet eligibility requirements within Treasury regulations that authorize the Secretary of the Treasury to designate depositories of public monies as necessary for transacting Government business in foreign countries.

FMS designates and revokes all ITGA bank arrangements; reimburses commercial banks for depository services provided outside the continental United States; and reviews and monitors these bank arrangements. FMS has special arrangements with designated financial agents to collect foreign currency and checks received in the United States for exchange to U.S. dollars.

The ITGA Collection Process: (Deposit of U.S. Dollars)

- Federal agencies receive cash, checks, and other negotiable instruments at numerous office locations around the world.
- The agencies prepare the deposits along with the SF 215 (Deposit Ticket) and take them to the ITGA depository.
- The ITGA depository processes the deposit and transfers the funds to the Treasury's account at the Federal Reserve Bank.
- The ITGA depository submits the deposit data to the Treasury and the agency via CASH-LINK/CASHLINK II.

Figure 10 — The ITGA Collection Process



¹ITGA — International Treasury General Account

²TGA — Treasury's General Account

³When operational, the Web-based CA\$H-LINK II system will replace the current CA\$H-LINK system.

ITGA Benefits

- Accelerates the collection and availability of funds to the Treasury.
- Consolidates deposit information.
- Provides interest savings.

Restorations

The Disbursing Officers issue U.S. Treasury checks to purchase foreign currency to fund their local currency checking accounts. The ITGAs clear these checks back to the Treasury's account at FRBNY. To avoid settlement charges, FMS restores the funds immediately (via a wire transfer) for the Treasury checks exchanged by the ITGAs.

Foreign Currency Accounts Overseas

FMS approves foreign currency bank accounts for Federal agencies located worldwide. Local currency accounts are maintained in approximately 200 countries by the Department of State and the Department of Defense. Foreign currencies are deposited in these accounts and used for agency operating expenses. These operating accounts are used to pay salaries, vendors, and other administrative costs.

► Lockbox

A lockbox is a post office box established by a financial institution for receipt of payments to an agency. Federal agencies have three types of lockbox services available for their use: retail, wholesale, and electronic. Retail and wholesale lockboxes are described in this section. The electronic lockbox is described on pages 13-16.

Retail Lockbox

A retail lockbox uses optical character recognition (OCR), machine-readable coupon-type payment documents for automated processing. This type of lockbox is best suited for low dollar, high annual item volume payments. High-speed equipment captures specific information from the invoice and the check that it stores in electronic form on tapes or disks. The accounting information can be captured and passed via a computer-to-computer link from the lockbox financial agents to the agencies.

Scannable Documents and Digital Imaging. Imaging is the creation of digitized images of remittance documents that can be displayed, enlarged, tagged, annotated, routed, duplicated, stored, and indexed.

The financial agents (FAs) in FMS' lockbox network can provide images of the following:

- Checks,
- Envelopes,
- Invoices,
- Remittance Advices, and
- Correspondence.

Benefits of Imaging

Access Information Immediately

- Access hours after making deposits via the Internet.
- Locate specific payments with the search feature.
- View intra-day images of remittances.
- Access multiple days of payment history.
- Archive with CD-ROM.

Improves Customer Service

- Retrieve remittance documents instantly.
- Read checks, invoices, postmarks accurately.
- Reduce research time.
- Respond to customers while on the phone.

Insures File Integrity

- Eliminate lost or misfiled documents.
- Guarantee access to each department/person for viewing.
- Work without removing or damaging original documents.
- Archive history safely to CD-ROM.

Reduces Storage Requirement

- Multiple days accessible via the Internet.
- One CD holds 1,500 transactions of archived historical data.
- No more long-term/offsite storage needs.

Resolves Exceptions Faster

- Eliminate waiting for delivery of paper.
- Post sooner and begin exception processing.
- Toggle between accounts receivable system and browser.

Wholesale Lockbox

A wholesale lockbox involves the manual processing of traditional invoice documents and is best suited for high dollar, low annual item volume payments. Once received at the lockbox site, these payment documents are processed using key entry to capture accounting information. The accounting information can be transmitted via a computer-to-computer link or in hard copy from the designated FA in the lockbox network to the agency.

Lockbox Networks

FMS manages two separate lockbox networks: the Internal Revenue Service (IRS) Lockbox Network (for taxes only) and the General Lockbox Network.

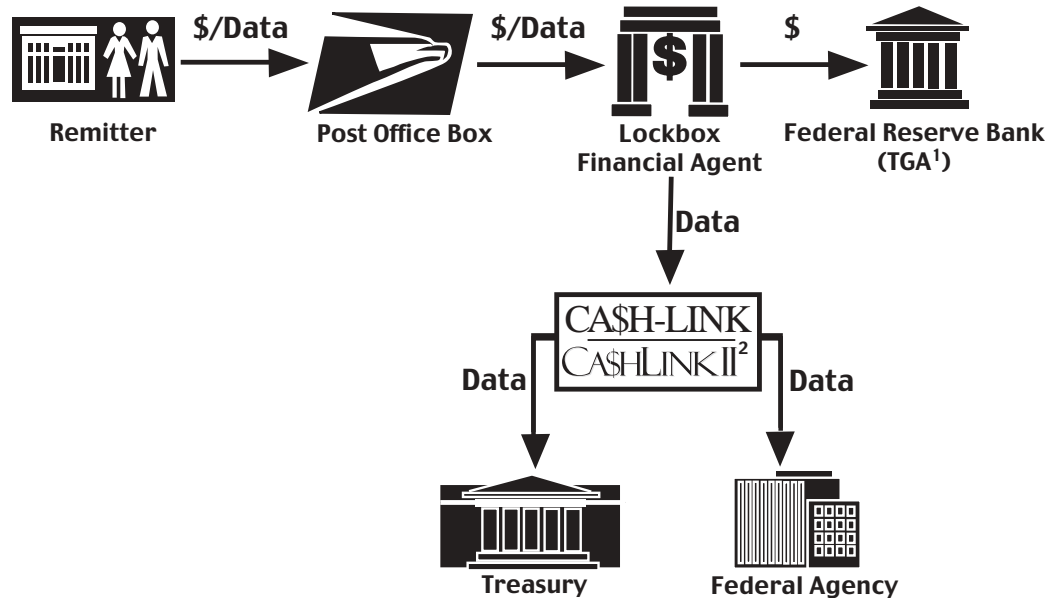
IRS Lockbox: FMS has designated a network of commercial banks across the United States that serve as collection points for various IRS taxes, primarily individual taxes. IRS lockboxes include both retail deposits and wholesale deposits. The lockbox FAs process the tax receipts and transmit information to the IRS. The depository also sends the IRS the original tax forms that accompanied the tax payments.

General Lockbox Network: FMS has designated a network of commercial banks to serve as lockbox collection points for other Federal agencies. These collections include fees, dues, loan payments, and purchases.

The Lockbox Process:

- The Federal agency provides the remitter with a change of address for payments to a post office box provided by the designated lockbox FA.
- The remitter submits the payment to the post office box.
- The designated lockbox FA picks up the mail several times a day from the post office box.
- Lockbox bank personnel open the mail and process it according to the agency's instructions. Check remittances are cleared through the banking channels in accelerated batches.
- A record of the payment is forwarded to the Federal agency. Agencies have the option of receiving a copy of the payment checks and/or invoice. The network FA forwards correspondence received with the payment to the agency.
- Each day, the network FA enters, verifies, and reports total deposit information into the CASH-LINK/CASHLINK II system via personal computer, mainframe, or touch-tone telephone. The network FA reports the deposit data to the Treasury and the agency via CASH-LINK/CASHLINK II.
- On the following business day, the funds are transferred by wire or Automated Clearing House (ACH) to the Treasury's account at the Federal Reserve Bank of New York (FRBNY).

Figure 11 — The Lockbox Process



¹TGA — Treasury's General Account

²When operational, the Web-based CASHLINK II system will replace the current CASH-LINK system.

Lockbox Benefits

Agency/Government Benefits

- Eliminates internal processing.
- Reduces mail float.
- Reduces agency staff time spent on payment processing.
- Provides FMS with improved information on funds availability, which provides improved investment and borrowing decisions.
- Accelerates availability of funds.
- May reduce additional staffing during peak periods.
- May improve internal controls through the use of automated reports.

Section 3 - *Other Collection Management Tools*

CASH-LINK/CA\$HLINK II

The CASH-LINK system is an electronic cash concentration and information system used to manage the collection of U.S. Government funds throughout the world and provides deposit information to Federal agencies. The CASH-LINK system joins Federal agencies, commercial banks, the Federal Reserve Banks, and the Treasury Department's fund managers together through an electronic network. This system receives deposit information, initiates fund transfers, and concentrates daily deposits made through multiple collection mechanisms into the Treasury's account at the Federal Reserve Bank.

When operational, the Web-based CASHLINK II system will replace the current CASH-LINK system. CASHLINK II will provide Federal agencies with real-time information (via the Internet) to verify deposits, ACH and Fedwire transfers, and voucher adjustments to reconcile their accounts. The collection data will be available on-line for up to 7 years, allowing users to access the system to research and analyze detail deposits and summary-level cash flows. In addition, CASHLINK II will assist FMS in managing depository services provided by financial institutions and will assist the Treasury in monitoring the cash position of the U.S. Government.

CASH TRACK

CASH TRACK is a system that processes cash position management data from the Federal Reserve Banks, Internal Revenue Service (IRS), Bureau of the Public Debt, CASH-LINK, and other miscellaneous sources. CASH TRACK assists in gathering information concerning Government expenditures and receipts, provides automated analysis to assist the Treasury in maintaining the appropriate level of funds in the Treasury's General Account and Treasury Tax and Loan accounts, interfaces with several automated reporting systems to provide up-to-date information for processing, and operates in a user-friendly Windows environment.

Benefits of the CASH TRACK system include:

- A central data repository;
- Improved daily Treasury statement reporting;
- Enhanced editing, adjustment, and reporting capabilities;
- Automated reconciliation and validation of data;
- Warehousing of large-dollar notification data;
- Automated Treasury Tax and Loan and CASH-LINK daily balance wire interfaces.

CHAPTER THREE: Managing Payments

Section 1 - *Participants*

Payments, the outflow of funds, are made to four groups: vendors, grant recipients, employees, and benefit recipients.

Vendors. The first group to whom the Government regularly disburses funds includes vendors and other miscellaneous providers. Disbursements to vendors range from payments for office supplies to payments for defense contracts.

Grant Recipients. The Government awards grants to a number of recipients such as states, universities, and research centers.

Employees. Federal employees make up the third group to whom Federal agencies disburse funds. The two most common types of payments are for salary and travel.

Benefit Recipients. The fourth group to whom agencies provide payments is benefit recipients. These payments may be Social Security benefits, Supplemental Security Income, civil service retirement and annuities, railroad retirement, military benefits, and veterans' pensions.

Government payments are issued for a variety of reasons, including:

- Salary and travel expenses for Federal employees;
- Vendor payments to companies that provide goods and services to the Federal Government;
- Grant payments for many Federal programs;
- Payments for Social Security and other benefit programs;
- Tax refunds; and
- A multitude of miscellaneous purposes.

A few Federal agencies issue their own payments, most notably the Department of Defense (DOD). However, the Financial Management Service (FMS) issues approximately 85 percent of all Federal Government payments for most of the other agencies. FMS issues payments from four Regional Financial Centers (RFCs) located in Austin, TX; Kansas City, MO; Philadelphia, PA; and San Francisco, CA.

The payment process begins with a Federal agency deciding to make a payment to a vendor, a grant recipient, an employee, or a benefit recipient. Certifying Officers in Federal agencies are the only Government officials authorized to request that FMS issue a payment on the agency's behalf. They are personally accountable for verifying that all payments under their jurisdiction are legal, proper, and correct. Certifying Officers send payment requests to FMS via a paper voucher or electronic file. Treasury keeps a paper and an electronic signature on file for each Certifying Officer.

When a payment request is received, FMS verifies that the Certifying Officer's signature is correct. Once the signature is verified, a Disbursing Officer at the RFC issues the payment according to the Certifying Officer's instructions. Payment instructions from the Certifying Officer include the recipient's name, dollar amount of the payment, where the payment is to be directed, etc.

Payments issued by FMS, DOD, and other disbursing agencies are drawn on the Treasury's General Account at the Federal Reserve Bank of New York. Both paper and electronic payments are cleared through the Federal Reserve Bank by debiting the Treasury's account and crediting the financial institution that received and processed the original payment.

Section 2 - *Disbursement Mechanisms*

The Federal Government uses several types of cash management mechanisms to disburse payments, including cash, checks, and a variety of electronic funds transfer (EFT) mechanisms. While FMS encourages and promotes the use of EFT, it recognizes that agencies still have payment cash flows that require the use of cash and checks.

Electronic Funds Transfer

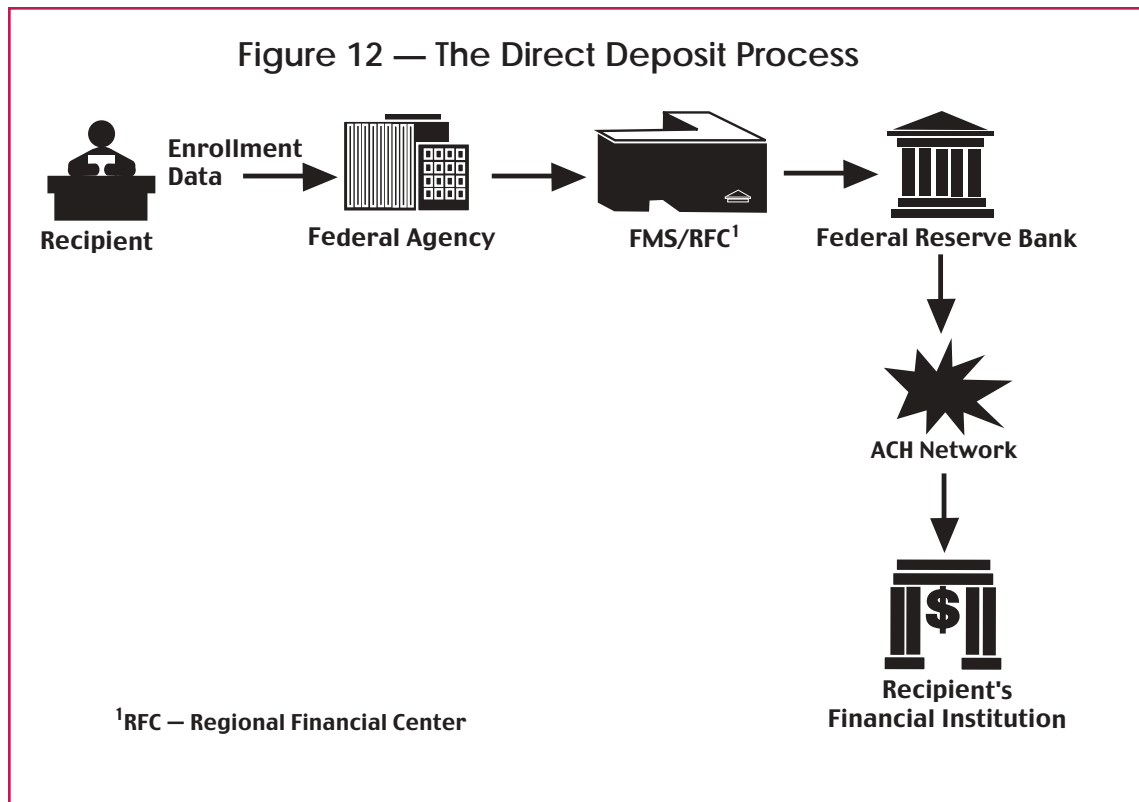
➤ Direct Deposit

Direct Deposit is an electronic payment alternative that uses the Automated Clearing House (ACH) system. Payments can be made to individuals or businesses. Payment types include Federal employee salary, vendor, travel advances and reimbursements, recurring benefits, and other miscellaneous expenses. Payments to businesses often include an addendum record that provides information about the payment. The recipient uses this information to update its accounts receivable system.

The Direct Deposit Process:

- Federal agencies or financial institutions enroll payment recipients for Direct Deposit by obtaining their bank account information and benefit payment data.
- The Federal agency sends a payment file to one of FMS' Regional Financial Centers.
- FMS prepares a Direct Deposit payment file and forwards the file to the Federal Reserve Bank for processing in the ACH system.
- Payments are posted to the recipients' accounts, and the funds are available at the start of business on the payment date.
- The Treasury's account at the Federal Reserve Bank is debited the same day.

Figure 12 — The Direct Deposit Process



Direct Deposit Benefits

Recipient Benefits

- Provides convenience.
- Provides a highly dependable, efficient payment system.
- Eliminates lost, forged, or stolen checks.
- Increases security.
- Provides payment information to the vendor/recipient.
- Provides the vendor/recipient with funds on the payment date.

Agency/Government Benefits

- Eliminates check ordering, storage, and printing costs.
- Eliminates postage costs.
- Provides a complete audit trail.
- Reduces paperwork.

► Vendor Express Program

The Financial Management Service (FMS) implemented the Vendor Express Program in 1987. This program electronically transfers money and remittance information through the Automated Clearing House (ACH) network to commercial payees of Federal agencies. FMS expanded the program with electronic data interchange (EDI) capabilities in 1994.

Enrollment Form

The ACH Vendor/Miscellaneous Payment Enrollment Form (SF 3881) is an optional form that agencies may use to enroll their vendors in the Vendor Express EFT/EDI Program. It contains the financial institution information necessary to route an ACH payment to the recipient's account. The Federal agency initiates and completes the Agency Information section of the SF 3881; the vendor completes the Payee/Company Information section; and the financial institution completes the Financial Institution Information section. Then, the vendor should return the completed SF 3881 to the agency that initiated the form.

The Central Contractor Registration database, created by the Department of Defense, is an additional option for vendor enrollment. (See page 82.)

Formats

EDI is the computer-to-computer transmission of business information in a standardized format. The formats used are in the form of transaction sets, with one transaction set equating to one business document and identified by a unique three-digit code, e.g., the 820 Payment Order/Remittance Advice. The 820 transaction set, Payment Order/Remittance Advice, is used to electronically order payments to be issued and remittance information to be sent.

A key feature of the Vendor Express EFT/EDI Program is the use of addenda records in ACH payment formats. An addendum record contains payment-related accounting information transmitted along with the actual payment. Initially, Vendor Express used the Cash Concentration or Disbursement Plus Addendum (CCD+) ACH payment format, which accommodates one addendum record with 80 characters.

As the program expanded, the Corporate Trade Exchange (CTX) format was implemented. The CTX format allows for up to 9,999 addenda records with approximately 800,000 characters. This format allows for a complete 820 transaction set to be transmitted in the addenda records.

Remittance Information

The ACH Remittance Information Processing Rule, effective September 1998, requires that financial institutions provide addenda information to their corporate customers upon request. Vendors are encouraged to discuss remittance delivery capabilities with their financial institution prior to submitting the SF 3881 to the Federal agency. Financial institutions have different remittance delivery capabilities, ranging from electronic transmissions to facsimile reports.

FMS developed the Payment Advice Internet Delivery (PAID) system to provide participating Federal agencies a method of making remittance information available to their vendors through the Internet. (See page 83.)

Prompt Payment Regulation (5 CFR Part 1315)

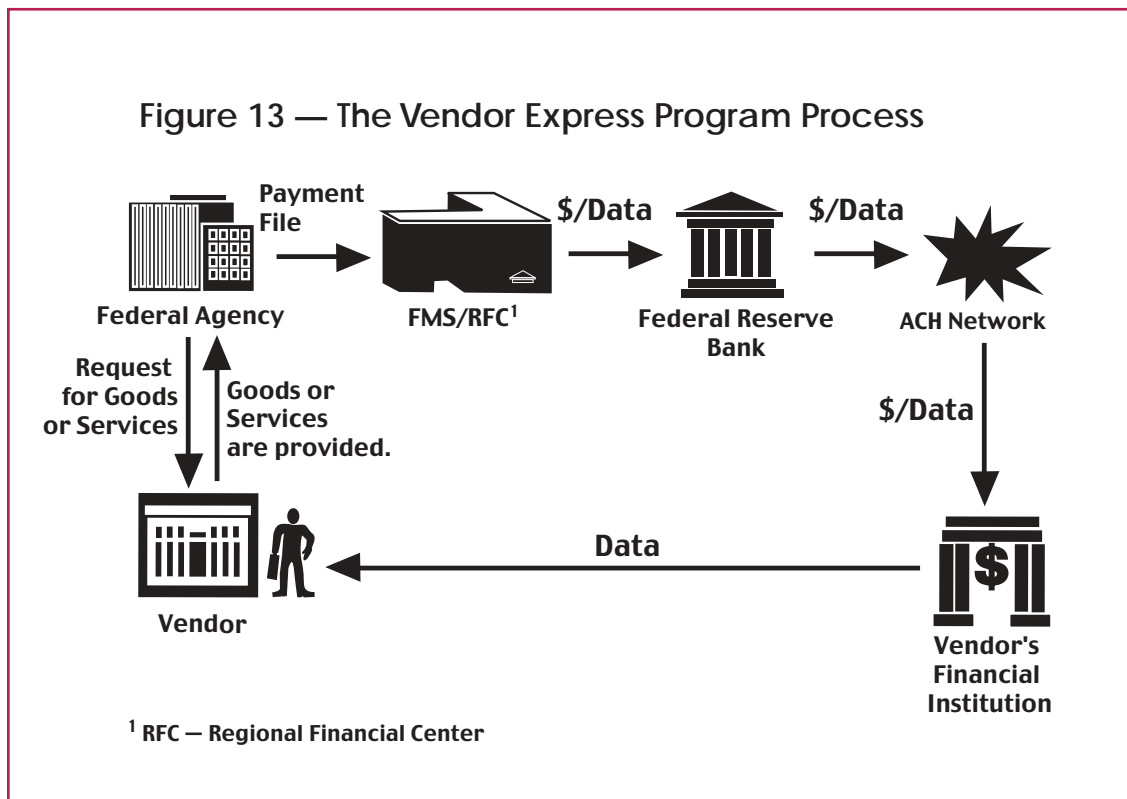
The Prompt Payment Regulation (5 CFR Part 1315) requires Executive departments and agencies to pay commercial obligations within certain time periods and to pay interest penalties when payments are late. The Prompt Payment Regulation reflects the requirements of the Debt Collection Improvement Act of 1996, which requires that most Federal payments, with the exception of tax refunds, be made by electronic funds transfer (EFT) beginning on January 2, 1999.

For more information on the Vendor Express Program, visit the web site at: www.fms.treas.gov/vendor.html.

The Vendor Express Program Process:

- The Federal agency procures goods or services from a vendor.
- The vendor provides goods or services to a Federal agency and submits a bill or invoice requesting payment.
- The Federal agency certifies payment to the vendor by submitting a payment request with payment information (i.e., addendum) to the agency's servicing Regional Financial Center (RFC).
- The RFC processes the Federal agency payment request and transmits the payment and the addendum information to the Federal Reserve Bank (FRB) for processing in the ACH system.
- The FRB passes the payment and addenda record(s) to the vendor's financial institution (FI).

- The vendor's FI credits the payment to the vendor's account on the payment due date, notifies the vendor of the transaction, and provides the addendum information to the vendor as previously agreed. The Treasury's account at the FRB is debited the same day.
- The vendor posts its accounts receivable records from the payment and addendum information received from its FI.



Vendor Express Program Benefits

- Sure and effective way to comply with the Prompt Payment Act.
- Fully traceable payments.
- Lower Government operating costs through reduced manual payment processing and streamlined operations.

➤ International Direct Deposit

The Financial Management Service (FMS) offers an International Direct Deposit (IDD) program that establishes an electronic funds transfer (EFT) service for foreign-resident payment recipients. The IDD program enables Federal payments to go directly to the recipients' accounts at financial institutions through a link between the Federal Reserve Bank of New York (FRBNY) and electronic payment systems in foreign countries (e.g., Bankers Automated Clearing Services (BACS), in the United Kingdom, or the countries' central banks).

Recipients benefit from the program by having their payments automatically converted to local currencies at the lowest exchange rate obtainable, thereby eliminating bank and check-cashing fees. IDD also eliminates the possibility of lost or delayed mail and assures receipt of payment on the payment date.

The Enrollment Process for IDD:

- FMS provides IDD service through one or more of its Regional Financial Centers (RFCs). Detailed processing instructions are available from the Federal agency's servicing RFC.
- Enrollment is generally handled directly between an agency and its recipients. The FRBNY or Federal Benefits Units (FBUs) of U.S. embassies or consulates may provide assistance. FMS will not be involved in the enrollment process.
- Agencies use enrollment information to update their payee records. From this file, agencies will send FMS certified payment requests.

The International Direct Deposit Process:

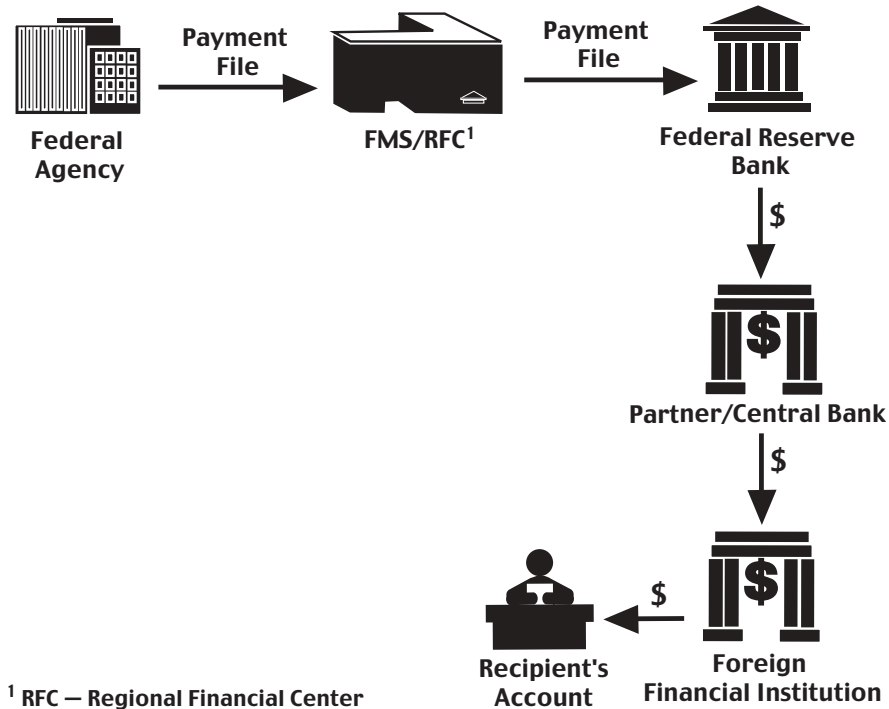
- The Federal agency transmits the payment file (in U.S. dollars) to FMS.
- FMS receives the payment files from the Federal agency; validates the agency's certifications; processes and passes the payment files to the FRBNY.
- Upon receipt of the payment file from FMS, the FRBNY will:
 - Validate the file (format and batch totals);
 - Separate the payments based on the country code in each batch header record;

- Purchase foreign currency from a foreign exchange counterpart; credit the U.S. dollars to the foreign exchange counterpart's account at its correspondent bank in the United States;
 - Convert the U.S. dollar value to its foreign currency equivalent for each country;
 - Convert to the respective payment formats of the foreign countries; either transmits or delivers the payment information for processing by the appropriate foreign payment system (i.e., Partner/Central Bank);
 - Return the file to FMS; and
 - Handle post-payment tasks, such as return items.
- Settlement Instructions - On the settlement date, the foreign exchange counterpart correspondent bank in the destination country will credit the FRBNY's IDD account with the foreign currency.
 - After processing and sorting the payment information received from FRBNY, the Partner/Central Bank will deliver the payments to the designated foreign financial agents.
 - The designated foreign financial agents will credit the recipients' accounts on the established payment date (e.g., the 3rd of the month for the majority of Social Security benefit payments).

Payment Recipient:

The recipient enrolls with the Federal agency. Within a short time, the recipient will receive a direct deposit payment in his/her foreign bank account denominated in the local currency on the designated payment date. The recipient pays no collection fees, benefits from a commercial rate of exchange, and is not subjected to mail delays.

Figure 14 — The International Direct Deposit Process



International Direct Deposit Benefits

Recipient Benefits

- Offers convenience by crediting the recipient's bank account in foreign currency or (in some instances) U.S. dollars in the foreign country.
- Provides a highly dependable, efficient mechanism by crediting the payment on the payment date.
- Eliminates lost, forged, and stolen checks.
- Eliminates check cashing fees.
- Receives a better exchange rate (U.S. dollars to foreign currency).

Agency/Government Benefits

- Eliminates duplicate payments.
- Eliminates checks and postage costs.
- Is less costly than checks.
- Reduces paperwork and related administrative costs.

➤ **Electronic Transfer Account**

The Debt Collection Improvement Act (DCIA) of 1996 requires most Federal payments, except for tax refunds, to be made by electronic funds transfer (EFT) after January 1, 1999. The Treasury issued 31 CFR Part 208 (EFT Regulation) on September 25, 1998, to implement the EFT requirements of the DCIA.

The Electronic Transfer Account (ETASM) is an account designed by the Treasury to ensure that individuals who want to receive Federal payments electronically have access to an account at a reasonable cost and with the same consumer protections available to other account holders at the same financial institution. The EFT Regulation provides that any individual receiving a Federal benefit, wage, salary, or retirement payment is eligible to open an ETASM.

In July 1999, the Treasury published in the Federal Register a Notice of ETASM Features. Each financial institution that chooses to offer the ETASM is required to offer the account under the terms and conditions of the ETASM Financial Agency Agreement (FAA). The FAA incorporates, by reference, requirements set forth in the Federal Register Notice of ETASM Features.

Based on the features set forth in the ETASM Notice, the ETASM shall:

- be an individually-owned account in the recipient's name at a Federally insured financial institution;
- be available to any individual who receives a Federal benefit, wage, salary, or retirement payment;
- accept electronic Federal benefit, wage, salary, and retirement payments and other such deposits as a financial institution agrees to permit;
- be subject to a maximum price of \$3 a month;
- allow each month, at no extra charge, a minimum of four cash withdrawals through any combination of proprietary automated teller machine and/or over-the-counter transactions, and four balance inquiries;
- provide the same consumer protections available to other account holders at the financial institution;

- allow access to the financial institution's on-line point-of-sale network, if available;
- require no minimum balance, except as required by Federal or State law;
- be either an interest-bearing or non-interest-bearing account at the option of the financial institution; and
- provide a monthly statement.

Participation in the ETASM Program is voluntary for financial institutions and Federal payment recipients.

The ETA Process:

Deposits made to an ETASM follow the same process as described for Direct Deposit. (See page 45.)

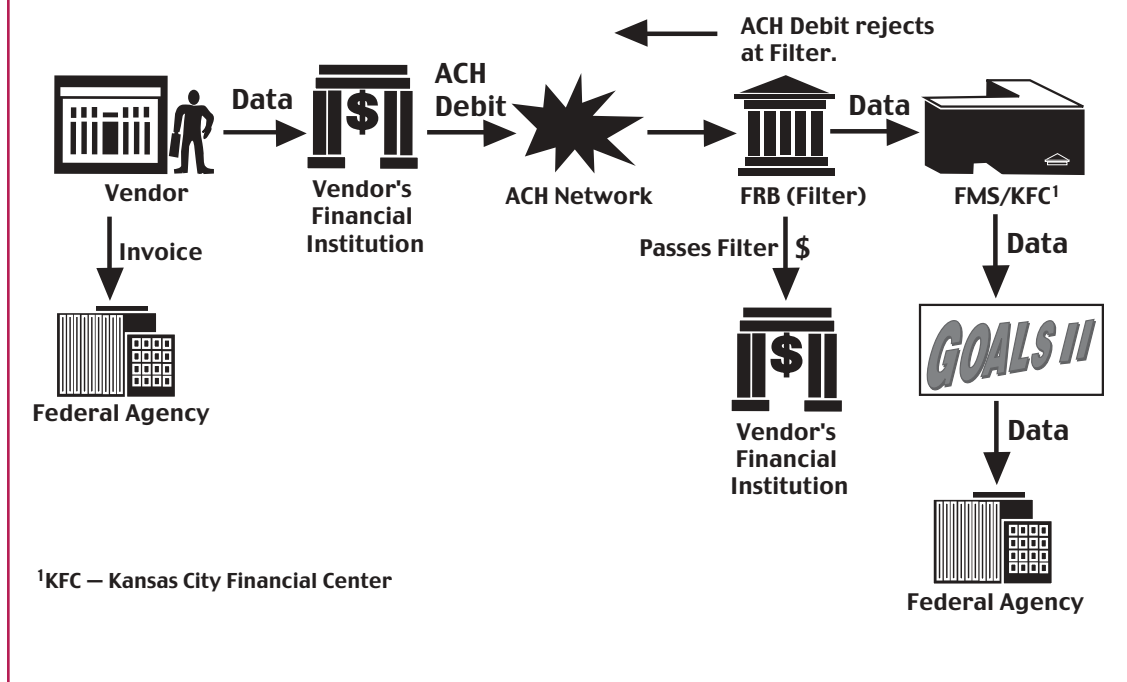
➤ Prime Pay

Prime Pay is an Automated Clearing House (ACH) payment initiated by a vendor for goods or services provided to a Federal agency. To participate in Prime Pay, the Federal program agency and the vendor agree to payment terms, and the Federal program agency certifies to the Financial Management Service (FMS) the vendor's ability to participate in the Prime Pay option. This program is only available through and managed by FMS Kansas City Financial Center.

The Prime Pay Process:

- The vendor submits an invoice to the agency.
- The vendor, through its financial institution, initiates the ACH debit transaction along with pertinent payment information (e.g., invoice, contract, etc.).
- The transaction flows through the ACH system to the Federal Reserve Bank (FRB). At the FRB, security is maintained through the use of a “filter.” The filter rejects any ACH debit transaction that does not match specific criteria, including originating bank, vendor, and dollar limits. If the ACH transaction passes the debit filter, the information is delivered to FMS.
- FMS sorts and delivers the payment information to the designated Federal agencies.
- The Federal agencies update their accounts payable systems and reconcile ACH charges to original invoices from the vendor or other supporting documentation.
- Funds settlement occurs on the designated payment date. The Federal Reserve Bank (FRB) charges the Treasury's account and simultaneously credits the account of the vendor's financial institution.
- The Kansas City Financial Center reports the data to the agency via GOALS II.

Figure 15 — The Prime Pay Process



Prime Pay Benefits

Vendor Benefits

- Controls the collection of funds.
- Accelerates the collection of funds.
- Streamlines accounts receivable processing.

Agency/Government Benefits

- Streamlines accounts payable processing.
- Provides direct cost savings from negotiating discounts and no late payments.
- Improves quality of service to customers.
- Eliminates costs associated with checks.

➤ Fedwire

Fedwire is the Federal Reserve Communications System linking the 12 Federal Reserve District banks, its 25 branches, and certain eligible U.S. depository institutions. Fedwire is a transaction-by-transaction processing system designed for only high-dollar, low-volume items that must be received by payees the same day as originated by the agency.

If both the originating and receiving depository institutions are in the same Federal Reserve district, the FRB makes the appropriate entries to pass value from the originating financial institution's account to the receiving financial institution's account. The FRB then notifies the receiving institution of the transfer by sending a message over Fedwire. If the two institutions are in different districts, the FRB in the originating district notifies the FRB in the receiving district, and then arrange to pass value between the two, settling through the Interdistrict Settlement Fund.

The Fedwire network is a series of connections among the FRBs, linking each bank with at least two other FRBs to provide alternate communication lines in case of breakdowns. The FRB guarantees to pass value as of the date the Fedwire transfer is initiated, if the transfer meets all required criteria, including the initiation cutoff deadline.

The FRB tries to complete a given transaction within minutes after receiving it from the originating institution. Interdistrict transfers take longer because two FRBs must handle the message. However, the total elapsed time is normally 30 minutes or less.

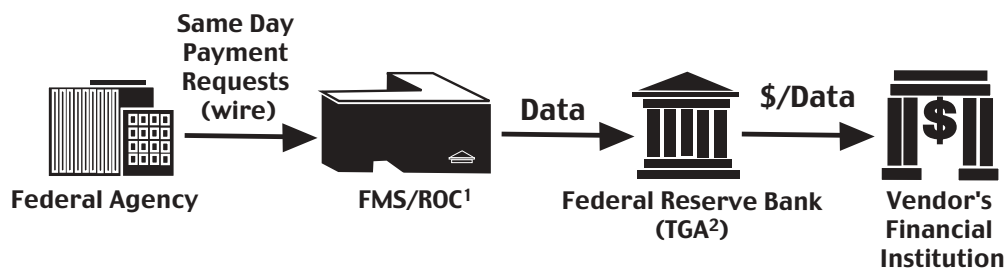
The charge the FRB imposes on member banks for Fedwire service is much less than the fee banks generally charge their customers for the service. The certainty of settlement and the speed of the transaction, however, make it ideal for large dollar transactions.

The Fedwire Process for Payments:

- A Federal program agency (FPA) uses the Electronic Certification System (ECS) to submit a file of Same-Day Payment Requests (SDPR) to an FMS Regional Operations Center (ROC).

- After FMS' authentication, the SDPR is forwarded to the Bank Communication System (BCS) application for conversion to Fedwire format and on-line host-to-host delivery to the Federal Reserve Bank of New York for subsequent delivery to the payee's financial institution.
- The Fedwire payment process is managed by the Philadelphia and San Francisco Regional Financial Centers.

Figure 16 — The Fedwire Process for Payments



¹ ROC — Regional Operations Center

² TGA — Treasury's General Account

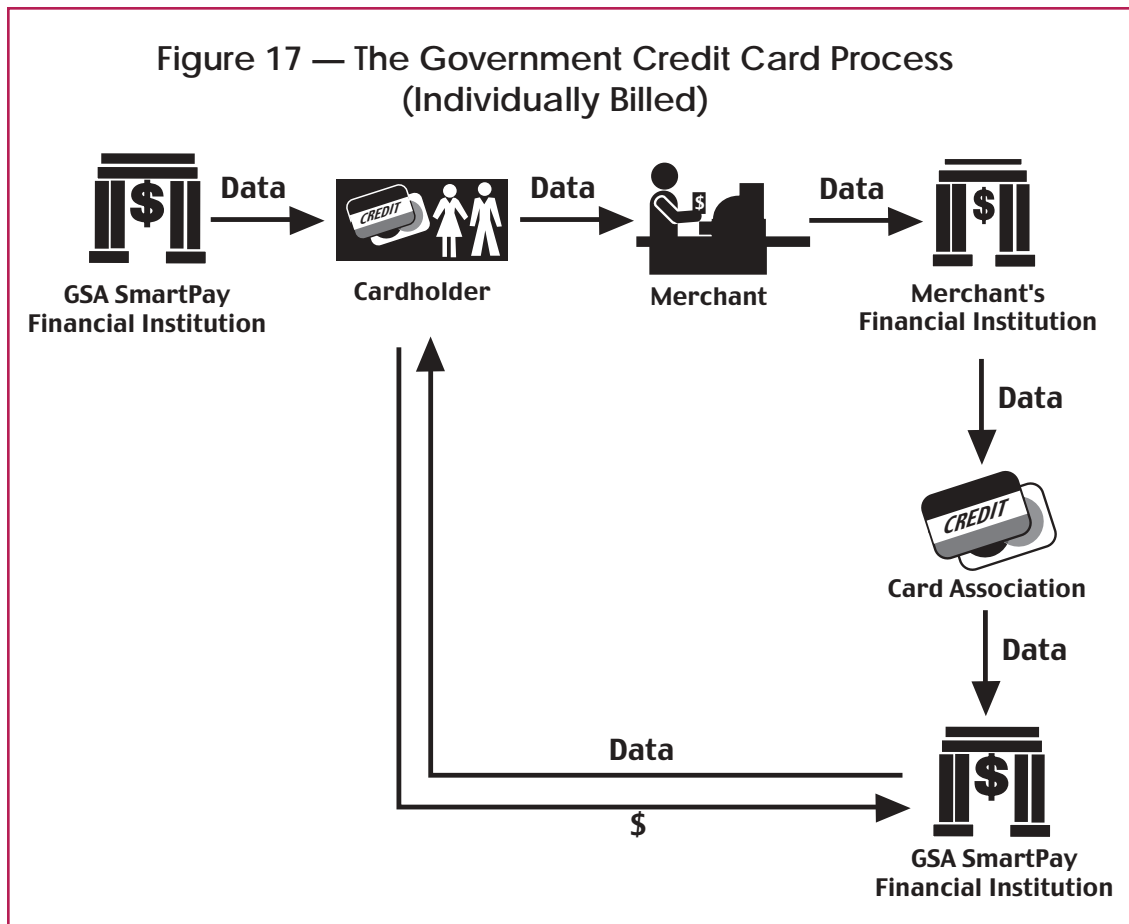
➤ **Government Credit Card — (Travel, Purchase, and Fleet Cards)**

The General Services Administration (GSA) established the GSA SmartPay Program to provide Government credit cards to use for travel, purchase, and fuel and maintenance of agency-owned or leased vehicles, airplanes, boats, and equipment. GSA awarded contracts to five financial institutions to issue VISA or MasterCard credit cards to Federal employees. The credit cards are used by authorized employees to make purchases and pay for travel expenses. The card bears the employee's name and can only be used by this individual.

The Government Credit Card Process:

- The GSA SmartPay financial institution (FI) issues a credit card to the cardholder.
- The cardholder makes a purchase from the merchant.
- The merchant sends the data to its FI.
- The merchant's FI sends the data through the card association.
- Data flows from the card association to the cardholder's FI designated by the Federal agency.
- For individually-billed travel cards, the cardholder's FI will send the data (credit card statement) to the cardholder. The cardholder will send the funds to its designated FI. (For centrally-billed travel, purchase, and fleet cards, the bill is reviewed by the cardholder or Travel Management Center and payment is made by the agency.)

Figure 17 — The Government Credit Card Process
(Individually Billed)



Government Credit Card Benefits

- Requires no administrative fee to use the card.
- Streamlines the procurement and payment process.
- Reduces cash held in the imprest fund.
- Provides volume discounts.
- Reduces administrative costs.
- Provides an audit trail, reduces exposure to theft or fraud, improves control, and provides timely information and reports.
- Offers worldwide acceptability by merchants.
- Eliminates need for individual agency contracts since card services are provided through a governmentwide GSA contract.

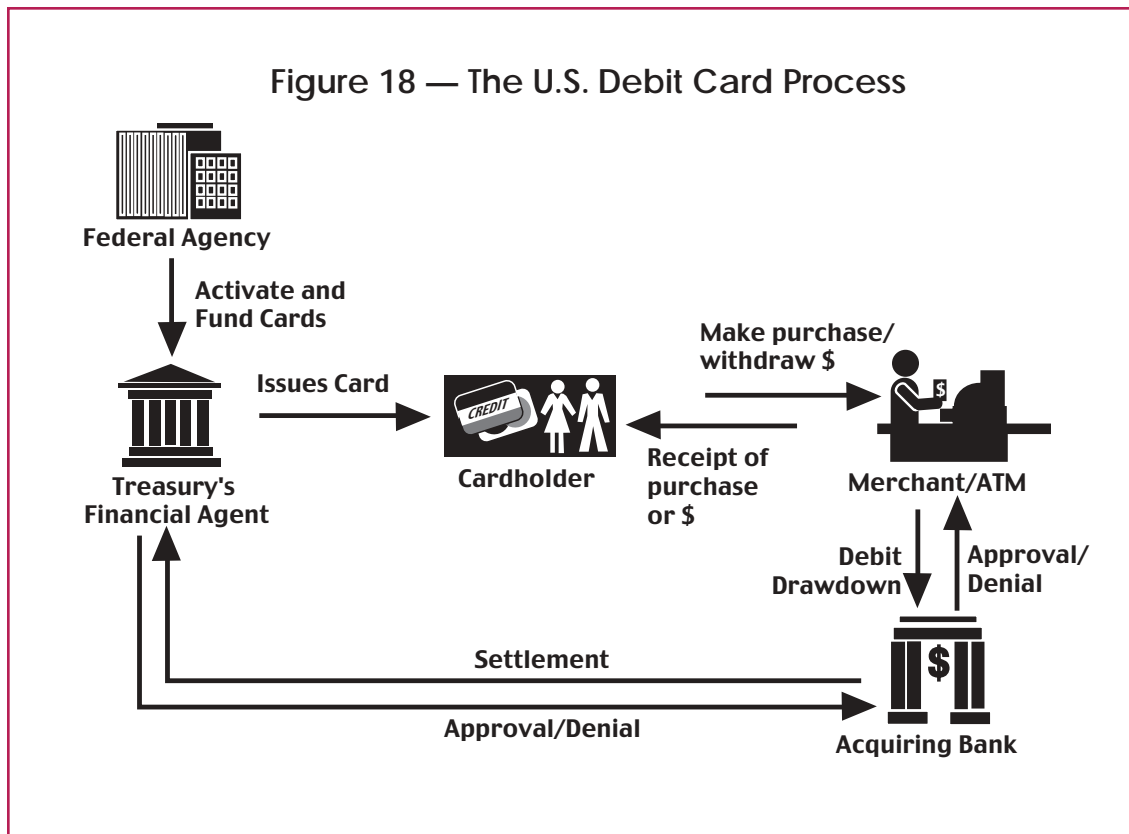
➤ U.S. Debit Card

The U.S. Debit Card is a magnetic-stripped card intended to replace cash, checks, and Third Party Drafts used by Federal agency cashiers. The cards use the on-line debit system that requires the use of a personal identification number (PIN) and the off-line debit system that uses the cardholder's signature as authorization. The card can be pre-funded for a specific amount or the value can be set as they are issued.

The U.S. Debit Card Process:

- Federal agencies establish an account with FMS' designated financial agent. The account may be pre-funded or the Automated Standard Application for Payments (ASAP) system may be used.
- Federal agencies activate and fund the cards by entering the financial agent's Internet site and enabling the debit card to access a designated amount of funds. Once the debit card is activated and funded, the cardholder can have immediate access to funds or access can be scheduled for a future date.
- When an individual receives the U.S. Debit Card, he or she can obtain funds at an automated teller machine (ATM) and purchase items or services at the point-of-sale. Card balances may be obtained by accessing the voice response system. Expanded capabilities, such as changing PIN numbers, are available to the cardholder by entering the financial agent's Internet site.
- Federal agencies and cardholders may view reports on-line or request reports to be e-mailed in an Excel file from the financial agent.
- As the debit card is used, the account with the financial agent is debited by the amount of the transactions. If the ASAP system is used by the Federal agencies, the financial agent requests a drawdown of funds in the amount of the day's transactions during end of day processing.

Figure 18 — The U.S. Debit Card Process



U.S. Debit Card Benefits

- Provides versatility and security.
- Provides immediate access to cash, purchases, and services.
- Facilitates the elimination of imprest funds.
- Maintains funds in the Treasury's account until withdrawn.

► Stored Value Cards

Stored Value Cards (SVCs) are smart cards with electronic value stored on the card's embedded computer chip. The SVC looks like a credit or a debit card, but uses chip technology versus the conventional magnetic stripe. The Financial Management Service (FMS) has been using SVCs in a variety of "closed" environments. Most of these applications have been in partnership with the Department of Defense (DOD).

The Departments of the Army and Air Force, and the U.S. Marine Corps are providing recruits with SVCs at military training sites. Each recruit is issued an SVC pre-loaded with an advancement of salary. The recruits use their cards to purchase supplies and services required during military training at the merchant locations on base.

Stored value card programs are currently being used at several overseas peacekeeping bases, such as in Bosnia. Stored Value Cards are the standard means of making payments to soldiers, civilians, and contractors for an advance of pay, check-cashing operations, and cash conversions. The finance office issues the soldier, civilian, or contractor a personalized, reloadable SVC, which must be used for the duration of the cardholder's deployment on the base. The SVC is used to purchase goods and services at all merchant locations on the base and to purchase foreign currency from the finance office.

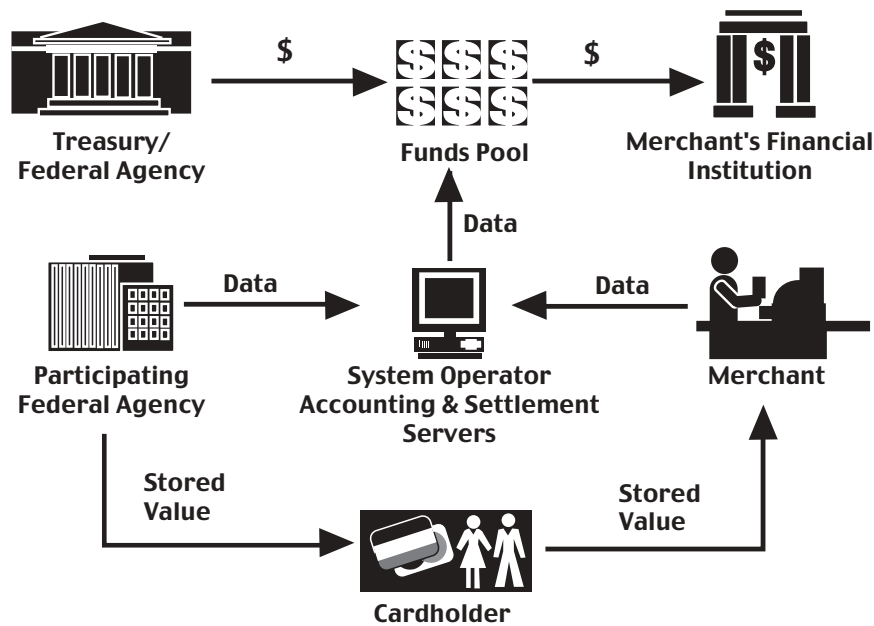
Similar SVC programs are being implemented with the Department of the Navy to replace coins and currency on board ships. This card uses the SVC application on the chip for purchases on board the ship, and a magnetic stripe for purchases or automated teller machine (ATM) cash withdrawals when ashore.

The Stored Value Card Process:

- FMS sends SVCs to the participating agency.
- The agency issues and activates the SVCs.
- If the value is not pre-loaded by FMS, the agency writes value onto the card. A file with all of the cards issued, activated, and funds loaded is sent to the back-end server.
- The agency or FMS will debit a funding source and place the funds into a funds pool.
- The cardholder purchases goods and/or services by inserting the card into a point-of-sale terminal at merchant locations. The electronic value is deducted from the card and stored in the point-of-sale terminal.

- The point-of-sale terminals are uploaded to a back-end server. The value collected by the merchant locations for sales is debited from the funds pool. The merchants' bank accounts in the United States are credited via ACH.

Figure 19 — The Stored Value Card Process



Stored Value Card Benefits

Cardholder Benefits

- Reduces the potential for loss of funds.
- Provides an easy-to-use, secure payment method at designated sites.

Agency/Government Benefits

- Reduces funds held outside the Treasury.
- Eliminates the cost to transport, secure, and account for coins and currency.
- Automates payments, accounting, and settlement processes.
- Streamlines business processes.
- Supports the stability of local currency (when used outside the United States).

► Society for Worldwide Interbank Financial Telecommunications

The Society for Worldwide Interbank Financial Telecommunications (SWIFT) is a worldwide interbank telecommunications network. SWIFT is a secure, inexpensive international messaging system that exchanges financial data securely to more than 7,000 financial institutions in 192 countries. Secure messaging helps members, sub-members, and participants reduce costs, improve automation, and manage risk.

SWIFT's purpose is to provide technology-based communication services across all financial markets through member banks so that they can profitably meet their own and their end-customers' needs.

SWIFT can only be used between member banks for administrative messages such as:

- payment instructions;
- funds transfers for customers;
- funds transfers for the bank's account;
- advices and foreign exchange transactions;
- confirmations and advices concerning loans and deposits;
- collection advices and payment acknowledgments;
- letters of credit;
- balance reports; and
- advices and confirmations of securities transactions.

The actual settlement of funds is executed by a member bank operating on the instructions of the member bank that has sent the SWIFT message. Funds settlement can occur in U.S. dollars or foreign currency.

Currently, the U.S. Department of State's U.S. Disbursing Officers (USDOS) use the SWIFT network to transmit payment instructions, through the Federal Reserve Bank of New York (FRBNY), to banks overseas where the USDOS have bank accounts. Payment instructions can be for payments in U.S. dollars or foreign currency to payees overseas.

SWIFT Benefits

Recipient Benefits

- Offers convenience by crediting the recipient's bank account in foreign currency or U.S. dollars in the foreign country.
- Provides a highly dependable, efficient mechanism by crediting the payment on the payment date.
- Eliminates lost, forged, and stolen checks.
- Eliminates check-cashing fees (exchange U.S. dollar check for foreign currency).

Agency/Government Benefits

- Eliminates checks and postage costs.
- Is less costly than checks.
- Reduces paperwork and related administrative costs.

International Vendor Payments

FMS' Kansas City Financial Center (KFC) provides international payment services in local currencies for U.S.-based (domestic) Federal agencies. These payments are designed to meet the needs of Federal agencies that do not have regular (recurrent) business overseas or who are not normally serviced by the Department of State. The payments to benefit recipients and vendors can be made via check or EFT. Contact the KFC Customer Assistance Staff at (816) 414-2100.

Grant Payment Systems

There are two governmentwide Grant Payment Systems: (1) Automated Standard Application for Payments (ASAP), a Financial Management Service (FMS) system, and (2) Payment Management System (PMS), a Health and Human Services (HHS) system.

In 1998, the Chief Financial Officers (CFO) Council mandated that all Federal grantor agencies use either ASAP or the PMS by October 2002. Another recommendation from the CFO Council requested that FMS and HHS work together to build a common front-end interface for users to access both systems.

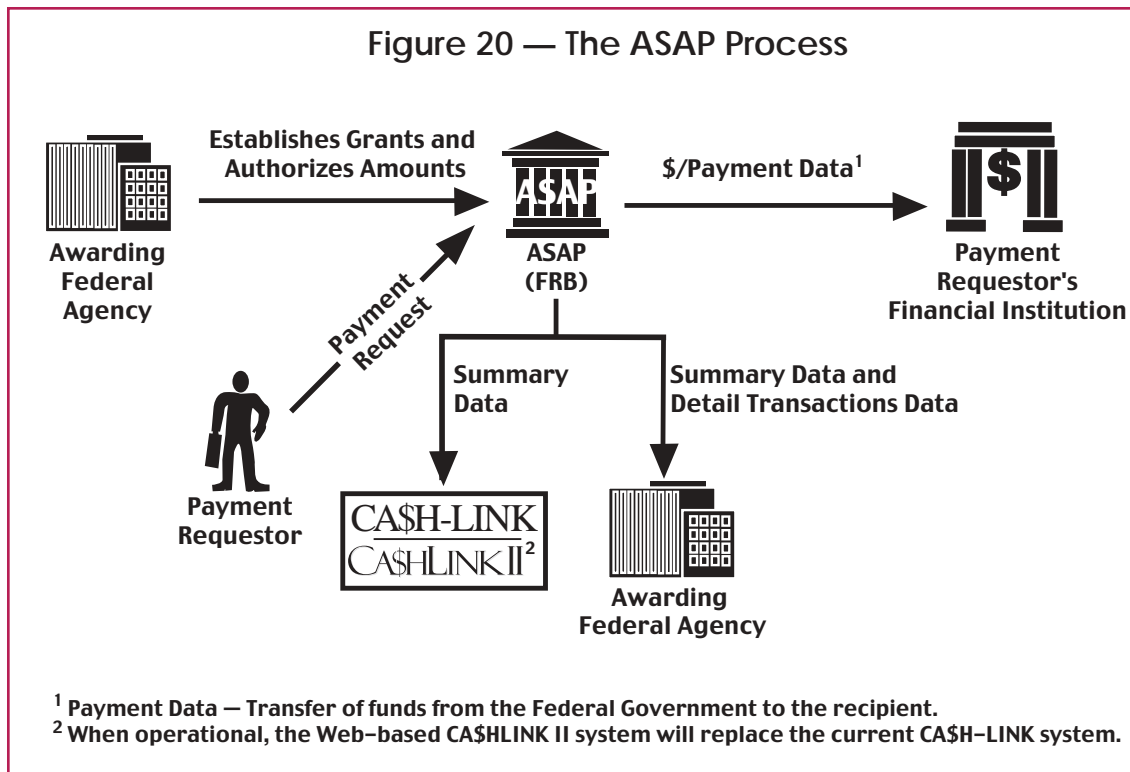
➤ Automated Standard Application for Payments

Automated Standard Application for Payments (ASAP) is an all-electronic payment and information system through which grantee organizations receiving Federal funds can draw from accounts preauthorized by Federal agencies. ASAP is also used to make replenishment payments to designated financial agents that are performing financial services for FMS and other Federal agencies.

The ASAP Process:

- Agencies establish and maintain accounts in ASAP to control the flow of funds to organizations. Federal agencies enter spending authorizations into their ASAP accounts in accordance with their program needs and schedules.
- Payment requestors at grantee organizations and designated financial agents initiate payment requests through ASAP to meet cash needs. This is done primarily through on-line connections with ASAP. In a case where a financial institution is acting as an agent to the organization, a request for funds can be made via the Federal Reserve's Fedwire system.
- ASAP submits the funds and payment data to the payment requestor's financial institution. Approved requests for next-day or future-day payments are accomplished via the Automated Clearing House (ACH) system. Same-day payments are accomplished via the Fedwire system.
- ASAP submits summary data to CASH-LINK/CA\$HLINK II and submits summary data and detail transactions data to the awarding agency.

Figure 20 — The ASAP Process



ASAP Benefits

Recipient Organizations

- Highly secure electronic access from the recipient's desktop.
- Touch-tone phone payment request capability.
- Same-day payment within minutes via direct link to Fedwire.
- Next-day and future-day payments via direct link to ACH.
- Payment warehousing capability.
- Flexibility to create individual and summary payment requests.
- Payment requestor templates for storing recurring payment requests.
- Recipient-defined remittance codes for ASAP accounts.

- On-line review of up-to-the-minute ASAP account balances, account statements, transaction detail, and payment status.
- A single entry point for recipients to request Federal funds.
- Extended hours of operation – ACH payment requests cutoff at 11:59 p.m. eastern standard time (EST) for next-day payments; and Fedwire payment requests cutoff at 5:45 p.m. EST for same-day payments.
- Nationwide customer service and support through FMS' Regional Financial Centers in three time zones.
- Opportunity to provide input on the system's design through active ASAP user groups.

Federal Agencies

- Accounts that are defined, managed, and controlled by the awarding agency.
- Nationwide customer service and support through FMS' Regional Financial Centers in three time zones.
- Highly secure automated interfaces between agency systems and ASAP for account management, authorization, and reporting functions.
- Optional agency review of payment requests.
- Opportunity to provide input on the system's design through active ASAP user groups.
- Up-to-the-minute on-line inquiry of ASAP account balances, account statements, transaction detail, and payment status.
- Highly secure on-line access from the agency user's desktop.
- Extended hours of operation, with batch files processed immediately upon receipt.
- Centralized grant payment and information system improving inter- and intra-governmental efficiency and effectiveness.

► Payment Management System

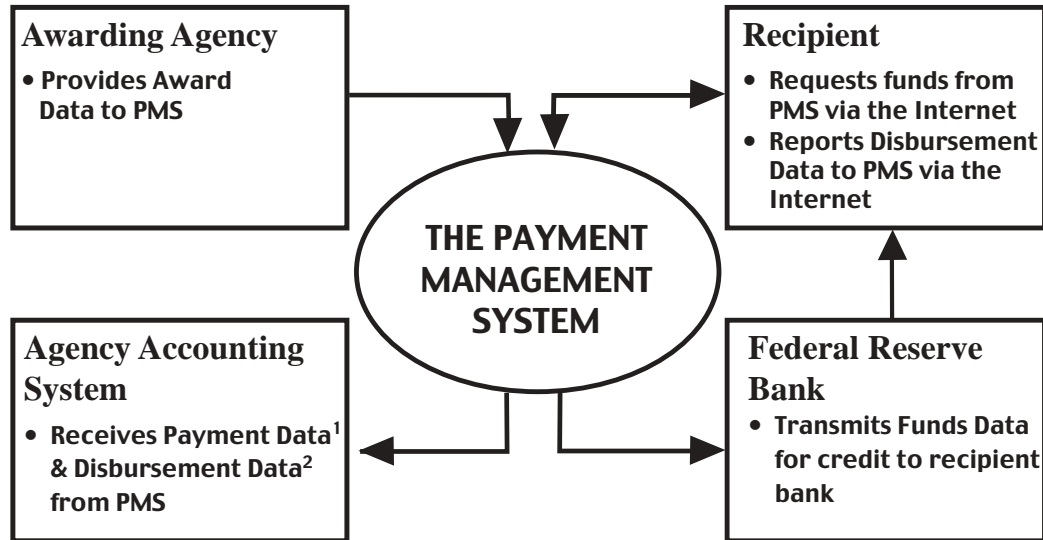
The Payment Management System (PMS) is operated by the Division of Payment Management (DPM) of the Department of Health and Human Services (HHS). The DPM's mission is to provide world class financial and administrative support services to HHS and other Federal agencies in the arena of grant payments and cash management.

PMS serves as a fiscal intermediary between awarding agencies and the recipients of grants and contracts. PMS places particular emphasis on: (1) expediting the flow of cash between the Federal Government and recipients; (2) receiving and reporting recipient disbursement data to the awarding agencies; and (3) managing cash advances to recipients.

The system, which is Web-enabled and Internet accessible, performs the following functions:

- 1) Record authorized amounts from Federal awarding agencies on-line via the Internet;
- 2) Receive payment requests from recipients on-line via the Internet;
- 3) Edit these payment requests for accuracy and content on-line and on a real-time basis;
- 4) Transmit the authorization to the Federal Reserve Bank for ACH (next day) payments or through the Treasury's Electronic Certification System for Fedwire (same day) payments;
- 5) Record the payment transactions and corresponding disbursement transactions in the appropriate recipient account(s) and maintain available (undrawn) grant balances on such accounts; and
- 6) Update agency accounting systems on such payment transactions and available grant balances.

Figure 21 — The Payment Management System Process



¹ Payment Data – Transfer of funds from the Federal Government to the recipient.

² Disbursement Data – Expenditure of Federal funds by the recipient.

Payment Management System Benefits

Recipient Organizations

- Convenience of a Web-based access from any location.
- Convenience of electronic payment in a secure environment.
- Same-day and next-day funds availability.
- On-line, real-time inquiry capability on account balances, payment status and history, and award information.
- A single entry point for recipients to request Federal funds.
- Convenience of an electronic interfaced system for award authorization information and disbursement reporting.
- Availability of warehousing payment delivery.
- Direct and specialized staff support to recipients for awards, payment and disbursement-related questions from 7:00 a.m. to 7:30 p.m. eastern standard time.
- Touch-tone phone access for requesting funds.

Federal Awarding Agencies

- Automated system contributes greatly to awarding agency's administrative savings.
- Web-based posting of award authorizations.
- Up-to-the-minute information on account balances, payment status and history, and award information through the Internet.
- Central standardized application for Federal grant payment and reporting services.
- Electronic transfer of payment and disbursement data to awarding agency accounting systems.
- Direct and specialized staff support for award authorization postings from 7:00 a.m. to 7:30 p.m. eastern standard time.
- Fiscal year-end disbursement accrual calculations.
- Cash management enforcement.
- Audit confirmation and resolution services.
- Cash Management Improvement Act (CMIA) annual Federal Interest Liability Review Services.

Cash and Checks

► Imprest Funds

An imprest fund is a fixed cash or petty cash fund. Monies in imprest funds are held outside of the Treasury. Many Federal agencies maintain an imprest fund cashier to make small purchases and other payments. As funds are depleted, they are replenished by Treasury check or electronic payment depending upon capabilities, needs, and policies of the Federal agency.

As imprest funds are held outside of the Treasury's account at the Federal Reserve Bank, they increase the Nation's outstanding debt and therefore carry an implied interest cost. There are other concerns involving imprest funds, including security of the cash and reconciliation of cash balances. For these reasons, the Treasury issued a policy directive advising Federal agencies to eliminate agency imprest funds, except for waived payments, by October 1, 2001.

Imprest Fund Benefits

- Cash is on hand for emergency purchases.

➤ Third Party Drafts

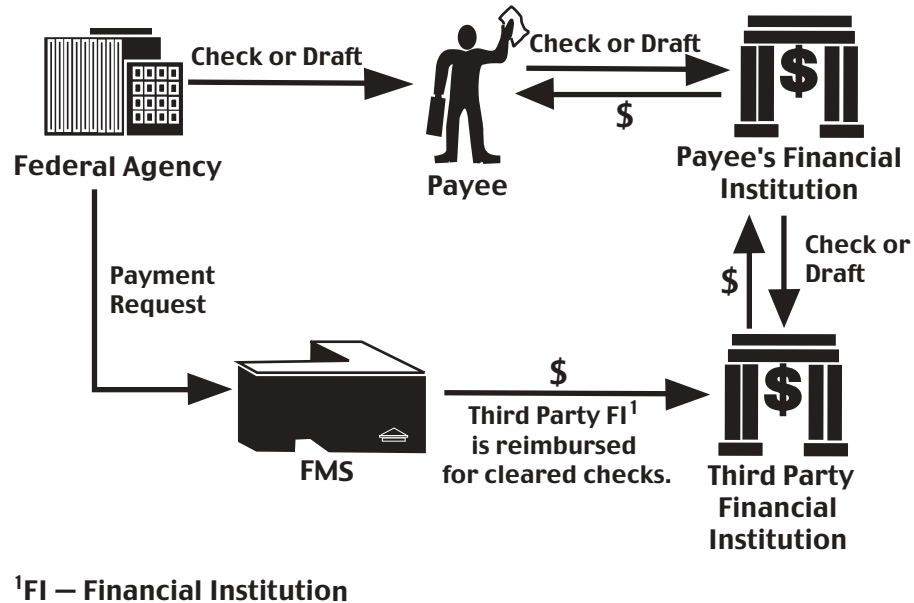
Third Party Drafts are check-like instruments drawn on and paid by an outside contractor (typically a financial institution). The contractor supplies the Federal agency with check stock to be issued against an account maintained by the contractor. The Third Party Draft is often used to reduce or eliminate imprest funds, while maintaining the ability to make on-the-spot payments.

Each agency establishes the maximum amount for which it will issue Third Party Drafts. However, the face value of each draft must not exceed \$10,000, and this limitation must be printed on the face of the draft. An agency requiring a draft amount limit higher than \$10,000 must request a waiver. It must send a request for waiver detailing the benefits and savings to the Financial Management Service, the Director of the Cash Management Policy and Planning Division for review and approval. (See Appendix C, FMS Locator.)

The Third Party Draft Process:

- The assigned person (or cashier) at the Federal agency completes the check with payee information (i.e., name, amount, and invoice number).
- The check is given to the payee, who deposits or cashes the check at its financial institution.
- Once the check is accepted, it flows through the Federal Reserve Bank and is presented for payment at the issuing financial institution.
- The contractor advises the Federal agency of the amount of cleared checks.
- The Federal agency requests the servicing Regional Financial Center to send a Fedwire payment to the contractor that is equal to the amount of the cleared checks.

Figure 22 — The Third Party Draft Process



Third Party Draft Benefits

- Reduces the need for cash.
- Reduces cashier liability.
- Provides additional audit trails and internal control.
- Provides timely payments.
- Improves data collection.
- Reduces the risk of theft and fraud.
- Provides ability to meet emergency demands.

► Treasury Checks

Treasury checks are issued by the Financial Management Service's Regional Financial Centers (RFC) at the request of a Federal agency Certifying Officer (CO). Typically, checks are mailed to recipients who deposit or cash the checks at their own financial institutions. Checks may be used for any type of payment. While most checks are issued by the U.S. Treasury, non-Treasury Disbursing Officers have the authority to issue U.S. Treasury checks.

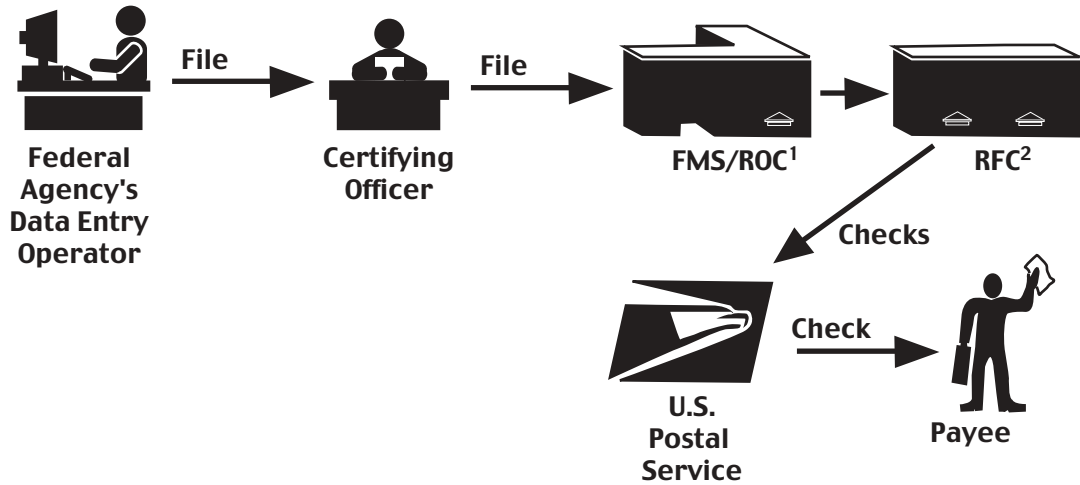
The Treasury Check Process:

A Federal Program Agency (FPA) has two options for delivery of check payment files to FMS. They are Host-to-Host Bulk and the Electronic Certification System (ECS).

- Host-to-Host Bulk – a check payment file is transmitted directly from the FPA host computer to FMS host computer located in a Regional Operations Center (ROC). When the host-to-host bulk method is used, an accompanying document known as a Summary Schedule is sent via ECS. The Summary of Schedule is the CO's certification for the payment file. The payment file is then matched up with the Summary Schedule to complete the authentication process allowing FMS to create the checks for subsequent delivery to the Postal Service.
- ECS – an FPA Data Entry Operator creates a check payment file on an ECS personal computer for subsequent certification by an FPA CO. The certified payment file is then transmitted to the ECS application at a ROC for subsequent authentication and check creation. The checks are then delivered to the Postal Service.

For more information on the ECS process, see page 79.

Figure 23 — The Treasury Check Process



¹ ROC —Regional Operations Center
² RFC — Regional Financial Center

Treasury Check Benefits

- Provides an audit trail.
- Allows for economies of scale and centralized control.
- Provides accompanying documentation explaining the reason for payment.

Section 3 - *Other Payment Management Tools*

Electronic Certification System

The Electronic Certification System (ECS) is an automated system for voucher preparation, certification, transmission, and verification that replaces the manual optical character recognition (OCR) paper voucher and signature process. The ECS, developed by the Financial Management Service, generates voucher schedules, electronically certifies the vouchers, and transmits them via a dial-up telephone line to a mainframe host computer at the agency's servicing Regional Financial Center (RFC). The electronic certification process provides positive identification of the certifying officer who authorizes the voucher for payment and ensures the authenticity of the transmitted data.

The ECS also detects any deliberate or inadvertent manipulation, modification, and loss of data between the time the voucher is certified in the Federal program agency microcomputer and the time it is verified at the servicing RFC host computer.

The advantages of the ECS include the following:

- Improves payment integrity; protects against forged certifications and altered vouchers.
- Eliminates manual typing of vouchers; estimated 54 percent reduction in voucher preparation time with the ECS versus typing.
- Eliminates possibility of loss or delay of vouchers delivered by mail or courier.
- Maintains positive control over payment date. (Payments are dated and issued the day after transmission and verification, which results in reduced interest payments to vendors.)
- Reduces possibility of duplicate schedules being paid. (The ECS automatically rejects duplicate schedule numbers.)
- Saves cost of blank paper SF 1166 (Voucher and Schedule of Payment) forms, which is currently 55 cents each.
- Eliminates cost and management of SF 1166 forms.
- Eliminates the manual process of voucher examination, signature verification, and OCR scanning at the RFCs.

The ECS accepts all classes of payments for both Automated Clearing House and paper-check disbursing. It also provides for Same-Day Payment Requests and a Summary Schedule feature that certifies host-to-host telecommunicated payment files. The ECS uses a centralized key management system that provides for the capability to connect to multiple RFCs with one ECS personal computer. All payment data transmissions are verified using the Message Authentication Code technology at the servicing RFC prior to acceptance and processing of the payments. The ECS is operational at all of FMS' RFCs.

Secure Payment System

The Secure Payment System (SPS), a replacement for the ECS, is a state-of-the-art Internet capable client/server payment application scheduled for implementation in Fiscal Year 2003. Client personal computers at Federal program agencies will connect to the SPS host server application via the Internet or dial-up communications. Security and authentication techniques will be supported using the latest Public Key Infrastructure technologies.

Electronic Funds Transfer

On April 26, 1996, President Clinton signed into law historic legislation that has a major impact on the way the Federal Government makes payments. The Debt Collection Improvement Act of 1996, part of the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Public Law 104-134), requires the use of electronic funds transfer (EFT) for most Federal payments. This law applies to all payments, with the exception of tax refunds, made by Federal agencies and corporations. This includes Federal agency payments that are disbursed by the Financial Management Service (FMS) or those agencies with delegated or statutory disbursing authority. Additionally, the Act applies to recurring and nonrecurring payments, and appropriated and nonappropriated disbursements. The EFT provisions in the law are:

- EFT includes most transfers of funds other than cash or transfers originated by paper instruments, including Automated Clearing House (ACH), Fedwire, credit cards, automated teller machine (ATM), and point-of-sale (POS) transactions.
- The use of EFT was greatly expanded for all Federal payments after January 1, 1999.
- EFT is not required when an individual determines, in his or her sole discretion, that payment by EFT would impose a hardship.
- Recipients should designate one or more financial institutions or authorized payment agents to which these payments are made. Also, recipients should provide agencies with the necessary information to make these EFT payments, including the taxpayer identification number.
- Federal payments include, but are not limited to, Federal wage, salary, retirement, vendor, expense reimbursement, and benefit payments.

For more information on EFT, refer to 31 CFR 208 (Management of Federal Agency Disbursements) at: www.fms.treas.gov/eft/regs.

Central Contractor Registration

The Department of Defense (DOD) created a Central Contractor Registration (CCR) database in July 1998. The CCR is the primary database for current, accurate, and complete vendor information. This database now includes nearly 185,000 active registrants.

The CCR database includes all of the banking and other information necessary to make accurate and timely payments to vendors through electronic means. Contractors must be registered within the CCR to receive DOD contracts and payments. By keeping their CCR registrations current, contractors avoid repeated submission of vendor information, reducing a source of errors in contract payments and tax reporting. The system enables one-time entry and maintenance by the vendors, validates the Data Universal Numbering System (DUNS) number and Commercial And Government Entity (CAGE) code, and then provides the data to DOD and other Federal vendor databases.

The CCR is available to all Federal agencies through the Department of Defense. For more information on the CCR, see: <http://www.ccr2000.com>.

Payment Advice Internet Delivery

The Financial Management Service (FMS) developed the Payment Advice Internet Delivery (PAID) system to provide participating Federal agencies a method of making remittance information available to their vendors through the Internet.

The Debt Collection Improvement Act mandates that after January 1, 1999, all Federal payments, including vendor payments, must be made electronically. Electronic vendor payments with remittance information are sent to the vendor's financial institution (FI) through the Automated Clearing House (ACH) system. The vendor's FI passes remittance information to the vendor per a pre-existing agreement with the vendor.

The PAID system is free of charge to registered vendors with Internet access and is free of charge to participating Federal agencies. An agency interested in participating in PAID should contact the PAID administrator at the e-mail address: **web.afc@fms.treas.gov**. The agency will need to sign a Memorandum of Understanding with FMS. Once all the necessary information has been provided and the agreement has been finalized, the agency will notify its vendors that PAID is available.

Vendor Participation

To participate in PAID, a vendor must be using an Internet browser with the capabilities equivalent to Microsoft Internet Explorer version 3.x (or greater) or Netscape Navigator version 3.x (or greater). Vendors interested in participating in PAID should first check the list of participating agencies to determine if any of the agencies paying them are participants.

Vendors must register for PAID on-line by completing the registration form and choosing one of the following delivery methods: Web access to remittance data, e-mail delivery of remittance data, or e-mail notification of new remittance data. The PAID webmaster will verify and activate the vendor's registration, and the vendor will receive e-mail notification of acceptance. A vendor need only register one time for each taxpayer identification number (TIN) to access remittance data from all participating agencies.

Data in the PAID System

Displayed data fields are limited to the paying agency, date of payment, payment amount, invoice number, and other remittance information such as interest penalty (as provided by the agency in the addendum record). The TIN is used as the key to the vendor registration, but it is not displayed in PAID. Also, banking information is not part of PAID.

PAID only contains data on payments made by participating agencies to registered vendors. Vendors can only access their own payment data. PAID contains data for CCD+ payments only. Given the amount of remittance information contained in the CTX format, it is assumed that vendors receiving those transactions have existing agreements with their financial institutions to provide them with remittance information.

After receiving the registration acceptance notice, a vendor can log into PAID and query payments by date, date range, invoice number, dollar amount, agency, or any combination thereof. If a vendor registers for e-mail delivery of remittance data, it will receive a message containing its remittance information. If a vendor registers for e-mail notification, it will receive a message that it has new remittance information in PAID. Data should be available within 24 hours of the date of payment; and the data is retained for 2 months from the date of payment.

Information in PAID appears as it is provided by the Federal agency authorizing the payment. If a vendor has any questions or needs additional information about data displayed in PAID, it must contact the agency that authorized the payment.

Cash Management Improvement Act

The Cash Management Improvement Act (CMIA) was enacted in 1990 to improve the transfer of Federal funds between the Federal Government and the States. The statutory purpose of CMIA is to:

- Ensure **efficiency** by minimizing the time between the transfer of funds to the States and the payout for program purposes;
- Provide **effectiveness** by ensuring that Federal funds are available when requested; and
- Ensure **equity** by assessing an interest liability to the Federal Government and/or the States to compensate for the lost value of funds.

The CMIA program applies to the 50 States, the District of Columbia, Puerto Rico, and the Territories of American Samoa, Guam, Northern Mariana Islands, and the Virgin Islands. The key partners involved in the CMIA process are the U.S. Treasury, the Federal granting agencies (20 Federal agencies), and the States.

All Federal financial assistance to the States is covered (some exceptions apply). This assistance includes approximately 250 grants. The program requires that major assistance programs, large dollar programs, are included in a written Treasury-State Agreement (TSA) that specifies how the Federal funds transfers will take place. In the event of an early drawdown or late payment of funds for the major assistance programs, an interest liability may accrue. More than 100 Federal programs are included in the TSAs, with an average of approximately 15-25 programs per State. The TSAs include/identify the following:

- Agents, Authority, Duration;
- Covered Programs/Covered Agencies;
- Definition of Funding Techniques;
- Grant-by-Grant Application of Funding Techniques; and
- Clearance Pattern Methodology.

The States also submit annual reports to FMS by December 31 of each year that include:

- Federal Interest Liabilities (calculated for each major grant program),
- State Interest Liabilities (calculated for each major grant program), and
- Direct Costs Claims (state costs for a portion of the CMIA administrative costs).

CHAPTER FOUR: Intra-governmental Transfers

Intra-governmental Payment and Collection System



THE INTRA-GOVERNMENTAL PAYMENT AND COLLECTION (IPAC) System is one of the major components of the Government On-Line Accounting Link System II (GOALS II). The IPAC System contains multiple components that consist of the following:

1. IPAC application, which handles intra-governmental fund transfers between agencies;
2. Retirement and Insurance Transfer System (RITS), which handles agency retirement and insurance payments to the Office of Personnel Management; and
3. Treasury Receivable Accounting and Collection System (TRACS) interface.

The IPAC application's primary purpose is to provide a standardized inter-agency fund transfer mechanism for Federal program agencies (FPAs). It facilitates the intra-governmental transfer of funds, with descriptive data, from one FPA to another.

FPAs have the opportunity to send transactions to IPAC via on-line or bulk file connections. The connection type is determined by each FPA. On-line transactions will be processed immediately. Bulk file transactions will be processed as close to real time as possible, depending on system volume and availability. In a future release, IPAC will offer the capability for FPAs to send transactions via electronic data interchange (EDI).

IPAC Benefits

- Provides immediate processing of transactions;
- Provides additional business information with each individual transaction, assisting in the identification and timely reconciliation of transactions;
- Provides an Internet solution and supports Electronic Commerce for intra-governmental transactions;
- Provides a vehicle for transmitting accounting data to support the classification process within each agency; and
- Reduces cost for intra-governmental transaction processing.

FEDTAX II

FEDTAX II provides Federal agencies with a single system interface that allows for electronic payment of Federal withholding taxes and filing of the Form 941, Employer's Quarterly Federal Tax Return.

Access: Agencies access the FEDTAX II system through the World Wide Web or through a Virtual Private Network (VPN) using a local dial-up telephone number. Once a Federal agency user has logged into the system with a user ID and password, FEDTAX II offers a consistent look and feel regardless of the mode of access. The Web allows FMS to deploy FEDTAX II in a manner that is least intrusive to agencies' computer and network configurations, while a VPN is an alternative to agencies unwilling or unable to use the Internet.

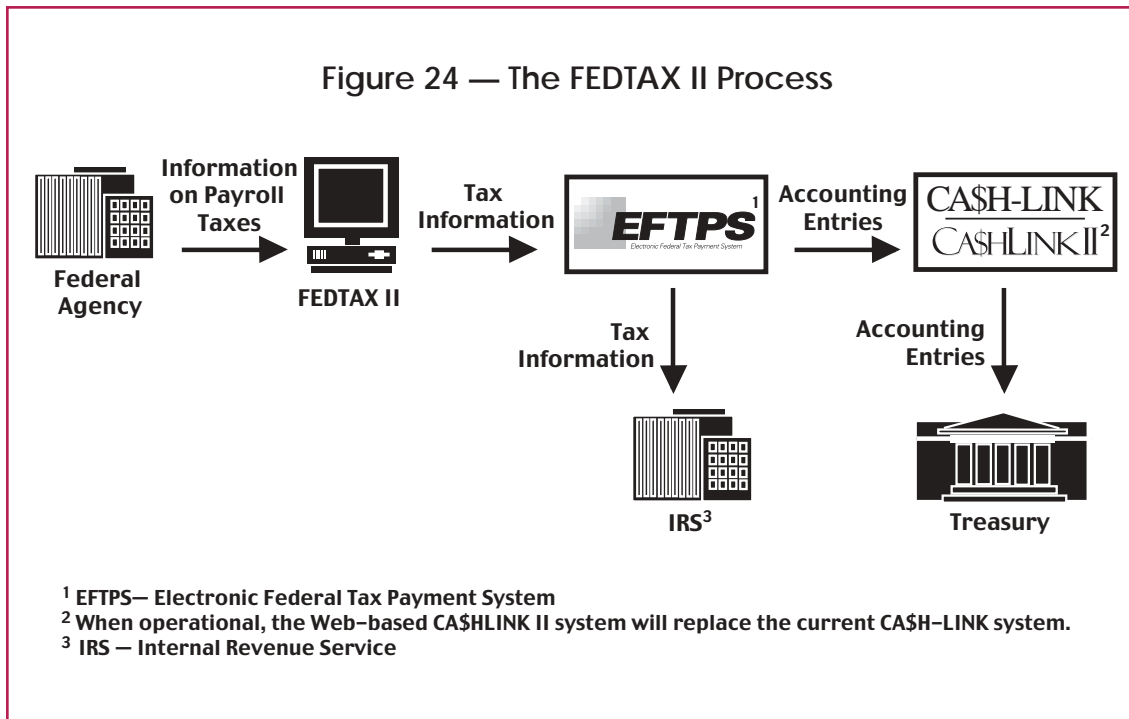
Funds Settlement: Funds settlement occurs between the account of the paying Federal agency and the Internal Revenue Service (IRS) at 8:00 p.m. eastern standard time each business day. While IRS is in fact being credited with the amount of the various Federal agencies' tax payments, funds never actually pass through the banking system. Instead, FEDTAX II creates a debit voucher for each Agency Location Code/ Employer Identification Number having reported Federal tax payments for a given day. A deposit ticket, summarizing the total payments made for a given day, is created for IRS. The debit voucher and deposit ticket information is reported to the Treasury through CASH-LINK/CASHLINK II, which results in an accounting entry into the central accounting system of the United States.

Filing Form 941, Employer's Quarterly Federal Tax Return: In addition to effecting tax payments to IRS, FEDTAX II produces a Form 941 filing based on payments made throughout the quarter for the agency's final review and approval. Instead of printing and signing a paper 941 to be mailed, the FEDTAX II system generates an electronic version for transmission to IRS. Using a personal identification number (PIN) specifically issued by IRS for this purpose, the Federal agency "signs" the return on-line with the PIN and transmits the Form 941 to the FEDTAX II system. FEDTAX II in turn creates the electronic version of Form 941 using ANSI X12 EDI standards, and transmits it to IRS. IRS is then able to verify the PIN and accept or decline the return.

The FEDTAX II Process:

- The Federal agency enters information on payroll taxes into the FEDTAX II system.
- The tax information is reported to the Electronic Federal Tax Payment System (EFTPS).
- The system sends accounting entries to the Treasury through CASH-LINK/CASHLINK II, which results in an accounting entry into the Treasury's centralized accounting system.
- The EFTPS then reports the tax information to IRS.

Figure 24 — The FEDTAX II Process




FEDTAX II Benefits

- Improves speed, efficiency, and accuracy of revenue collections.
- Improves speed, efficiency, and accuracy of 941 filing.
- Eliminates labor-intensive paper processing.
- Eliminates the need to prepare Treasury checks.
- Allows funds to remain in the Treasury's account.

CHAPTER FIVE: Tax Collection Systems

Electronic Federal Tax Payment System

 IN 1993, CONGRESS passed legislation, the North American Free Trade Agreement, requiring the Treasury to issue regulations that would phase in the use of electronic funds transfer (EFT) for depository tax payments during the period 1994-99. The legislation required that at the end of the phase-in period, and thereafter, 94 percent of all depository taxes collected in the United States must be paid electronically.

The Treasury embarked on an effort to modernize the collection of tax revenue. The Electronic Federal Tax Payment System (EFTPS) uses EFT and advanced communication technology, including electronic data interchange. The Treasury developed the final design of the EFTPS in 1994 and implemented the system in 1996.

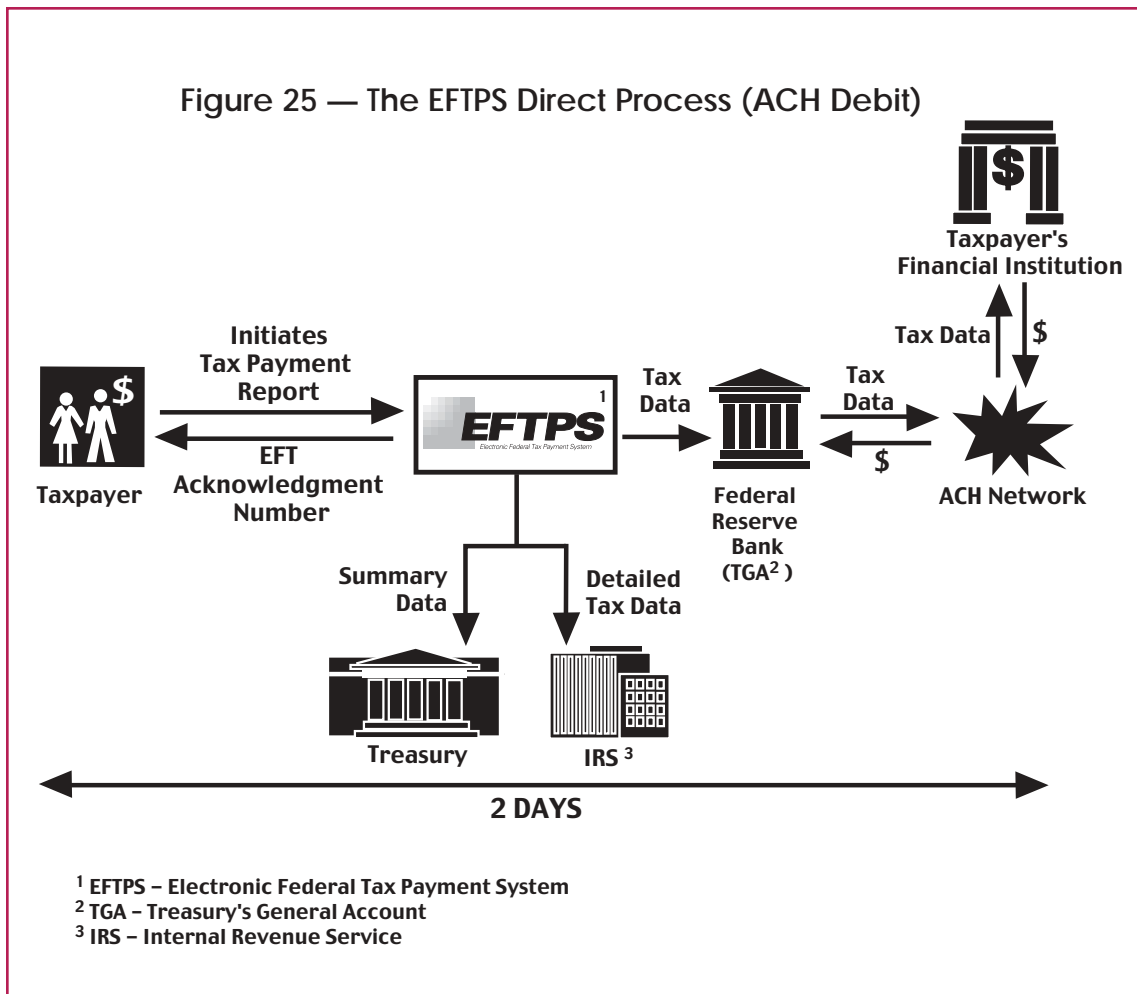
The EFTPS allows corporate businesses and individuals to pay their taxes electronically. The Treasury has designated two financial agents to provide EFTPS services. Each financial agent receives taxes from remitters in its designated half of the country. Payments can be made via Automated Clearing House transactions or wire transfers.

EFTPS – Direct (ACH Debit)

Here is how EFTPS - Direct works:

- The taxpayer contacts EFTPS to initiate payment via the Internet, PC software, or telephone at least 1 calendar day before the tax due date.
- The taxpayer receives the EFT acknowledgment number as a receipt of the scheduled ACH debit transaction.
- EFTPS originates an ACH Debit to the taxpayer's designated bank account.
- The funds move to the Treasury's account at the FRB on the due date.
- The tax data is reported to the IRS to update the taxpayer's tax records.

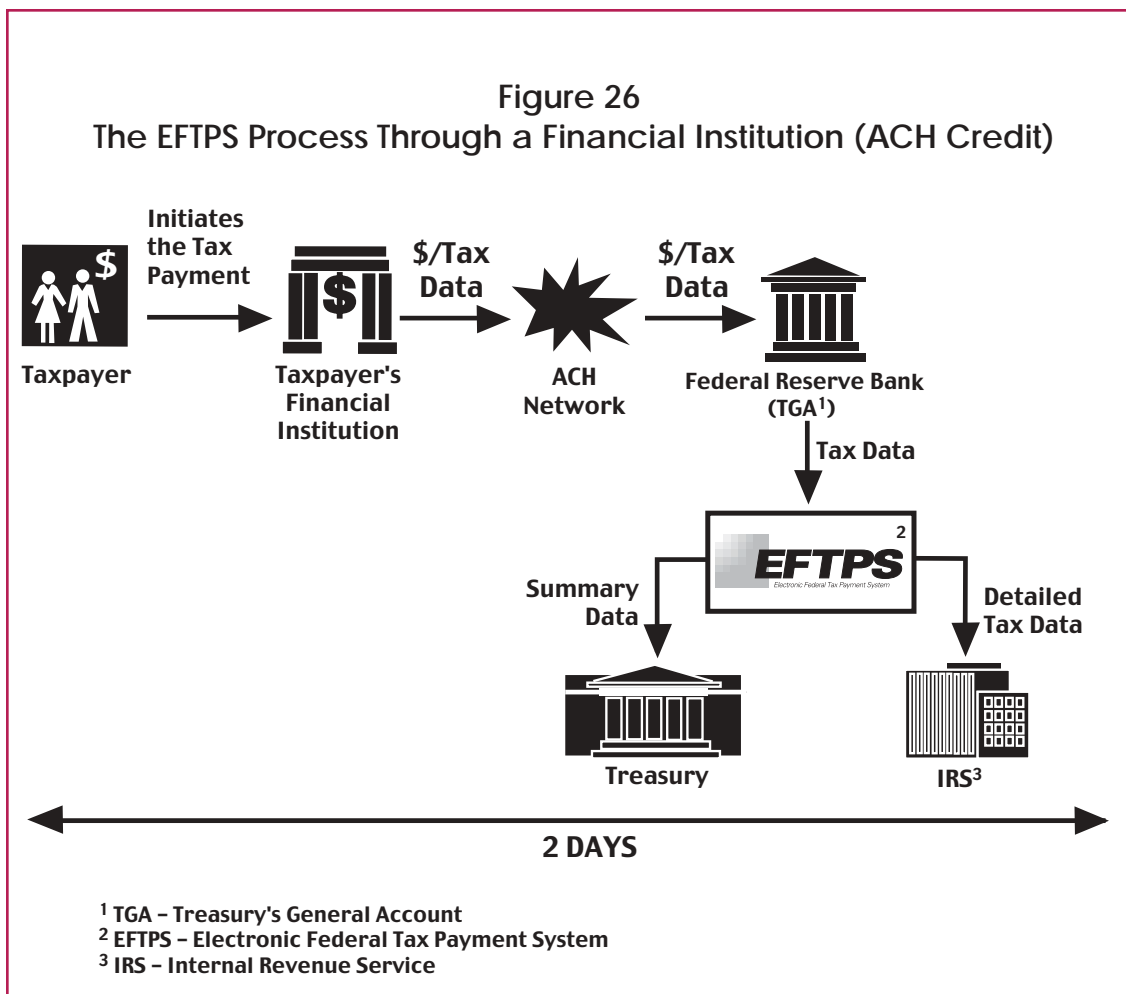
Figure 25 — The EFTPS Direct Process (ACH Debit)



EFTPS – Through a Financial Institution (ACH Credit)

Here is how EFTPS - Through a Financial Institution works:

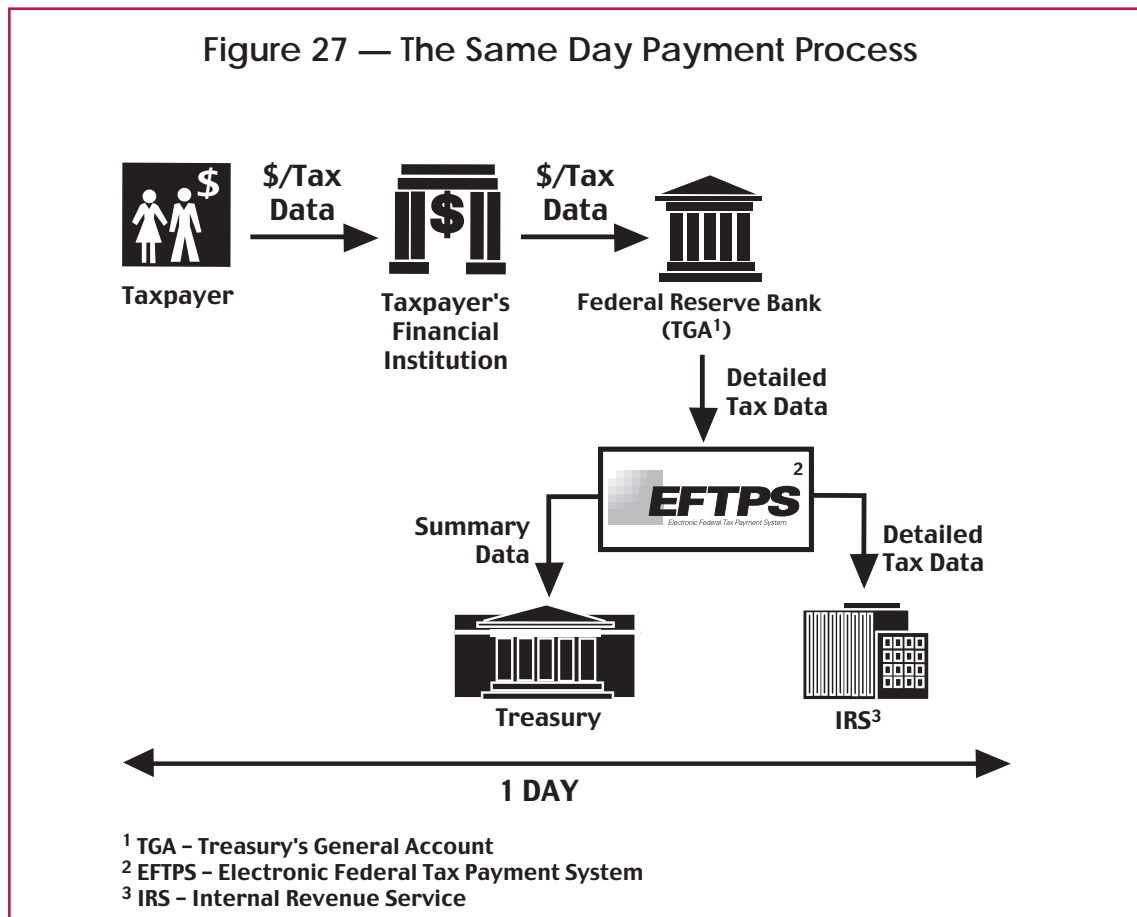
- At least 1 day prior to the tax due date, the taxpayer initiates the tax payment through its financial institution.
- The taxpayer's financial institution originates an ACH credit transaction to EFTPS.
- The funds move directly to the Treasury the day after origination.
- The tax data is reported to the IRS to update the taxpayer's tax records.



Same Day Payment (Wire Transfer)

Here is how the Same Day Payment works:

- The taxpayer initiates a wire transfer for payment through its financial institution.
- The taxpayer's financial institution originates the payment.
- The funds move directly into the Treasury the same day.
- The tax data is reported to the IRS to update the taxpayer's tax records.



EFTPS Benefits

- Expedites the deposit of funds to the Government.
- Improves speed, efficiency, and accuracy of revenue collections.
- Eliminates labor-intensive paper processing.
- Reduces the burden of compliance on taxpayers.

Treasury Tax and Loan Program: Treasury Investment Program/Paper Tax System

The Treasury Tax and Loan (TT&L) program enables participating financial institutions (FIs) to collect Federal tax payments from its customers and/or retain these funds (provided all funds retained for any period are fully collateralized) at a competitive rate of interest. These funds can provide an FI with a ready source of liquidity. The TT&L program has three major functions: tax collection/settlement; withdrawals/investments; and collateral monitoring. Two TT&L system enhancements, the Treasury Investment Program (TIP) and the Paper Tax System (PATA), assist in the tax collection and investment process for both FIs and the Treasury.

TIP and PATA are applications centralized at the Federal Reserve Bank of St. Louis. TIP is the TT&L enhancement used to collect and report business tax payments (remitted electronically through EFTPS or through PATA) and invest Treasury funds with participating FIs. The PATA enhancement collects, adjusts, and reports all Advices of Credit (AOC) representing paper Federal Tax Deposits (FTDs). These systems provide timely information to the Treasury and interface on an hourly basis with the Federal Reserve systems, resulting in hourly debits and/or credits to an FI's Federal Reserve account. TT&L statements are delivered electronically to FIs to provide timely access to TT&L account information.

Participants in the TT&L program are classified as follows:

■ Collectors

A Collector Depository accepts electronic and/or paper tax payments from its business customers. The amount of paper tax deposits collected by the depository is withdrawn from the FI's Reserve account for deposit to the Treasury's account on the business day that the Federal Reserve receives AOC information supporting the deposits. Electronic tax deposits are remitted immediately.

■ Retainers

A Retainer Depository accepts electronic and/or paper tax payments from its business customers. Retainers may retain the tax deposits depending on their balance limit, collateral value, and account balance. All investments in a Retainer's TIP Main Account must be fully collateralized, and FIs pay the Treasury interest for use of the funds. Although notice is generally given, funds may be withdrawn at any time at the Treasury's discretion.

■ Investors

An Investor Depository may retain a portion of the tax deposits received through electronic and/or paper tax payments and/or accept funds from the Treasury via Direct Investments, Dynamic Investments, or Special Direct Investments (SDIs). All investments in an Investor's TIP Main or SDI account must be fully collateralized, and FIs pay the Treasury interest for use of the funds. Although notice is generally given, funds may be withdrawn at any time at the Treasury's discretion.

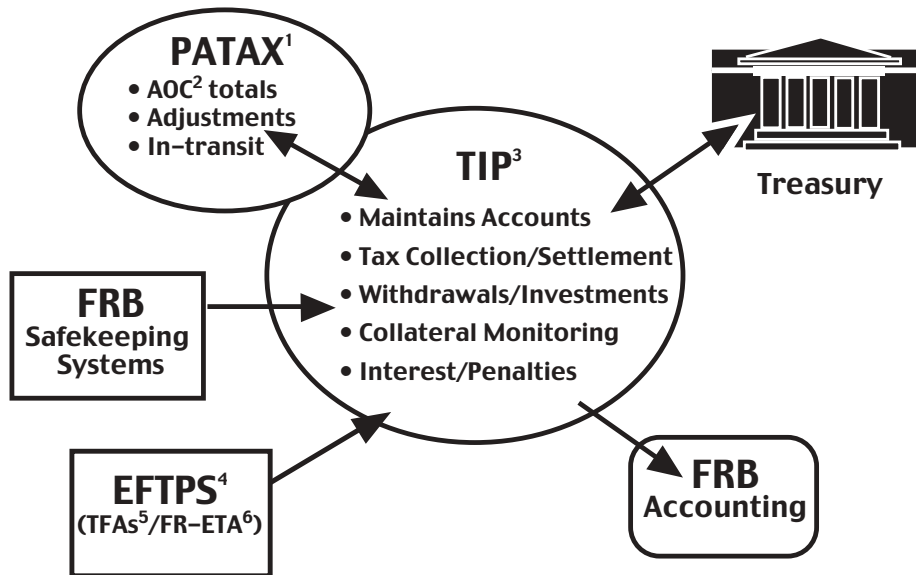
The Paper Tax (PATAX) System Process:

- Business taxpayers remit Federal tax payments by presenting a Federal Tax Deposit (FTD) coupon to a designated TT&L depository.
- The depository prepares an Advice of Credit (AOC) summarizing FTDs for the business day.
- Immediately after completing its AOC, a depository sends the IRS copy of the AOC, with the corresponding FTD coupons, to its IRS service center.
- In addition, depositories must send AOC data electronically to PATAX on the business day following the day the depository received the deposits and supporting AOC.
- PATAX collects, adjusts, and reports AOCs and monitors in-transit funds.

The Treasury Investment Program (TIP) Process:

- TIP assists the Treasury with its cash management processes and performs all TT&L program functions except collecting AOC and adjustment data.
- TIP interfaces with EFTPS, PATAX and the FRB safekeeping (collateral) systems and maintains accounts for financial institutions in furtherance of three major functions: (1) Tax Collection/Settlement, (2) Withdrawals/Investments, and (3) Collateral Monitoring.

Figure 28 — The Paper Tax System Process and The Treasury Investment Program Process



- ¹ PATAx — Paper Tax System
² AOC — Advice of Credit
³ TIP — Treasury Investment Program
⁴ EFTPS — Electronic Federal Tax Payment System
⁵ TFAs — Treasury Financial Agents
⁶ FR-ETA — Federal Reserve, Electronic Tax Application

TT&L/TIP/PATAx Benefits


Retainer/Investor Depository Benefits

- Ready source of liquidity.
- Use of Federal monies at a competitive interest rate.
- Timely access to all TT&L account positions/information.

Government Benefits

- Competitive interest earned by the Government when monies are withdrawn by the Treasury from an FI's account.
- Specific collateral requirements and hourly collateral monitoring mitigate risks associated with monies held outside of the Treasury.
- Timely collection, reporting, and investing of funds.

CHAPTER SIX: Credit Management

 FEDERAL CREDIT PROGRAMS are created to accomplish a variety of social and economic goals. The purpose of the Government's loan programs is to promote the Nation's welfare by making direct loans and guaranteed loans to segments of the population not adequately served by non-Federal institutions. For those unable to afford credit at the market rate, Federal credit programs provide subsidies in the form of direct loans offered at an interest rate lower than the market rate. For customers which private sector financial institutions consider poor credit risks, Federal credit programs guarantee the payment of these loans and absorb the cost of defaults.

Federal receivables, whether from credit programs or other non-tax sources, must be serviced and collected in an efficient and effective manner to protect the value of the Federal Government's assets and ensure proper management of the Federal Government's debt portfolio.

The Treasury, acting through the Office of Domestic Finance, works with the Office of Management and Budget to develop Federal credit policies and/or review legislation to create new credit programs or to expand or modify existing credit programs. The Financial Management Service (FMS) issues operational and procedural guidelines regarding governmentwide credit management such as "Managing Federal Receivables" and the "Guide to the Federal Credit Bureau Program." FMS, under its program responsibility for credit and debt management and as an active member of the Federal Credit Policy Working Group, assists in improving credit and debt management activities governmentwide.

"Managing Federal Receivables" provides agencies with standards, guidelines, and procedures for the successful management of all receivables activities – from initiating credit, servicing accounts and debt collection, to writing-off and closing-out accounts. The "Guide to the Federal Credit Bureau Program" provides agencies with guidelines and procedures for reporting all delinquent debts to credit reporting agencies as required by law. The Guide also encourages agencies to report debts deemed current (not delinquent) in their debt portfolios that will assist agencies to make better informed decisions when creditworthiness is a criteria for financial assistance.

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CHAPTER SEVEN: Rates

 FEDERAL CASH MANAGEMENT POLICY focuses primarily on two different types of interest rates. These rates are (1) the Current Value of Funds Rate (CVFR) and (2) the Prompt Payment Rate.

- (1) The CVFR is the average investment rate for the Treasury Tax and Loan accounts expressed as an annual rate and published by the Treasury in the Federal Register each year by October 31, to be effective January 1. The rate is subject to quarterly revisions if the annual average (on a moving basis) changes by 2 percent. It reflects the Government's return on funds temporarily invested. The CVFR is used to:
- Assess interest charges for outstanding debts owed to the Federal Government under Section 11 of the Debt Collection Act of 1982, Public Law 97-365, 96 Stat. 1749, 1755 (October 25, 1982).
 - Evaluate the cost effectiveness of a cash discount as a comparison point [see I Treasury Financial Manual (TFM) 6-8000 paragraphs on “Charges for Late Payments” and “Cash Discounts”]. A formula for determining whether a discount is economically justifiable is available on the Prompt Payment Web site at: www.fms.treas.gov/prompt/formulas.html.
 - Determine when Federal agencies should pay purchase card invoices when the card issuer offers a rebate [see 5 CFR (Code of Federal Regulations) Part 1315.8 of the Prompt Payment rule on “Rebates”]. A spreadsheet that automatically calculates the net savings to the Federal Government and determines whether the agency should pay early or on the Prompt Payment due date is available on the Prompt Payment Web site at: www.fms.treas.gov/prompt/rebate.html.
- (2) The Prompt Payment Rate is used for Federal interest payments made to the private sector when the Federal Government is delinquent in paying its obligations. This rate is published in the Federal Register near the end of June and December for application to delinquent payments arising during the succeeding 6-month period.

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APPENDIX A: Glossary

(Terms Used In This Supplement)

ACH Rules – The Operating Rules and the Operating Guidelines published by NACHA – the Electronic Payments Association, a national association of regional member clearing house associations, ACH Operators, and participating financial institutions located in the United States.

Addenda Record – An ACH record type that carries the supplemental data needed to completely identify an account holder(s) or provide information concerning a payment to the Receiving Depository Financial Institution and the Receiver.

Agency – Any department, instrumentality, office, commission, board, service, or corporation owned or controlled by the Government of the United States. ***The term agency does not include a Federal Reserve Bank.***

Agency Location Code (ALC) – A unique 4- or 8-digit number assigned by the Financial Management Service (FMS) to identify agency stations and offices and is used on agency accounting reports and documents.

Annual Item Volume – The number of transactions per year. For collections, a designation of low annual item volume signifies 10,000 or fewer items. A designation of medium annual item volume signifies 10,001 to 120,000 per year. A designation of high annual item volume signifies more than 120,000 items.

Appropriation – A statute, under the jurisdiction of the House and Senate Committees on Appropriations, that generally provides authorization for Federal agencies to incur obligations and make payments out of the Treasury for specified purposes.

Authentication – The process of determining whether someone or something is, in fact, who or what it is declared to be. In private and public computer networks (including the Internet), authentication is commonly done through the use of logon passwords.

Automated Clearing House (ACH) – A funds transfer system governed by the NACHA Operating Rules that provides for the interbank clearing of electronic debit and credit entries for participating financial institutions.

Automated Standard Application for Payments (ASAP) – A recipient-initiated payment and information system, designed to provide a single point of contact for the request and delivery of Federal funds.

Availability of Funds – The length of time between the origination of a payment by the remitter and the receipt of usable funds by the receiver.

Billing – The means by which the Government places a demand for payment against an entity that is indebted to the Government. Procedures encompass all steps from the determination of services rendered or goods delivered to the presentation of the document to the payer.

Biometrics – The science and technology of measuring and statistically analyzing biological data. In information technology, biometrics usually refers to technologies for measuring and analyzing human body characteristics such as fingerprints, eye retinas and irises, voice patterns, facial patterns, and hand measurements.

Cash Flow – Each category of incoming funds including specific program sources, reimbursements from travelers, and collection of overpayments; and disbursements including payroll, vendors, and travel. These categories may be divided further to indicate a specific type of collection or disbursement mechanism. An individual agency program may have one or more separate cash flows.

CASH-LINK – An electronic cash concentration and information system used to manage the collection of U.S. Government funds throughout the world and provide deposit information to Federal agencies. When operational, the Web-based CASHLINK II system will replace the current CASH-LINK system.

Cash Management Improvement Act – An Act to ensure greater efficiency, effectiveness, and equity in the exchange of funds between the Federal Government and the States.

CASH TRACK – A system that processes cash position management data from the Federal Reserve Banks, Internal Revenue Service, Bureau of the Public Debt, CASHLINK II, and other miscellaneous sources.

Collection – The receipt of funds by one source from another for the payment of goods and/or services.

Commercial And Government Entity (CAGE) Code – A five-character identification number used extensively within the Department of Defense.

Credit Card – A machine-readable plastic card that has been issued, usually by a financial institution (FI), to individuals offering an instant line of credit for low-dollar purchases.

Customer Assistance Staff – A component of the Financial Management Service, Regional Financial Center, that provides customer assistance to other government entities, the Federal Reserve Banks, financial institutions, and the public.

Data Universal Numbering System (DUNS) Number – A unique nine-character identification number provided by the commercial company Dun & Bradstreet.

Deposit – Money that is being or has been transferred to the credit of the Treasury. This type of transfer can be made by agencies or directly by the remitter. All such transfers are effected through a financial institution. Deposit also refers to the act of making a transfer of money to the credit of Treasury by an official of an agency.

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

Deposit (Next Day) – A deposit made before the cutoff time on the day following the day the funds are received by the agency.

Deposit (Same Day) – A deposit made before the cutoff time on the same day the funds are received by the agency.

Depository or Designated Depository – A bank or other financial institution that has been designated by FMS to receive monies for credit to Treasury.

Designated Financial Agent – A financial institution designated by the Secretary of the Treasury as a depository and financial agent of the U.S. Government. A designated financial agent of FMS provides financial services to Federal program agencies and the public.

Digital Certificate – An electronic “credit card” that establishes the certificate holder's credentials when doing business or other transactions on the Web. It is issued by a certification authority (CA). It contains the certificate holder's name, serial number, expiration date, a copy of the certificate holder's public key (used for encrypting messages and digital signatures), and the digital signature of the certificate-issuing authority so that a recipient can verify that the certificate is real.

Digital Signature – An electronic signature that can be used to authenticate the identity of the sender of a message or the signer of a document, and possibly to ensure that the original content of the message or document that has been sent is unchanged.

Direct Payment – An electronic transfer of funds authorized in advance by the remitter, permitting a Federal agency to collect payments automatically on a predetermined date. It is sometimes referred to as a preauthorized debit (PAD).

Disbursement – The initiation of an electronic funds transfer (EFT) transaction or other methods of drawing funds from accounts maintained by the Government.

Dollar Volume – The total dollar value of all individual items. 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 \$25,000.

Electronic Funds Transfers (EFT) – Delivery systems used to transfer funds electronically, in lieu of issuing paper checks. The funds are transferred through computers, magnetic tapes, automated teller machines, or telephones (i.e., Automated Clearing House (ACH) and Fedwire Deposit System (Fedwire)).

Electronic Transfer Account (ETASM) – A low-cost account designed by the Department of the Treasury to provide individuals who receive Federal payments (benefit, wage, salary, or retirement) the ability to receive their payments electronically. Any individual who receives a Federal benefit, wage, salary, or retirement payment is eligible to open an ETASM.

Federal Payment – Any payment made by a Federal agency. The term includes, but is not limited to: (1) Federal wage, salary, and retirement payments; (2) vendor and expense reimbursement payments; (3) benefit payments; and (4) miscellaneous payments including, but not limited to, inter-agency payments; grants; loans; fees; principal, interest, and other payments related to United States marketable and non-marketable securities, overpayment reimbursements; and payments under Federal insurance or guarantee programs for loans.

Federal Reserve Bank – Serves as the Nation's central bank and the Federal Government's fiscal agent. It processes electronic payments, including ACH, for the Federal Government, handling Federal Government deposits and checks, and supervising and regulating Federally-chartered financial institutions.

Federal Reserve System – The Federal Reserve System consists of the Board of Governors in Washington, DC, 12 regional Federal Reserve Banks, and 25 branches.

Financial Institution – Any bank, savings and loan association, or Federal or State-chartered credit union.

Float – The period of time that elapses between two collection or disbursement activities, specifically defined as follows:

- ➔ Billing Float: The average amount of time between the provision of goods or services and the issuance of an invoice.
- ➔ Collection Float: The average amount of time between the financial institution sending a check to the drawee bank and receiving usable funds.
- ➔ Mail Float: The average amount of time between the remitter mailing the payment and receipt of the payment in the agency or the direct receipt by a financial institution for credit to the U.S. Treasury.
- ➔ Processing Float (Collections): The average amount of time between the initial receipt of the payment in the agency's mailroom and receipt of the related deposit by the depository.
- ➔ Processing Float (Disbursements): The average amount of time between the receipt of goods or services by an agency and the issuance of payment.

Lockbox (paper) – A post office box established by a financial institution for the purpose of receiving paper-based payments to an agency.

Lockbox (electronic) – An account established by a financial institution for the purpose of receiving ACH payments to an agency.

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.

Mechanism – A tool or system through which funds are collected or disbursed.

Monies – Currency, negotiable instruments, and/or demand deposits (checks) owed to or collected by an agency.

NACHA - The Electronic Payments Association – The trade association that sets automated payment standards that govern the ACH system for financial institutions nationwide.

Nonrecurring Transaction – A transaction that occurs once or at infrequent and undetermined intervals.

OMB Circular – A circular issued by the Office of Management and Budget relating to cash management policies to be followed by all Government agencies.

Payment – A sum of money transferred to a recipient in satisfaction of an obligation.

Posting – The process of recording debits and credits to individual account balances.

Preauthorized Debit – An electronic transfer of funds authorized in advance by the remitter, permitting a Federal agency to collect payments automatically on a predetermined date.

Prompt Payment – Requires Federal agencies to pay their bills on time or pay interest on payments made to vendors after the due date.

Recurring Transaction – A transaction that occurs repeatedly with the same party.

Regional Financial Center (RFC) – The Financial Management Service's regional centers that act as the Government Disbursing Office for Treasury-disbursed payments.

Regional Operations Center (ROC) – FMS has two Regional Operation Centers that process all FMS Information Technology business processes. The two ROCs are located in Hyattsville, MD (HROC) and Kansas City, MO (KROC). HROC is the primary location for all FMS processing except Social Security Administration (SSA) and Supplemental Security Income (SSI) monthly payment processing which is performed at KROC.

Remittance Express (REX) – Remittance Express is a program designed to improve and streamline the process by which private sector remitters initiate payments (ACH credits) to the Federal Government. REX allows a Federal agency to use the ACH network to receive payments from its remitters.

Settlement Date – The date on which the participating financial institutions or their correspondents are scheduled to be debited or credited by the Federal Reserve for the exchange of electronic entries through the ACH.

Standard Form –

SF 215 – Deposit Ticket. A standard Government accounting document used by agencies for crediting deposits to the account of the U.S. Treasury.

SF 1166 – Voucher and Schedule of Payments. A standard Government accounting document used to schedule payments in place of transmitting individual basic vouchers and supporting documents to the Financial Management Service's Regional Financial Centers.

SF 5515 – Debit Voucher. A standard Government accounting document used to debit the account of the U.S. Treasury.

SF 3881– ACH Vendor/Miscellaneous Payment Enrollment Form. An optional form that agencies may use to enroll their vendors in the Vendor Express Program.

Treasury Financial Manual – The manual issued by the Financial Management Service containing procedures to be observed by all agencies, Federal Reserve Banks, and financial institutions with respect to payments, collections, central accounting, financial reporting, and other governmentwide fiscal responsibilities of the Department of the Treasury.

Treasury's Operating Cash Balance – Operating funds in the Treasury General Account and the Treasury Tax and Loan Accounts.

Vendor Payment – The electronic transfer of funds and payment-related information used by the Federal Government for payments to businesses that provide goods and services to Federal agencies and other payment recipients, such as State/local governments and educational institutions.

Virtual Private Network (VPN) – A private data network that makes use of the public telecommunication infrastructure, maintaining privacy through the use of a tunneling protocol and security procedures. Using a virtual private network (VPN) involves encrypting data before sending it through the public network and decrypting it at the receiving end.

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APPENDIX B: FMS Organizational Structure

The Financial Management Service (FMS), a bureau of the U.S. Department of the Treasury, is the Federal Government's financial manager. FMS' four business lines are: (1) payments, (2) collections, (3) governmentwide accounting, and (4) debt collection. FMS' mission is to provide central payment services to Federal program agencies (FPAs), operate the Federal Government's collections and deposit systems, provide governmentwide accounting and reporting services, and manage the Government collection of delinquent debt owed to the Federal Government. This is accomplished by providing financial services, information, advice, and assistance to customers, including taxpayers, the Department of the Treasury, FPAs, Government policymakers, and Congress.

Federal Finance

The Office of the Assistant Commissioner, Federal Finance, provides executive direction, leadership, and technical guidance for managing the Federal Government's cash and credit management programs. It provides for the development, implementation, and dissemination of tools, policies, regulations, standards, and guidelines affecting all aspects of the Government's cash and credit management programs.

Federal Finance exercises effective control of cash and credit management activities, as well as investment and loan services for Government funds ensuring that policies, standards, and fiscal procedures are specifically designed to reduce Treasury financing costs. The centralization of cash and credit management control functions has the primary objectives of holding down the cost for depositary and payment services, minimizing the levels of cash held outside the Treasury, enhancing the daily utilization of funds, and accelerating the flow of taxes and other receipts into the Treasury.

Federal Finance is composed of two directorates: (1) the Asset Management Directorate and (2) the Cash Management Directorate.

(1) The Asset Management Directorate

The Asset Management Directorate, under the Assistant Commissioner, Federal Finance, provides leadership in the development of methods to improve governmentwide asset management programs such as: Federal credit management; financial management marketing and education; intergovernmental cash management practices between the Federal Government and the 50 States, the District of Columbia, and the 5 U.S. Territories; and grant management practices. It develops, modifies, and markets financial management programs, products, and services used in the movement of funds and/or information into and from the Federal Government or between Federal agencies. The Directorate is composed of four components: Program Assistance Division, Program Compliance Division, Product Promotion Division, and Risk Management Division.

The Program Assistance Division (PAD) ensures that Federal program agencies use the most efficient and effective payment, collection, and cash management processes, and assists agencies in overcoming obstacles to implementing improved processes. PAD works with Federal agencies, financial institutions, and other stakeholders to develop plans and strategies to resolve conversion issues related to electronic funds transfer (EFT) systems. PAD is also responsible for establishing and monitoring international funds arrangements.

The Program Compliance Division (PCD) ensures that Federal program agencies and States adhere to Treasury's cash management requirements. PCD develops and implements effective cash management guidance for all Federal agencies whose financial activities affect the cash account of the Treasury. PCD also oversees adherence of Federal agencies to legislative regulatory directives; reviews agency asset management operations to identify and implement improvements in collection and payment processes; and implements the requirements of the Cash Management Improvement Act (CMIA) for the transfer of funds between the Federal Government and the States. In addition, PCD provides a liaison role with State governments and Federal agencies as a technical advisor to design systems improvements for State/Federal collection problems.

The Product Promotion Division (PPD) promotes and supports the implementation of cash management systems designed to improve governmentwide financial management objectives by enhancing the delivery of payments to the public and the collection of revenues to the Government. PPD markets payments and collections, products and services, and publishes a variety of cash management materials.

The Risk Management Division (RMD) identifies the risks to Treasury's account related to the management of the Government's assets and initiating action to reduce those risks. RMD has both an internal and external role. Internally, the RMD ensures that a sound risk management program exists for the systems and programs within the Federal Finance area. Externally, RMD focuses on minimizing the risk in how the Government manages its credit programs, grant programs, and real property management programs.

(2) The Cash Management Directorate

The Cash Management Directorate, under the Assistant Commissioner, Federal Finance, provides leadership for the Federal Government's cash management, payments, and collections programs. It develops and modifies financial management programs, products, and systems used in the movement of information and funds to and from the Government.

The Directorate's initiatives are in response to requests from Federal agencies, States or FMS organizations, internal research, or legislative or regulatory changes. The Directorate is composed of five components: Applied Technology Division, Collections Modernization Division, Electronic Banking Services Division, Financial Services Division, and Cash Management Policy and Planning Division.

The Applied Technology Division (ATD) develops card-based and electronic money-based systems used to move funds and information for the Government such as electronic check, stored value cards, and the transmitting of funds via the Internet. ATD implements financial improvement programs that ensure effective control over the Government's funds.

The Collections Modernization Division develops and modifies collection and payment programs, products, and program support systems used in the collection and payment of funds and/or information for the Government.

The Electronic Banking Services Division oversees the implementation of governmentwide electronic funds collection and payment applications, coordinating with Federal agencies and depository institutions and the Federal Reserve. These systems are designed to achieve and complement Government financial management objectives.

The Financial Services Division (FSD) manages paper-based Government collection systems designed to achieve and complement Government financial management objectives and enhance the collection of revenues for the Government. FSD manages/oversees Government collection systems such as the Treasury General Account Depository Network, the General Lockbox Network, and the Internal Revenue Service (IRS) Lockbox Network.

The Cash Management Policy and Planning Division (CMPPD) develops, issues, and coordinates cash management policy, procedures, standards, guidelines, and instructions for governmentwide payments, collections, financial services, and cash balance management. CMPPD promotes comprehensive and consistent application of cash management principles for the improvement of the Government's financial position.

Financial Operations

Office of the Assistant Commissioner, Financial Operations (FO), provides a financial infrastructure for Federal payments, claims, collections, as well as other transactions. FO accomplishes its mission by providing financial services, operating financial systems, and overseeing miscellaneous accounts.

FO is responsible for the reconciliation of all check issues and payments. FO resolves claims for and against the Government resulting from Treasury checks having been lost, stolen, forged, or otherwise improperly negotiated. Individual citizens, who receive benefit payments; vendors, who provide goods or services for the Government; and taxpayers, who are due a refund from the Internal Revenue Service, may submit the claims. FO works closely with other Federal program agencies, the Federal Reserve Banks, and commercial banking institutions.

FO is also responsible for a variety of financial activities, including assessing the quality of surety companies as acceptable sureties on Federal bonds, certifying payments for International Claims Programs, accounting for U.S. investments in domestic and international development banks, and certifying payments for judgment fund awards and settlements.

FO provides for the operation, management, and “value-added” improvement of major governmentwide financial information systems and processes that meet the ever-changing needs of FMS and its customers. As part of this effort, FO executes a process of continuous review and improvement to the financial information systems of the Government in order to meet changing requirements that originate with the Federal financial community, Congress, and the public.

Regional Operations

Office of the Assistant Commissioner, Regional Operations (RO), is responsible for managing and operating Federal payment systems and for disbursing approximately 85 percent of all Federal payments. Payments are issued for virtually all-Federal agencies in the Executive Branch, except the Department of Defense and certain independent Federal agencies. RO promotes and implements new and improved payment transfer systems, including electronic funds transfer (EFT) through the Automated Clearing House (ACH) and Fedwire.

Debt Management Services

Office of the Assistant Commissioner, Debt Management Services (DMS), is responsible for the development and implementation of the Treasury's responsibilities under the Debt Collection Improvement Act (DCIA) of 1996, which includes the maintenance and expansion of governmentwide debt collection services. DMS reports on the condition of Government receivables and collection of delinquent debt to Congress, OMB, Federal agencies, and the public.

Governmentwide Accounting

Office of the Assistant Commissioner, Governmentwide Accounting (GWA), provides the financial infrastructure for Federal central accounting and governmentwide reporting; the reconciliation of agency and bank reporting differences; and the generation of regular daily, monthly, and quarterly financial reports. In addition, Governmentwide Accounting is responsible for the annual compilation and publication of the Financial Report of the U.S. Government (formerly the audited consolidated financial statement). This functional area develops accounting policy and standards, sets reporting requirements, and creates the mechanisms Federal program agencies (FPAs) use to improve the ways in which they manage their accounting and reporting activities. In performance of these responsibilities, the accuracy, integrity, and security of governmentwide financial information are thus ensured. This infrastructure results in the ultimate accumulation and publication of governmentwide financial information. GWA accomplishes its mission by providing, operating, and overseeing financial resources and systems as well as setting standards for data integrity and reporting.

GWA's primary customers are the FPAs. However, as mandated by law, GWA also serves the Congress, the President, and the public. The provision of these services allows FPAs to handle financial transactions necessary for the measurement and success of their programs and to provide accounting guidance and reporting mechanisms for compliance with legislation.

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APPENDIX C: FMS Locator

HEADQUARTERS

Financial Management Service
401 14th Street, SW
Washington, DC 20227

Program Assistance Division
(202) 874-6640

Program Compliance Division
(202) 874-6630

Product Promotion Division
(202) 874-6540

Risk Management Division
(202) 874-6650

Applied Technology Division
(202) 874-6550

Collections Modernization Division
(202) 874-6560

Electronic Banking Services Division
(202) 874-6580

Financial Services Division
(202) 874-6864

Policy and Planning Division
(202) 874-6590

REGIONAL FINANCIAL CENTERS

Customer Assistance Staffs

Austin Financial Center
P.O. Box 149058
Austin, TX 78714-9058
(512) 342-7300

Kansas City Financial Center
P.O. Box 7528-0228
Kansas City, MO 64116-0228
(816) 414-2100

Philadelphia Financial Center
P.O. Box 8676
Philadelphia, PA 19101-8676
(215) 516-8016

San Francisco Financial Center
P.O. Box 193858
San Francisco, CA 94119-3858
(415) 817-7300

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APPENDIX D: Regulations

Cash Management

31 CFR Part 205: Rules and Procedures for Efficient Federal-State Funds Transfers. This rule ensures the efficient transfer of funds between the Federal Government and the States and assesses interest charges for inefficient transfers.

31 CFR Part 206: Management of Federal Agency Receipts, Disbursements, and Operation of the Cash Management Improvements Fund. This rule requires agencies to use timely and efficient methods, primarily electronic funds transfer (EFT), for collections, disbursements and deposits.

Payments

31 CFR Part 208: Management of Federal Agency Disbursements. This regulation requires that most Federal payments, with the exception of tax refunds, be made by EFT and also provides waivers to this requirement.

5 CFR Part 1315: Prompt Payment Regulation. This regulation requires agencies to make vendor payments on a timely basis and also requires agencies to pay interest penalties when payment is made late.

48 CFR Parts 13, 15, 32, and 52: Federal Acquisition Regulation: Electronic Funds Transfer Regulation. This regulation requires agencies to insert clauses in their contracts that require vendors to receive payments electronically.

31 CFR Part 210: Federal Government Participation in the Automated Clearing House. This regulation defines the rights and liabilities of Federal agencies, Federal Reserve Banks, financial institutions, and the public, in connection with ACH credit entries, debit entries, and entry data originated or received by a Federal agency through the ACH system.

Collections/Deposits

31 CFR Part 202: Depositaries and Financial Agents of the Federal Government. This regulation governs the designation of depositaries and financial agents of the Federal Government and their authorization to accept deposits of public money and to perform other services as may be required of them.

31 CFR Part 203: Payment of Federal Taxes and the Treasury Tax and Loan Program. This regulation implements the Electronic Federal Tax Payment System (EFTPS) by prescribing rules for financial institutions and Federal Reserve Banks that use EFT mechanisms to process Federal tax payments through the EFTPS. This regulation also updates the rules governing the changes to the Treasury's Investment Program that were necessitated by the implementation of EFTPS.

31 CFR Part 225: Acceptance of Bonds Secured by Government Obligations in Lieu of Bonds with Sureties. This regulation governs the acceptance of bonds secured by Government obligations in lieu of bonds with sureties. It also adds references to the new rule of the Bureau of the Public Debt codified at 31 CFR part 380, governing collateral acceptability and valuation. The revision to this regulation is necessary because the responsibility for determining the acceptability and valuation of collateral was recently transferred from the Financial Management Service to the Bureau of the Public Debt.

Treasury Financial Manual

Following are Treasury Financial Manual (TFM) references pertaining to subject matters in this guidebook:

Volume I:

Volume I TFM 4-3000: Third Party Draft Procedures for Imprest Fund Disbursing Activities. This chapter prescribes third party draft procedures for imprest fund disbursing activities performed by the Department of the Treasury and agencies.

Volume I TFM 5-2000: Checks and Cash Received in Collections. This chapter provides procedures for Government officers regarding payments received in the form of checks and cash. It prescribes how checks are to be inscribed to organizations being credited and details depositing procedures.

Volume I TFM 5-4000: Making Deposits. This chapter provides instructions to depositors of public monies for depositing funds at either Federal Reserve Banks and branches or general depositories.

Volume I TFM 5-4500: Deposits to Treasury Through the Fedwire Deposit System. This chapter prescribes procedures for deposits to the account of the U.S. Treasury made through the Fedwire Deposit System.

Volume I TFM 5-4600: Treasury Automated Lockbox Network. This chapter prescribes the procedures to be observed by all Government agencies, departments, corporations, and others concerned with the lockbox remittance processing of Federal agency receipts.

Volume I TFM 5-4700: Plastic Card Collection Network. This chapter prescribes procedures to be observed by all Federal agencies for establishing and maintaining accounts in the Plastic Card Collection Network and for processing Federal agency credit card and debit card receipts.

Volume I TFM 5-6000: Disposition of Foreign Currency and Checks Drawn on Foreign Banks. This chapter prescribes procedures for Federal agencies within the United States to dispose of foreign currency and checks drawn on foreign banks.

Volume I TFM 6-4000: Currently named, On-line Payment and Collection (OPAC) system. When updated, this chapter will be renamed Intra-governmental Payment and Collection (IPAC) System. This chapter will prescribe the IPAC procedures for on-line collection and payment of intra-governmental transactions. It also will identify the general and specific requirements and technical specifications prescribed by FMS for agencies that will be using the IPAC system.

Volume I TFM 6-8000: Cash Management. This chapter establishes procedures for Government agencies to follow to ensure prudent cash management practices when developing and implementing regulations, systems, and instructions. These procedures include billings, collections, deposits, disbursements, cash held outside the cash account of the Department of the Treasury and financial data reporting. These procedures require the use of timely methods, principally electronic funds transfer for the collection, deposit, and disbursement of funds.

Volume IV:

Volume IV TFM 1-2000: Federal Tax Collections Overview. This chapter explains the Federal tax collection process for financial institutions that process Federal tax payments or participate in the Treasury Tax and Loan program.

Volume IV TFM 1-2100: Federal Tax Collection using the Paper Tax System. This chapter guides depositories that process Federal tax collections using the Paper Tax System.

Volume IV TFM 1-2200: Federal Tax Collections using the Electronic Federal Tax Payment System. This chapter guides financial institutions that process Federal tax collections using the Electronic Federal Tax Payment System.

Volume IV TFM 1-2300: Treasury Investment Program. This chapter guides depositories participating in the Treasury Investment Program.

OMB Circulars

Following are the current Office of Management and Budget circulars that pertain to Cash Management:

Number	Subject
A-102	Grants and Cooperative Agreements with State and Local Governments
A-110	Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations
A-123	Management Accountability and Control
A-125	This circular was rescinded and replaced by the Prompt Pay regulations at 5 CFR Part 1315.
A-127	Policies and Standards for Financial Management Systems
A-129	Managing Federal Credit Programs

For copies of these circulars, please call the Office of Management and Budget's information line at (202) 395-3080.

APPENDIX E: Summary of Collection Mechanisms (Criteria for Use)

Mechanisms	Annual Item Volume			Average Per Item Dollar Amount			Frequency of Payment			Variability of Payment			Remittance Documentation	
	Low	Med	High	Any	Low	Med	High	Any	Nonrecurring	Recurring	Fixed	Fluctuate	Yes	No
Automated Clearing House				X				X	X		X	X	X	
Pay.gov				X				X	X		X	X	X	
Plastic Card Network		X	X		X				X			X		X
Paper Check Conversion at the Point-of-Sale				X				X	X			X	X	
Fedwire Deposit System	X						X		X	X		X	X	
Federal Reserve Bank Deposits								X	X			X		X
Treasury General Accounts (TGAs)			X					X	X			X		X
International TGAs				X				X	X			X		X
Lockbox			X					X	X		X	X	X	

Annual Item Volume:

Low (0 -10,000 items per year)

Medium (10,001-120,000 items per year)

High (over 120,000 items per year)

Average Per Item Dollar Amount:

Low (\$0 -1,000 per transaction)

Medium (\$1,001- 25,000 per transaction)

High (over \$25,000 per transaction)

APPENDIX E: Summary of Disbursement Mechanisms (Criteria for Use)

Mechanisms	Annual Item Volume			Average Per Item Dollar Amount			Frequency of Payment		Variability of Payment		Remittance Documentation			
	Low	Med	High	Any	Low	Med	High	Any	Nonrecurring	Recurring	Fixed	Fluctuate	Yes	No
Direct Deposit				X				X	X		X	X	X	
Vendor Express				X				X	X		X	X	X	
International Direct Deposit				X				X	X		X	X	X	
Electronic Transfer Account				X				X	X		X	X	X	
Prime Pay	X							X	X		X	X	X	
Fedwire	X						X		X		X	X	X	
Government Credit Card				X	X	X			X		X	X	X	
U.S. Debit Card				X	X				X		X	X	X	
Stored Value Cards				X				X	X		X	X		X
SWIFT				X				X	X		X	X	X	
ASAP		X	X			X	X		X		X	X	X	
Payment Management System		X	X			X	X		X		X	X	X	
Imprest Funds	X				X				X			X		X
Third Party Drafts	X				X				X			X		X
Treasury Checks				X				X	X		X	X		X

Annual Item Volume:

Low (0 - 10,000 items per year)

Medium (10,001 - 120,000 items per year)

High (over 120,000 items per year)

Average Per Item Dollar Amount:

Low (\$0 - 1,000 per transaction)

Medium (\$1,001 - 25,000 per transaction)

High (over \$25,000 per transaction)

APPENDIX F: World Wide Web Addresses

In keeping with the goal of providing the Federal agencies with various cash management resources and tools available within the Financial Management Service (FMS), a centralized list of Web addresses has been developed for your use.

GENERAL WEB ADDRESSES IN FMS:

- www.fms.treas.gov FMS Home Page
- www.fms.treas.gov/eft/agency/liaison.html Agency Assistance Team Contact List

WEB ADDRESSES FOR SPECIFIC COLLECTION PROGRAMS:

- www.fms.treas.gov/kfc/pad.html Preauthorized Debit
- www.fms.treas.gov/pcn Plastic Card Network
- www.emoney.gov/iccc/iccc.cfm Internet Credit Card Collections
- www.emoney.gov/pay/paygov.cfm Pay.gov
- www.fms.treas.gov/cashlink CASHLINK II
- www.fms.treas.gov/eftps Electronic Federal Tax Payment System
- www.fms.treas.gov/cashmanagement/frbdeposits.html – Deposits at FRB & TGA Depositories

WEB ADDRESSES FOR SPECIFIC DISBURSEMENT PROGRAMS:

- www.fms.treas.gov/eft Electronic Funds Transfer
- www.fms.treas.gov/imprest Imprest Fund Policy
- www.fms.treas.gov/vendor.html Vendor Express
- www.fms.treas.gov/eta Electronic Transfer Account
- www.fms.treas.gov/asap Automated Standard Application for Payments
- www.emoney.gov U.S. Debit Card
- www.emoney.gov Stored Value Cards
- www.fms.treas.gov/ecs Electronic Certification System
- www.fms.treas.gov/paid Payment Advice Internet Delivery
- www.fms.treas.gov/cmia Cash Management Improvement Act

OTHER FMS WEB ADDRESSES:

- www.fms.treas.gov/fedtax FEDTAX II
- www.fms.treas.gov/collateral Collateral, Treasury Investment Program
- www.fms.treas.gov/debt Debt Management Services
- www.fms.treas.gov/goals/goals_ipac.html – Intra-governmental Payment & Collection System

FMS REFERENCES AND REGULATIONS:

- www.fms.treas.gov/cashmanagement Fundamentals
Managing Public Money
Relevant Regulations
- www.fms.treas.gov/greenbook Payments and Collections
- www.fms.treas.gov/tfm Treasury Financial Manual
- www.fms.treas.gov/eft/regs FMS Regulations and Policy
- www.whitehouse.gov/omb/circulars OMB Circulars
- www.federalreserve.gov Federal Reserve Regulations

CASH MANAGEMENT RELATED WEB ADDRESSES:

- www.dpm.psc.gov Payment Management Service
(Dept. of Health & Human Services)
- www.gsa.gov Government Credit Card
(General Services Administration)
- www.ccr2000.com Central Contractor Registration
(Department of Defense)
- www.policyworks.gov Office of Governmentwide Policy
- www.publicdebt.treas.gov/gsr/gsrctrl Collateral Eligibility and Valuation Issues
- www.publicdebt.treas.gov/of/ofaucrt Treasury Auction Activity

INSIDE BACK COVER



FINANCIAL MANAGEMENT SERVICE
Federal Finance
401 14th Street, SW
Washington, DC 20227