



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, D.C. 20240

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Memorandum

To: Bureau Chief Financial Officers

From: John Berry
Assistant Secretary - Policy, Management and Budget

Subject: Departmental Policy on Electronic Funds Transfer Payment
Requirements of the Debt Collection Improvement Act of 1996

Attached is the Department's policy guidance on implementing the electronic funds transfer (EFT) requirements of the Debt Collection Improvement Act (DCIA) of 1996. The Treasury Department issued the final regulation (31 CFR Part 208) on EFT on September 25, 1998.

If you have questions or require additional information concerning this matter, please contact Sky Leshner on (202) 208-4701.

Attachment

cc: Bureau Finance Officers

**POLICY ON COMPLIANCE
WITH ELECTRONIC FUNDS TRANSFER
PAYMENT REQUIREMENTS**

I. Background

The Debt Collection Improvement Act (DCIA) of 1996 requires that all payments (with few exceptions) be made by electronic funds transfer (EFT) after January 1, 1999. The implementing regulation issued by the U.S. Treasury is found in 31 CFR Part 208 and sets forth the conditions under which waivers from EFT payment requirements are appropriate. Treasury Regulations provide seven waiver conditions from EFT payments.

The first waiver condition allows individuals (includes employees and sole proprietors) to self determine whether the use of EFT would impose a hardship due to a physical disability, mental disability, language, literacy or a geographic barrier or where the use of EFT would impose a financial hardship. The waiver is based on the individual's self-assessment that a hardship exists.

For remaining waiver conditions (i.e., Conditions 2 through 7), the U.S. Treasury has delegated agencies the authority and responsibility for making determinations as to whether a payment or class of payments falls within one (or more) of the waiver categories. Waivers are allowed for an indefinite amount of time unless the condition warranting the waiver is no longer met. Treasury reserves the right to review agency compliance with EFT waiver requirements.

II. Policy

A) General.

It is the policy of the Department to utilize electronic payment mechanisms to the fullest extent possible. All payments to non-Federal recipients effective January 2, 1999 are presumed to be made by electronic funds transfer or other EFT compliant alternatives such as those identified below:

<u>For:</u>	<u>Use:</u>
Wage and Salary Payments.....	DD/EFT
Payment of Employee Awards.....	FPPS and DD/EFT
Travel reimbursement vouchers, local and TDY.....	DD/EFT
Cash Advances for Official Travel.....	ATM privilege and DD/EFT (non-cardholders)
Official Travel Expenses.....	Government Contractor-Issued

Miscellaneous Purchases.....	Charge Card Government Contractor-Issued Charge Card
Fleet and Vehicle Expenses.....	Government Contractor-Issued Charge Card
Vendor Payments.....	EFT

B) Use of Convenience Checks - Blanket Waiver Condition.

Selected holders of the government contractor-issued charge card for the purchase business line will have convenience check privileges. Convenience checks may be used **without additional waiver** when the government contractor-issued charge card is not accepted by a given merchant. However, any other uses of convenience checks will require a documented EFT waiver by authorized bureau personnel.

C) Waiver Conditions.

When payment by EFT is not possible a waiver must be obtained. Waiver condition numbers are listed and identified as in the final Treasury regulation.

Waivers Certified by Individuals:

As described below, individuals may request a waiver based on personal hardship. Agencies are not required to notify sole proprietors of their options with respect to hardship waivers.

Condition 1. An individual [includes employees and sole proprietors] with or without an account with a financial institution determines that payment by EFT would impose a hardship due to either a physical or mental disability, or a geographic, language, or literacy barrier, or would impose a financial hardship. The requirement to receive payment by EFT is automatically waived for all individuals who do not have an account with a financial institution and who are eligible to open an electronic transfer account (ETA) under Section 208.5, until such date as the Secretary of the Treasury determines that the ETA is available.

Waiver Authority Delegated to Bureau Chief Financial Officers:

For waiver Conditions 2 through 7 below, the Department hereby redelegates authority to grant or deny EFT waivers to Bureau Chief Financial Officers (CFO). Bureau CFO's may redelegate this authority, as necessary. However, in order to provide reasonable assurance that the spirit of the DCIA is fulfilled, all EFT waiver determinations are to be made at the highest level practicable, consistent with the need to maintain an efficient disbursement operation. The length of redelegated authority is permanent. There are no self-determined waiver conditions for "vendors" other than sole proprietorships covered under Condition 1.

Condition 2. The political, financial, or communications infrastructure in a foreign

country does not support payment by EFT.

- Condition 3. Where the payment is to a recipient within an area designated by the President or an authorized agency administrator as a disaster area. This waiver is limited to payments made within 120 days after the disaster is declared.
- Condition 4. A response to contingency operations conducted by or in support of the Department of Defense.
- Condition 5. Where payment by EFT may pose a threat to national security, the life or physical safety of an individual may be endangered, or a law enforcement action may be compromised.
- Condition 6. Where the agency does not expect to make more than one payment to the same recipient within a one-year period, i.e., the payment is non-recurring, and the cost for making the payment by EFT exceeds the cost of making the payment by check.
- Condition 7. Where an agency's need for goods and services is of such unusual and compelling urgency that the Government would be seriously injured unless payment is made by a method other than by EFT; or, where there is only one source for goods or services and the Government would be seriously injured unless payment is made by a method other than EFT.

All elected/approved waivers are to be formally documented based on one or more of the seven waiver conditions. Records of all waivers granted are to be maintained by the bureau and made available for review upon request. Records of EFT waivers must be maintained for at least three years by Bureau Finance Offices. Waivers relating to direct deposit/EFT of employee salary or other employee related payments must be maintained separately from vendor (non-employee) waivers. A waiver filed under condition #1 becomes effective on the date the election is received from an individual; all other waivers become effective when approved by authorized personnel within the Department.

D) Bureau Administrative Requirements.

Bureaus are required to:

1. Take necessary actions to ensure that multiple, non EFT-compliant, payment mechanisms do not proliferate and that all non-EFT compliant payment mechanisms have the appropriate waivers. Examples of proliferation would include authorizing convenience checks, FedSelect and/or third party payment mechanisms at locations which continue to maintain cash imprest funds.
2. Notify check recipients and newly eligible payment recipients of their options

before and after an electronic transfer account (ETA) becomes available. (Model language for this notification is provided by Treasury in the final rule.)

3. Establish procedures that allow recipients to elect to have their payment deposited via EFT to an account at a financial institution.
4. Establish, as part of the management control process, a review of compliance with the EFT provisions of the DCIA.
5. Annually review imprest funds granted a waiver to remain open after January 1, 1999 and meet the requirements of 330 DM 4-3000, Subchapter 7.5 and Treasury Financial Manual (I TFM 4-3000).
6. Provide the Departmental Office of Financial Management (PFM) periodic reports that may be necessary to oversee implementation of the above policy.

Supplemental Guidance for Implementing EFT Policy

Procurement/Contracting Offices -- Vendor & Miscellaneous Payments for All non-Employee Payments (e.g., corporations, partnerships, sole proprietorships, other non-Federal government entities)

- ▶ Provide and attempt to collect EFT enrollment form (TFS 3881 or similar document) at the time the vendor is selected.
- ▶ Include appropriate contract language based on current Federal Acquisition Regulation provisions regarding use of EFT.
- ▶ Obtain the vendor's Taxpayer Identification Number (TIN)

Personnel Offices -

(Note: The Government Management Reform Act of 1994 requires all Federal Employees hired after January 1, 1995 to be paid by EFT. Treasury and Departmental EFT Policy identifies specific hardship conditions under which waivers from the EFT waiver will be granted.)

New Employees:

- ▶ Inform new employees of the requirement that all employee salary and related payments be made via direct deposit (DD)/EFT.
- ▶ Provide all new employees with the appropriate EFT registration form.
- ▶ Keep a copy of the Department's EFT Policy on hand for reference if questions relating to waivers are raised by the new employee.

Current Employees:

- ▶ Work with the Denver Administrative Service Center to identify and try to enlist current paper check payment employees in the DD/EFT program. A program should be adopted that periodically informs all non-EFT employees of the DCIA's EFT requirements.

Finance Offices-

Vendor Payments (All non-employee payments regardless of entity type):

- ▶ If TIN or EFT information is not already on file by the time a vendor invoice is received, the following steps should be followed:

1. Determine if the vendor is an individual (or sole proprietor) -- if so, a waiver based on condition one can be granted if the vendor claims a hardship.

In response to previous concerns, should a vendor claim to be a sole proprietor, accept it at face value unless it is obvious that the payment is being made to a corporation (e.g., "Inc.", "PC", "Ltd", etc are present). Such claims can be made verbally or in writing. It should be noted, however, that all payees are required to provide the TIN.

2. Determine whether waiver condition six (one-time payment and cost considerations mitigate against payment by EFT), or waiver condition seven (public exigency rules out use of EFT) apply. Bureaus have been delegated the authority to make these determinations on-the-spot, when necessary.
3. If items 1 and 2 above do not apply, the invoice should be returned to the vendor as a defective invoice (under Prompt Payment Act Rules, OMB Circular A-125). The Finance Office should provide the vendor with the DCIA's EFT and TIN requirements, a statement describing the benefits of EFT (model language can be found in 31 CFR 208 Appendix A and Appendix B), a "sign up" form (TFS 3881 or equivalent) and, at the discretion of the bureau, a copy of the waiver conditions are cited in Attachment 1.
4. The vendor should be advised that further action in processing the invoice will be deferred, pending receipt of the information requested in item 3 (i.e., TIN and/or EFT information), or the receipt (and subsequent granting) of a waiver request.

After waiting a reasonable response period (generally 30 days) or until a second (or follow up) invoice is received, the vendor should have:

- a) provided the TIN and EFT information,
 - b) requested a waiver , or
 - c) expressed (or implied) refusal to provide the information.
5. If a waiver request is submitted, it should be reviewed to ascertain whether the waiver conditions described in Treasury regulations are met.
 6. Invoices associated with waiver requests that are denied should be treated as "one-time" payments (and payment can be made by non-EFT mechanisms). Since the

Prompt Payment clock becomes suspended in step #3 above, no payment interest penalties are due. Every effort should be made to locate an alternate source for the goods/services where payment by EFT will be accepted.

Other Employee-related Payments:

- ▶ Presume that if an employee is currently receiving salary via DD/EFT, then all other employee related payments can be made to the same account. However, employees should be provided a notice describing when a payment is sent to their bank, the nature of the payment, the amount, and the procedures to follow if they want future EFT payments to go to a different bank account (i.e., different than where their salary goes).



Financial Management Service

Payment Advice Internet Delivery (PAID) Fact Sheet

What is PAID?

PAID is a system developed by the U.S. Department of the Treasury's Financial Management Service (FMS) to provide participating Federal agencies a method of making remittance information available to their vendors through the Internet. The Internet address for the PAID site is:

<http://arfc.fms.treas.gov>

Why was PAID developed?

PAID was developed to provide Federal agencies with an alternative method to deliver remittance information to their vendors. Congressional legislation mandates that after January 1, 1999, most Federal payments, including vendor payments, must be made electronically. Electronic vendor payments with remittance information are sent to the vendor's financial institution through the Automated Clearing House (ACH) system. The vendor's financial institution passes the remittance information to the vendor per a preexisting agreement with the vendor. Some vendors were reluctant to convert to ACH payments because some financial institutions were not able to provide remittance information. The National Automated Clearing House Association (NACHA) passed a rule that effective September 18, 1998, all financial institutions receiving corporate ACH transactions are required to pass addenda information to their corporate customers upon request.

How much does it cost to participate in PAID?

The system is free of charge to participating Federal agencies and their registered vendors with Internet access.

How does a Federal agency participate in PAID?

An agency interested in participating in PAID will 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.

How does a vendor participate in PAID?

To participate in PAID, you 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 on the PAID Web site 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 Web master 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.

What data are in the PAID system?

Displayed data fields are limited to 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. 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 Cash Concentration and Disbursement (CCD+) Plus Addendum payments only. Given the amount of remittance information contained in a Corporate Trade Exchange (CTX) payment, it is assumed that vendors receiving those transactions have existing agreements with their financial institutions to provide them with the remittance information.

How does a vendor access its data in PAID?

After receiving the registration acceptance notice, a vendor can log into PAID and query, on-line, 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. An on-line demonstration is available on the PAID Web site.

When are data available and for how long?

Data should be available within 24 hours of the date of payment and are retained for two months from the date of payment.

How secure is data on the Internet?

To access PAID, you must be using a browser with capabilities equivalent to Microsoft Internet Explorer version 3.x (or greater) or Netscape Navigator version 3.x (or greater). If you access the Internet through a local area network (LAN) and encounter difficulty accessing the secure site, contact your LAN administrator for assistance. PAID is a secure site using the standard Secure Sockets Layer (SSL) to provide a secure channel of communication between a Web browser and the server. This authenticates the identity of the server to the browser, and provides privacy by encrypting and decrypting all data sent between them.

If a vendor receives data through PAID but still has a question, whom should it contact?

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. Participating agency contacts are listed on the PAID Web site.

What alternatives to PAID are available?

The primary alternative to PAID is for the vendor to receive its remittance information from its financial institution. Registration in PAID does not preclude the remittance information from accompanying the payment. The financial institution still receives the payment and the remittance information. Vendors that want to streamline their accounts-receivable processing may prefer to receive the remittance information electronically from their financial institutions and pass it directly to their accounts-receivable systems. Several Federal agencies have developed alternative methods to deliver remittance information, including their own Web sites, touch-tone telephone response systems, and fax-on-demand systems. A list of these Federal agencies is available on the PAID Web site.

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