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AUTHORITY: 5 U.S.C. 301; 31 U.S.C. 321, 3301, 3302, 3321, 3327, 3328, 3332, 3335, 3720, and 6503.

SOURCE: 59 FR 4538, Jan. 31, 1994, unless otherwise noted.

§ 206.1 Scope and application.

(a) This subpart applies to all Government departments and agencies in the executive branch (except the Tennessee Valley Authority) and all monies collected and disbursed by these departments and agencies. This subpart does not apply to interagency transfers of funds, except that agencies are to use the Treasury's On-Line Payment and Collection (OPAC) system for interagency payments between executive agencies, when cost-effective.

(b) Policies and guidelines are prescribed for promoting efficient, effective cash management through improved billing, collection, deposit, and payment of funds. These objectives seek to improve funds availability and the efficiency and effectiveness with which funds are transferred.

(c) Authority to implement this regulation has been delegated within the Department of the Treasury (hereinafter, "Treasury") to the Commissioner (hereinafter, "the Commissioner") of the Financial Management Service (hereinafter, "the Service)." The Service maintains the final authority as granted under the Deficit Reduction Act of 1984 to specify use of a particular method or mechanism of collection and deposit and to recover costs that result from noncompliance. Authority is also granted to the Service, under the Cash Management Improvement Act of 1990, as amended by the Cash Management Improvement Act Amendments of 1992, to provide for the timely disbursement of funds. An agency will require the collection or disbursement of funds by the agency via EFT as a provision of new contractual agreements or renewal of existing contracts that impact agency collection or payment mechanisms.

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§ 206.2 Definitions.

For the purpose of this part, the following definitions apply:

Agency means any department, instrumentality, office, commission, board, service, Government corporation, or other establishment in the executive branch, except the Tennessee Valley Authority.

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

Cash management means practices and techniques designed to accelerate and control collections, ensure prompt deposit of receipts, improve control over disbursement methods, and eliminate idle cash balances. "Cash Management Review Process" means periodic examinations of collection and disbursement cash flows to ensure that the most effective mechanisms are used to process the funds.

Collection means the transfer of monies from a source outside the Federal Government to an agency or to a financial institution acting as an agent of the Government.

Collection mechanism means any one of a number of tools or systems by which monies are transferred to the Government from a source outside the Government.

Cutoff time means a time predesignated by a financial institution beyond which transactions presented or actions requested will be considered the next banking day's business.

Day means a calendar day unless otherwise specified.

Deposit means as a noun, money that is being or has been presented for credit to the Treasury. Deposits can be made by an agency or directly by the remitter. All such transfers are effected through a Federal Reserve Bank or other financial institution. As a verb, deposit means the act of presenting monies for credit to the Treasury by an official of an agency.

Depositary means a bank or other financial institution that has been authorized by the Treasury to receive monies for credit to the Treasury.

Disburse means the initiation of an Electronic Funds Transfer (EFT) transaction or other methods of drawing funds from accounts maintained by the Government.

Electronic funds transfer (EFT) means any transfer of funds, other than a transaction originated by cash, check or similar paper instrument, that is initiated through an electronic terminal, telephone, computer, or magnetic tape, for the purpose of ordering, instructing, or authorizing a financial institution to debit or credit an account. The term includes, but is not limited to, Fed Wire transfers, Automated Clearing House (ACH) transfers, transfers made at automatic teller machines (ATM) and Point-of-Sale (POS) terminals (to include use of the Government small purchase card), and other means of credit card transactions.

Fund means the Cash Management Improvements Fund.

Monies (or "receipts") means EFT transactions, currency, negotiable instruments, and/or demand deposits owed to or collected by an agency.

Next-day deposit means a deposit made before the cutoff time on the day following the day on which the funds were received by an agency. For example, if an agency receives funds for deposit at 3 p.m. on Monday and transmits the deposits to the depository by 2 p.m. on Tuesday (the depository's next cutoff time), then next-day deposit requirements are met.

Payment means a sum of money transferred to a recipient in satisfaction of an obligation. A payment includes any Federal Government benefit or nonbenefit payment.

(1) A benefit payment is a disbursement for a Federal Government entitlement program or annuity. Benefit payments may be one-time or recurring payments including, but not limited to, payments for Social Security, Supplemental Security Income, Black Lung, Civil Service Retirement, Railroad Retirement Board Retirement/Annuity, Department of Veterans Affairs Compensation/Pension, Central Intelligence Agency Annuity, Military Retirement Annuity, Coast Guard Retirement, and Worker's Compensation.

(2) A nonbenefit payment is a Federal Government disbursement other than a benefit payment. Nonbenefit payments may be one-time or recurring payments including, but not limited to, payments for vendors, Internal Revenue Service tax refunds, Federal salaries and allotments therefrom, grants, travel disbursements and reimbursements, loans, principal and/or interest related to U.S. savings bonds, notes, and other savings-type securities, and payments of service fees to organizations qualified to issue and/or redeem savings bonds.

Point-of-sale (POS) terminal means an automated credit card or debit card transaction device.

Presumed EFT means that agencies will presume that new payment recipients will elect EFT as the means of payment delivery. Enrollment forms for use in establishing routine payments will be designed with this approach in mind, to obtain the required written consent of the recipient.

Recipient means a person, corporation, or other public or private entity receiving benefit or nonbenefit payments from the Government.

Same-day deposit means a deposit made before the cutoff time on the day on which the funds were received by an agency. For example, if an agency receives funds for deposit at 10 a.m. on Monday and transmits the deposits by 2 p.m. on Monday (the depository's cutoff time), then a same-day deposit has been achieved.

Service means the Financial Management Service, Department of the Treasury.

Treasury Financial Manual (TFM) means the manual issued by the Service containing procedures to be observed by all Government departments and agencies in relation to central accounting, financial reporting, and other Governmentwide fiscal responsibilities of the Department of the Treasury. Volume I, Chapter 6-8000 (I TFM 6-8000) contains agency cash management procedures to be followed pertaining to these regulations.

Copies of the TFM are available free to Government agencies. Others who are interested in ordering a copy may call (202) 208-1819 or write the Directives

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Management Branch, Financial Management Service, Department of the Treasury, Liberty Center (UCP-741), Washington, DC 20227 for further information.

§ 206.3 Billing policy and procedures.

The billing process is considered an integral part of an effective cash management collection program. In those situations where bills are required and the failure to bill would affect the cash flow, bills will be prepared and transmitted within 5 business days after goods have been shipped or released, services have been rendered, or payment is otherwise due. An agency may prepare and transmit bills later than the 5-day timeframe if it can demonstrate that it is cost-effective to do so. In addition, the bill must include the terms and dates of payments, and late payment provisions, if applicable. Terms and dates of payments will be consistent with industry practices. I TFM 6-8000 describes detailed billing policies, procedures, and industry standards for agencies.

§ 206.4 Collection and payment mechanisms.

(a) All funds are to be collected and disbursed by EFT when cost-effective, practicable, and consistent with current statutory authority.

(b) Collections and payments will be made by EFT when cost-effective, practicable, and consistent with current statutory authority. When consistent with these criteria, specific cash flows will utilize EFT as follows:

(1) *Fees/fines.* EFT will be adopted as the presumed method of collecting fees and fines, especially when these collection cash flows are recurring or of large dollar amounts.

(2) *Tax collections.* EFT will be adopted as the primary method for collecting taxes. EFT mechanisms may include ACH credit or debit cards.

(3) *Salary payment.* Presumed EFT will be adopted as the method for paying employees, and entrance enrollment forms for establishing regular payments will be designed to use this approach.

(4) *Vendor and miscellaneous payments.* Each department and agency will exercise its authority under the Federal

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Acquisition Regulation to require that all contractors are paid by EFT, unless a determination is made that it is not in the best interest of the Federal Government to do so. EFT will be adopted as the standard method of payment for all Federal program payments originated by agencies or their agents.

(5) *Benefit payments.* EFT will be presented to new beneficiaries as the presumed method for receiving benefits. EFT payment methods, such as Electronic Benefit Transfer, will be adopted and implemented to make EFT accessible to all benefit recipients.

(c)(1) Selection of the best collection and payment mechanism is a joint responsibility of an agency and the Service. An agency has responsibility for conducting cash management reviews; gathering volume and dollar data relative to the operation of the systems; and funding any implementation and operational costs above those normally funded by Treasury. The Service is the required approval authority when an agency desires to convert from one collection mechanism to another. The Service's written approval is required prior to an agency entering into new contractual agreements or renewing existing contracts for agency collections or payments systems. Agencies will follow guidelines for the cost-effective usage of collection and payment mechanisms, published in the TFM, Volume I, Part 6-8000, in their selection and recommendation to the Service of an appropriate funds transfer mechanism. The agency will provide the Service with a recommended mechanism for any new or modified cash flows. The Service will review the recommendations, approve a mechanism, and assist with implementation.

(2) If an agency proposes a collection or payment mechanism other than EFT, it may be required to provide a cost-benefit analysis to justify its use. Cost/benefit analyses must include, at a minimum, known or estimated agency personnel costs, costs of procurement, recurring operational costs, equipment and system implementation and maintenance costs, costs to payment recipients, and costs to remitters. Agencies should consult with Treasury to determine the need to include interest costs associated with