

**§ 205.21**

(b) Neither a State nor the Federal Government will incur an interest liability on the transfer of funds for a program subject to this Subpart.

**§ 205.21 Federal agency oversight responsibilities.**

(a) A Federal agency shall review the practices of States as necessary to ensure compliance with this Subpart. A Federal agency shall notify the FMS if a State demonstrates an unwillingness or inability to comply with this Subpart.

(b) A Federal agency shall formulate procedural instructions specifying the methods for carrying out the responsibilities of this section.

**§ 205.22 State noncompliance.**

If a State demonstrates an unwillingness or inability to comply with this Subpart, the FMS may require the State and a Federal agency to cover additional programs under subpart A of this part, notwithstanding any other provision of this part.

**§ 205.23 Failure to make funds available.**

Consistent with program purposes and regulations, if a Federal agency demonstrates an unwillingness or inability to make Federal funds available to a State as needed to carry out a program, the FMS may require the State and the Federal agency to cover additional programs under subpart A of this part, notwithstanding any other provision of this part.

**Subpart C [Reserved]**

**PART 206—MANAGEMENT OF FEDERAL AGENCY RECEIPTS, DISBURSEMENTS, AND OPERATION OF THE CASH MANAGEMENT IMPROVEMENTS FUND**

Sec.

- 206.1 Scope and application.
- 206.2 Definitions.
- 206.3 Billing policy and procedures.
- 206.4 Collection and payment mechanisms.
- 206.5 Collection and deposit procedure exceptions.
- 206.6 Cash management planning and review.
- 206.7 Compliance.

**31 CFR Ch. II (7-1-01 Edition)**

- 206.8 Appeals.
- 206.9 Charges.
- 206.10 Operation of and payments from the Cash Management Improvements Fund.

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.

**§ 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.

*Depository* 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

### § 206.3

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 Management Branch, Financial Management Service, Department of the Treasury, Liberty Center (UCP-741),

### 31 CFR Ch. II (7-1-01 Edition)

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 Acquisition Regulation to require that all contractors are paid by EFT, unless a determination is made that it is not