

CASH MANAGEMENT POLICIES AND PROCEDURES HANDBOOK

CHAPTER 4. DISBURSEMENTS

Section 1.0 General

This chapter prescribes standards to increase the reliability of the Department's disbursing systems. It also provides the policy for establishing Electronic Funds Transfer (EFT) as the standard method for making Federal payments. **Proper electronic documents and proper digital signatures are deemed equivalent to paper documents and manual signatures. Standards for retention of paper payment support documents at remote field locations are established. Risk categories for Federal payment, collection and collateral transactions, as established by the Department of Treasury, are referenced and adopted.**

Section 2.0 Policy

All organization units are to use EFT when disbursing Federal funds. This requirement applies whether the payment is recurring or non-recurring. Exemptions to this requirement are noted in Section 7.03 of this chapter.

Small purchases (under \$2,500) shall, whenever possible, be made using a SmartPay Purchase Card. In some instances, purchase card account holders may be authorized to hold and use account-related convenience checks for payments to vendors who do not accept credit cards.

Imprest Funds will be eliminated whenever possible, or reduced in value to the minimum dollar level required to support operational requirements. Convenience checks are to be used to reduce reliance on the use of Imprest Funds.

Digital signatures are recommended to be: (1) unique to the signer, (2) under the signer's sole control, and (3) capable of verification. In addition, the signature should be linked to the data in such a manner that if the data are changed, the signature is invalidated. The technical standards for digital signatures are set forth in Federal Information Processing Standard (FIPS) 186-2, Digital Signature Standard (DSS), [Federal Register, February 15, 2000 (Volume 65, Number 31)].

Paper documents supporting vendor payments or travel claims, under procedures contained herein, may be retained at remote field locations.

Bureau Chief Financial Officers are designated as the official responsible to assess Federal financial payment, collection and collateral transactions and to assign them to appropriate risk categories, as specified in Treasury's Electronic Authentication Policy.

(See <http://www.fms.treas.gov/fedreg/eauthpolicy.txt>)

Travel claims submitted by Federal employees and travel reimbursement payment certifications processed over government networks (Intranet) are deemed by the Department to be Low Risk transactions when appropriate sampling procedures are utilized by the Bureau(s).

Bureau Chief Financial Officers are designated the official responsible to assess, determine, and monitor that paper documents retained in remote storage locations are being maintained by properly trained personnel in accordance with standards set forth in this policy, Treasury policy and GAO best practices guidance.

Third-party drafts are not presently authorized for use by Department of Commerce agencies.

All payments to Federal employees shall be made by EFT direct deposit, unless the employee does not have a bank account, or unless the employee asserts a hardship waiver.

Organization units must make it clear at the earliest possible point of contact with intended payment recipient that the submission of their Taxpayer Identification Number (TIN) and banking information to facilitate payment by EFT is a condition for payment. When collecting banking information units may use such methods as telephone voice response systems, electronic forms, the SF 3881 Automated Clearing House (ACH) Enrollment form, or any other means.

Organization units must manage procurement activities to achieve the lowest cost to the Government for property and services purchased, while maintaining good business relationships with suppliers. To achieve this goal, organization units shall:

- a. Pay bills by the established due date;
- b. Pay interest on bills paid late, which are subject to the Prompt Payment Act, without businesses requesting late penalties; and
- c. Take economical cash discounts, routinely, consistent with applicable Treasury guidelines and Prompt Pay Act Requirements.

Section 3.0 Authority

The following authorities govern disbursing practices:

- a. 5 CFR 1315, "Prompt Payment, Final Rule";

- b. Public Law 104-134 Debt Collection Improvement Act of 1996, Section 31001(X) and Section 3325;
- c. GAO Policy and Procedures Manual for Guidance of Federal Agencies, Title 7;
- d. Treasury Financial Manual, Volume I, Part 4 and Part 6-8040;
- e. 31 CFR Part 210, Federal Government Participation in the Automated Clearing House;
- f. Appendix F, "Prompt Payment," Cash Management Policies and Procedures Handbook; and
- g. 31 CFR Part 208, Management of Federal Agency Disbursements.
- h. GAO Internal Control bulletin *Streamlining the Payment Process While Maintaining Effective Internal Control*, May, 2000.
- i. Department of Treasury, Financial Management Service, Fiscal Service, *Electronic Authentication Policy*, Federal Register, January 3, 2001 (Volume 66, Number 2)
- j. *Records Management Guidance for Agencies Implementing Electronic Signature Technologies*, NARA, <http://www.nara.gov/records/policy/gpea.html>

Section 4.0 Responsibilities

The head of each office making payments shall maintain appropriate internal controls to process payments in the correct amount and payable to the proper vendor. Particular attention should be given when assigning to a third party any payments due to vendors. The head of each office making payments office shall ensure that records **or** voucher-schedules sent to the disbursing officers for payment are kept by the office making payments according to appropriate retention schedules (for most financial transactions, this is 6 years and 3 months). Such records shall be **made** available for review by the Department's Inspector General and/or the General Accounting Office for audit and settlement. Additional payment responsibilities are cited throughout this chapter.

Section 5.0 Disbursements for Goods and Services

.01 Financial Provisions of Contracts, Purchase Orders, and Invoices

A copy, **or electronic copy**, of each issued purchase order or contract will be furnished promptly to the paying finance office. After receiving a purchase order or contract, the finance office will review its provisions to determine if the document contains all data needed, including banking information, to make a timely and accurate payment(s) by EFT.

If the finance office determines that the provisions are deficient, it will notify the contracting or procurement office immediately to request that the necessary modification(s) be made.

a. Contracts and Purchase Orders

Each contract or purchase order, **or an electronic equivalent thereof**, issued to a business for procuring either goods or services shall include:

1. A payment due date 30 days after receipt of invoice, unless otherwise specified;
2. A statement referring to the special payment provisions of the Packers and Stockyard Act, 1921 (7 U.S.C. Sec. 181 et seq.), or the Perishable Agricultural Commodities Act, 1930 (7 U.S.C. Sec. 499a et seq.), where applicable;
3. A specified acceptance period following delivery to inspect and/or test property furnished or to evaluate services performed;
4. Any organization unit negotiated or offered a cash or trade discount;
5. Name, title, phone number, e-mail address, and complete mailing address of the responsible Government official(s) in the designated receiving office;
6. Name, title, phone number, e-mail address, tax identification number and complete mailing address of the contractor receiving the payments;
7. For agreements covered by the Prompt Payment Act (Act), reference requirements under the Act (including the payment of interest penalties on late invoice payments and progress payments under construction contracts); and
8. Language from the Federal Acquisition Regulations which supports the use of electronic funds transfer, **electronic billing** and the collection of EFT banking information.
9. Electronic signatures meeting those standards established by NIST are deemed acceptable and equivalent to manual (on paper) signatures. (Federal Information Processing Standard (FIPS) 186-2, Digital Signature Standard (DSS),

For additional guidance on contracts and purchase orders, see Appendix F, Prompt Payment, Section 6.0 of this Handbook.

b. Invoices

The following information constitutes a proper invoice and is required as payment documentation:

1. Name of vendor/contractor and invoice date (vendors/contractors are encouraged to date invoices near the delivery date of goods or services);
2. Contract number, purchase order number, or other authorization for delivery of property or services;
3. Description, price, and quantity of property and services actually delivered or rendered;
4. Shipping and payment terms;
5. Other substantiating documentation or information required by the contract; and
6. Name (where practicable), title, telephone number, and complete mailing address of responsible official to whom payment is to be sent.
7. Invoices shall include the vendor's Taxpayer Identification Number (TIN) and sufficient banking information to enable payment to be made by EFT.
8. Invoices may be either hard copy (on paper) or electronic.

For additional guidance on invoices see Appendix F Prompt Payment, Section 7.0 of this Handbook.

c. Special Provisions of Blanket Purchase Agreements

1. All shipments under a blanket purchase agreement (BPA) shall be accompanied by a delivery ticket or sales slip to be signed by the requisitioner or receiving individual within the organization. The signature, **or electronic approval**, of that individual shall signify acceptance.
2. A copy of the delivery ticket signed by the requisitioner or receiving individual in the organization shall accompany invoices sent to the finance office for payment, **or may be retained in the field location as set forth in Section 9, Document Retention in Remote Locations.**
3. Each delivery ticket shall contain:
 - o Name of contractor;

- o BPA number and the Federal Supply Schedule number (if applicable);
- o Purchase date;
- o Call order number;
- o Accounting code data;
- o Name of individual placing call and telephone number or electronic order reference;
- o Itemized list of supplies/services;
- o Quantity, unit price, less applicable discounts; and
- o Delivery date.

4. A summary invoice shall be submitted monthly or within the first sixty days after the BPA expires, whichever occurs first, for all deliveries made during a billing period, identifying the delivery tickets covered therein, stating their total dollar value, and supported by receipted copies of the delivery tickets.

Vendors not submitting monthly summary billings, as required under the BPA, will be paid as follows: Per call order billings received between the first and the last day of the month will be paid within thirty days from the last day of the month.

The period for any discounts will begin the final date of the billing period or on the receipt date of summary invoices for all deliveries accepted during the period, whichever is later.

.02 Receiving Reports

a. Preparation, Content, and Receipt of Receiving Reports

Organization units will ensure that receipt and acceptance **reports** are executed **or electronically approved** promptly. The following information is required on a receiving report:

1. Contract or other authorization number;
2. Product or service description;
3. Quantities received, if applicable;

4. Date(s) property or service was delivered and accepted; and
5. Signature (or electronic alternative when supported by appropriate internal controls), printed name, title, telephone number, and mailing address of the receiving official.

Receiving reports must be sent in time to be received by the servicing payment center by the fifth business day after receipt or acceptance of goods or services. Since the untimely receipt of these reports is the primary reason for late payments, payment offices are to work closely with the appropriate officials in their organization unit to ensure that receiving reports are sent to the payment office timely.

Designated receiving and payment offices must stamp receiving reports and invoices **or electronic payment orders** with the date received in that office. Where performance does not satisfy contract provisions, the responsible purchasing or contracting office will notify the business concern **no later than 7 days from receipt**. A copy of the improper invoice with a notation of the date returned to the vendor, should be kept in a central file for reference.

Appendix F, Section 8.0 of this Handbook provides further guidance on the content and receipt of receiving reports.

.03 Audits of Vouchers

a. General

Effective control over disbursements generally requires that the certifying officer audit and approve vouchers before certifying for payment. Automated control procedures and computer assisted audit techniques can provide viable alternatives to the traditional requirement for the 100 percent prepayment examination of vouchers. Organization units can use such techniques to reduce the need to conduct 100% audit of vouchers.

Specifically, statistical sampling may be used for vouchers, including travel vouchers, up to \$2,500. Vouchers exceeding \$2,500 are subject to a 100-percent audit. All payments made with a convenience check are subject to a 100-percent review or audit.

When an invoice is received in the payment office, it becomes a voucher (**or electronic voucher**) that is used during the prepayment audit. The objectives of the prepayment audit of a voucher is to ensure that:

1. Required administrative authorizations for procuring and approving the

payment were obtained;

2. Payment is legal and complies with the terms of the applicable agreement;
3. Payment amount and the payee name are correct;
4. Duplicate payments are prevented;
5. Goods received or services performed comply with applicable agreement terms;
6. Quantities, prices, and amounts are accurate;
7. Offered discounts are cost effective and have been taken or, if not, the reason stated why the discount was not taken;
8. Applicable deductions were made and credited to the proper accounts and in the correct amount;
9. Appropriation of funds from which the payment will be made is available for that purpose and funds are available;
10. Proper forms **or proper electronic approval procedures** were used;
11. Required certificates were furnished (see GAO Policy and Procedures Manual for Guidance of Federal Agencies, Title 7, "Fiscal Guidance," Section 6.5); and
12. Payments comply with the Prompt Payment Act requirements.

Partial exceptions to the prepayment audit requirement, known as fast pay, is allowed. Fast Pay defers specific examining steps, usually the verification of receipt and inspection, on the condition that they be performed after payment. See Section 5.04F for details on Payment Options for Supplies.

b. Certification of Vouchers

1. All basic vouchers, voucher-schedules, and invoices or bills used as vouchers must be certified as legal and proper for payment by an authorized certifying officer. A voucher schedule, **or an electronic voucher schedule**, covers all basic vouchers listed.

Therefore, the certification of a voucher-schedule applies to all

individual vouchers listed on the schedule.

2. Certified payment vouchers submitted to the disbursing official must include the Tax Identification Number (TIN) of every payment recipient listed on the voucher.

3. The certifying officer's responsibility (31 U.S.C. Sec. 3528(a)) extends to the:

- o Information stated in the certificate, voucher, and supporting records;
- o The computations of the voucher;
- o The legality of the payment under the appropriation or fund involved; and
- o Repayment for: illegal, improper, or incorrect payments because of inaccurate or misleading certification; a payment prohibited by law; or a payment that does not represent a legal obligation under the appropriation or fund involved.

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

c. Prevention of Duplicate Payments

The heads of payment offices shall establish procedures to prevent duplicate payments. Vouchers, voucher-schedules, and supporting documents must be marked and controlled to prevent presentation for payment a second time. **If supporting documents are retained in remote field locations, the payment officer may use sampling procedures to assure that duplicate payments are not being made.**

Organization units should be alert to the possibility for duplicate payments when one or more of the following situations exist:

1. Payments have been delayed for extended periods of time after the due date and duplicate copies of invoices are received from vendors as follow-up claims;
2. Indications exist that invoices may have been sent by the vendors to more than one (1) agency location for payment; and/or
3. Invoices requesting adjustment are received after payments have been made.

d. Transportation Invoices

Where a transportation carrier has issued tickets, bills of lading, or equivalent documents, payment offices may, subject to limits in GSA Federal Procurement Regulations (41 CFR pt. 101-41), make payment before confirming the satisfactory completion of such services. Refund claims shall be filed with transportation carriers for unused ticket portions and transportation services. See Appendix G: [U.S. Government Transportation Requests](#), of this Handbook.

e. Lost or Destroyed Original Invoices

If an original invoice has been lost or destroyed, a duplicate should be obtained from the claimant to support the voucher or voucher schedule. The voucher, voucher-schedule, [or electronic voucher schedule](#) may then be processed through regular disbursement channels if placed on, or attached to, the duplicate invoices is:

1. A full explanation as to the circumstances of the loss or destruction of the original invoice, and
2. A statement that steps have been taken to prevent a duplicate payment.

f. Invoices Covering Separate Line Items

Measurement of the number of units performed is needed when the contract calls for payment on a unit price basis. If a contract contains separate line items, setting different rates of payment for different categories of work, computation of the amount due for any work completed requires the contracting official's technical representative (COTR) to determine the proper amount of payment and allocate the payment to the appropriate line item. A contract may stipulate compensation of a fixed sum price for some categories of work and unit price payment for others.

g. Defective Invoices

When an organization unit determines that an invoice is not proper, it must be returned to the contractor within seven days three days for meat products and five days for perishable agricultural commodities, dairy products, and edible fats and oils) specifying the reason(s) why the invoice is not a proper invoice. Failure to do so reduces the number of days available 30 days less the number of days past seven it took to return the defective invoice to the contractor) to make the necessary payments without incurring an interest penalty payment. When an organization unit pays an interest penalty, information on the amount of the interest penalty, the current interest rate, and the number of days covered by the penalty payment must accompany the payment to the contractor.

h. Recurrent Payments--Fixed Amounts

Payments for recurring services, such as rents and janitorial services, which are performed under agency vendor agreements for payments of definite amounts at fixed periodic intervals, may be made without submitting vendor invoices. The basic voucher prepared by the organization unit to support payments of this nature must show at a minimum the contract number, the period covered by the payment, and the appropriation account to be charged.

The basic voucher for recurring payments will be certified for payment like all other vouchers.

Organization units shall establish administrative controls to ensure that recurrent payments are made for unexpired contracts or agreements for correct amounts and for services actually performed.

Administrative controls must also ensure that recurring payments comply with the Prompt Payment Act and are not duplicate payments.

I. Assignment of Claims

The Assignment of Claims Act of 1940, as amended, 31 U.S.C. Sec. 3727 and 41 U.S.C. Sec. 15, requires that an assignee send a written notice of the assignment with a true copy of the assignment to the contracting officer or the agency head, surety on any bond applicable to the contract, and disbursing officer designated in the contract to make payment. For details on assignment of claims, see the Federal Acquisition Regulation, 48 CFR subpart 1-32.8.

.04 Payment Practices

a. General Controls

1. Except as specifically provided by contract, lawful agreement, or Section f of this section, no payment will be made on an invoice before accepting the related goods or services. Invoices and other claims for payment will be processed to permit the issuance and mailing of checks on time. A payment shall be considered made either on the date an EFT payment is specified for settlement at a Federal Reserve Bank or the date a check for payment is dated.

2. Each organization unit shall maintain an invoice tracking system to facilitate timely payment of invoices. The tracking system shall include a provision that prior administrative approval, or electronic approval, of an invoice or claim by the appropriate approving official (supervisor, contracting officer, or program officer, as applicable) is required before an invoice or claim is paid.

3. Receiving reports must be prepared and transmitted promptly to the payment office, except for payment under Option B as discussed in Section 5.04 f. of this chapter. Delays in sending a receiving report to the payment office does not extend the due date.

b. Segregation of Duties

When possible, disbursing operations should be separated from the following operations and functions:

1. Purchasing goods and services;
2. Recording receipt of goods and services;
3. Examining invoices and;
4. Preparing vouchers;
5. Authorizing hiring of employees;
6. Keeping time and attendance records;
7. Preparing payrolls; and
8. Maintaining voucher registers or similar records.

c. Determining Due Dates

Standard payments. Unless otherwise specified, the payment is due either:

1. 30 days from the start of the payment period as stated in paragraph (d) below;
2. On the date(s) specified in the contract;
3. In accordance with discount terms when discounts are offered and taken

(See paragraph (e)); or

4. In accordance with Fast Payment Methods. ([5 CFR 1315.6, "Prompt Payment"](#)), for detailed coverage on Accelerated Payment Methods.

d. Starting the payment period. The period available to an organization unit to pay an invoice timely without incurring an interest penalty shall

begin the later of:

1. The seventh day after the date which goods are actually received or services are rendered; or
2. The date a proper invoice is received. (If vendor EFT banking information has not been received by the invoice receipt date, the prompt pay clock will not begin until the EFT information is received.)

e. Purchase Discounts

Discounts will be taken when economically justified, but only after accepting goods or services. When a purchase discount is taken, payment shall be made as close as possible to, but not later than, the last day of the discount period. See Appendix F, Section 10.0 of this Handbook.

f. Payment of Interest and Penalty Charges

1. Required Interest

When timely payments are not made as required, interest penalties will be paid without the need for requests from business firms. Interest is also required if a cash discount is taken after the discount period has expired. For further information on interest payments see Appendix F, Prompt Payment, Section 12.0 of this Handbook.

2. Late Payments and Record Retention

Payments made after the due dates will be considered late except for those involving disputed invoices or the late or non-receipt of acceptable goods or services, or the receipt of an invoice without adequate EFT banking information. Each payment office will keep a record of late payments (or will determine the pattern of lateness by sampling). The records will be reviewed at least quarterly to decide if any operating problems exist, and will form the basis for reports to OFM on prompt payment performance. The review results will be kept for at least two years.

3. Penalty Charges

Organization units will pay the appropriate interest penalty when contractor invoices, subject to the Prompt Payment Act, cannot be paid by the payment due date.

However, when payment cannot be made by EFT because the contractor has provided incorrect EFT information, no interest penalty is due after the uncompleted or erroneous payment transaction date, provided proper notice

of the incorrect EFT information is issued to the contractor. Notice to contractor must occur within seven days after the organization unit is notified of the incorrect information.

4. Additional Penalties

Under some circumstances, a contractor is entitled to an additional interest penalty payment which is equal to 100 percent of the original late payment interest amount. See Appendix F, Section 13.0 of this Handbook.

5. Calculation of Interest Penalties

See Appendix F, **Prompt Payment Requirements**, Section 15.0 of this Handbook for details on calculating interest penalties.

g. Payment Options for Supplies

Payment office may pay invoices up to \$10,000 under one of the following options:

Option A

Each invoice is paid, except where specifically provided by contract or other lawful agreement, after receiving and accepting the related goods.

Final payment will be made after completion and acceptance of all work under a contract and after presentation of a properly executed and duly certified voucher or invoice. These documents shall be presented to the payment office showing the amount agreed on less any amounts previously paid.

Option B

Each invoice for goods may be paid without evidence that supplies have been received. In such instances a contractor certification that supplies have been shipped may be used to authorize payment and payment offices may defer verifying receipt and inspecting goods until after payment.

This payment option may be used when all of the conditions are present:

1. Individual orders do not exceed \$10,000;
2. There has been a continuing relationship with a reliable vendor;
3. Fast pay procedures permit the taking of prompt pay discounts or effect

other advantageous economies;

4. Delivery of supplies occurs where there is both a geographical separation and a lack of adequate communication facilities between the Government receiving and disbursing activities that make it impractical to make timely payments based on evidence of Government acceptance;

5. The contractor agrees to replace, repair, or correct supplies not received at destination, damaged in transit, or not conforming to purchase agreements;

6. The purchasing instrument is a firm fixed price contract, a purchase order, or a delivery order for supplies;

7. Title to the supplies will vest in the Government after delivery to a post office or common carrier for mailing or shipment to destination, or after receipt by Government if the shipment is by means other than Postal Service or common carrier;

8. Specific internal controls exist to assure that supplies paid for are received; and

9. A system is in place to document evidence of contractor performance under fast pay acquisitions, provide timely feedback to the contracting officer in case of contractor deficiency, and identify suppliers who have a history of abusing fast pay procedures.

Terms for fast pay disbursements may be specified in contracts or purchase orders at the discretion of the appropriate contracting personnel.

Section 6.0 Disbursements for Payroll

Most Department employees are payrolled under cross-servicing arrangements with other Federal agencies, i.e., Department of Agriculture, Coast Guard, and the State Department. Nonetheless, organization units must ensure that proper controls exist over all source documents relating to payroll operations.

.01 Control Over Source Documents

a. Need for Systematic Procedures

Systematic control procedures shall be applied to all documents which affect the computation of earnings and amounts due to Department employees.

These procedures must ensure that all valid documents are considered in determining amounts payable, as well as prevent the fraudulent misuse of payroll documents. These documents include personnel authorizations, time and attendance reports, computations of pay, and leave records.

b. Separation of Duties

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

.02 Control Over Processing

a. Basic Payroll Internal Controls

Suitable control procedures shall be included in each system to provide effective checks and to ensure that payroll data is processed correctly.

All data must be considered in processing, processing must be accurate, and no unauthorized changes are to be made to transactions and records.

The specific control procedures shall be designed to fit the specific payroll system; i.e., use of predetermined totals.

b. Controls in Programmed Instructions

Controls shall be included in the programmed instructions and used regularly to ensure accurate payroll processing. These controls include predetermined limits on computing pay, accumulating and testing zero balances, checking sequence of records, counting of records, crossfooting of balances, and other tests. Designers or programmers of the automated aspects of a payroll system should not be involved in preparing the payrolls.

.03 Certifying the Payroll

The payroll operations for the Department are contracted out to the Department of Agriculture (for civilian personnel), to the Coast Guard (for NOAA's Uniform Corps personnel), and the State Department (for ITA's overseas employees). However, the Bureau of the Census does engage in limited payroll functions for payment of its field enumerators.

Within the framework, the certification process is performed by the employee's supervisor when the Form CD-44OPC, Time and Attendance Daily

Report, is signed. The cash certification process is further enhanced when the organization unit's accounting office reconciles payroll transactions.

This reconciliation process takes place when the Abstract of Transactions, provided by the payroll office, and the Undisbursed Appropriation Account Ledger (TFS Form 6653), provided by the Department of the Treasury, are reconciled to the general ledger. Certifications may be in hard copy (on paper) or in electronic format.

.04 Frequency of Payments

The frequency of preparing payroll impacts the cost of conducting the payroll function. To perform payroll operations without incurring undue costs, regular employees shall not be paid more often than every two weeks except for needed and approved supplemental payments. The Department's normal payday is every other Thursday, i.e., 12 calendar days after the end of the pay period.

Section 7.0 Payments by Electronic Funds Transfer

The Debt Collection Improvement Act of 1996 mandates EFT for all Federal payments after January 1, 1999. (Only Internal Revenue Payments are exempt from the Act) EFT will include any method used to transfer funds electronically, including Fedwire, Automated Clearing House (ACH) transfers (e.g., Vendor Express and Direct Deposit), Point of Sale Terminals (POS), On-line Payment and Collection (OPAC) system, the Government's SmartPay purchase card and other credit or debit cards. Fedwire may be used only for payments in excess of \$100,000 when same day settlement is required.

.01 Payment Types

Organization units are to use EFT when disbursing the following payment types:

a. Payments to Employees. Payment including but not limited to performance awards, cash-in-a-flash awards, allotments from salary, garnishments, wage and salary payments are to be paid by EFT. The EFT salary provision applies when the individual first enters into Federal service (on or after July 26, 1996), transfers from another agency, or resumes Federal service after a break in employment.

All savings bonds issued will be individually enclosed in an envelope and mailed directly to the address specified by the bond owner.

b. Payments to Vendors. Payments made under all contracts, purchase orders,

and under any other procurement arrangements are to be paid by EFT.

Specifically, organization units shall use Automated Clearing House (ACH) when paying invoices from credit card companies such as Citibank

c. Expense Reimbursement Payments. Payments including but not limited to, travel advances and cash advances are to be paid by EFT.

d. All Other Payments. Payments including but not limited to interagency payments, grants, loans, fees, and refunds are to be disbursed by EFT.

.03 Exemptions

Organization units may waive the EFT requirement if a recipient certifies in writing that he/she would suffer a hardship if required to receive funds by EFT transfer.

Other exemptions include the following:

a. Payments involving national security interests, wartime needs, national emergencies or military operations.

b. Payments made in furtherance of a law enforcement action.

c. Payments by cash are required by statute.

d. Payments valued at \$25.00 or less.

e. Emergencies or unusual and compelling urgency, or there is only one practical source for the goods/services, such that the Government or an individual would otherwise be seriously injured.

f. One-time non-recurring payments which would not be cost beneficial to be paid by EFT.

.04 Withholding Payments

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

Future Departmental guidance on withholding payments and obtaining EFT

exemptions will be issued once the Department of the Treasury has issued its final policy on EFT payments.

.05 Performance Standards

In general, the performance indicator for any type of payment would be the percentage of payment, measured in transactions counts made through EFT. Reporting requirements will be included as part of the Financial Management Status Report and Five-Year Plan.

Section 8.0 Unvouchered Expenditures

Certain laws authorize certificated or unvouchered payments which are specified amounts for specified purposes for a given fiscal year. They are accounted for solely on the certificate or approval of a designated Government official, for example President, Vice President, or the head of a Department or agency.

OMB Circular A-34 "Instructions on Budget Execution," specifies an annual report be submitted by the Department. To ensure accurate information is reported to OMB and that proper financial controls are in place for unvouchered payments (especially those made from confidential payments), operating units' finance officers shall annually identify offices where such payments may be made and enter into a formal memorandum of agreement each year. This agreement shall redelegate authority to make such payments and shall describe the internal controls and reporting that are required for certificated payments. Payment to a confidential informant is an example of an unvouchered expenditure which may occur at the Department of Commerce.

.01 Certification Requirements

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

- a. The appropriation to be charged;
- b. The amount of the expenditure;
- c. The legal authority for certification;
- d. A general statement that the types of expenditures covered by the

certificate are proper under the legal authority cited; and

e. The signature, or electronic signature, of the official having authority to certify the expenditure.

.02 Documentation

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

Section 9. Document Retention in Remote Locations.

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

.01 A official has been designated as being responsible for the proper storage and retention of the documents. In the case of travel vouchers, purchase card transactions and convenience check transactions, the Approving Official is the lowest acceptable level designated to retain documents in field locations. Bureau CFOs may elect to require retention at a level higher than the Approving Official.

.02 The designated retention official has been trained in document retention standards and time retention requirements as set forth in Title 8, *Records Management*, of the GAO *Policy and Procedures Manual*.

.03 The designated official is aware that documents must be promptly produced for audit or administrative review procedures.

.04 The designated retention official and staff members must be advised that random samples of all payment transactions would be selected for the purpose of verifying the validity of the payments, and that they would be required to forward all documents related to the selected transactions to the certifying officer's location for review.

.05 The bureau will provide field staff with training to familiarize them with the retention and storage requirements.

.06 The bureau must have procedures in place to retrieve travel vouchers, vendor payment, and similar related supporting documents from departing employees at, or prior

to, the departing employee's exit interview.

.07 Bureau sampling techniques must include possible selection of *all* remote document retention locations (i.e. not only finance locations). Sampling shall be done on *not less than a quarterly basis*.

[Return to Contents](#)

[Return to Chapter 3](#)

[Go to Chapter 5](#)