

Issue Date: 03/01/2003

# **ELECTRONIC FUNDS TRANSFER FOR DISBURSEMENTS, COLLECTIONS AND DEPOSITS**

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## **I. Purpose**

This directive establishes Department of Homeland Security (DHS) policy for electronic funds transfer (EFT) for disbursements, collections and deposits.

## **II. Scope**

This directive applies to all DHS organizational elements serviced by the DHS Office of the Chief Financial Officer. All organizational elements that receive financial management support from another Federal agency or that have existing programs, should continue to use those procedures until a DHS-wide system is developed and implemented.

## **III. Authorities**

This directive is governed by numerous Public Laws and national policy, such as:

- A. Debt Collection Improvement Act of 1996 (P.L. 104-34).
- B. 31 CFR, Part 202, 206, 208 and 210.
- C. 31 U.S.C. 3332.
- D. 5 CFR, Part 1315, Prompt Payment Regulation.
- E. 48 CFR, Parts 13, 15, 32, 52

## IV. Definitions

- A. **Prompt Payment Regulation (5 CFR Part 1315)**: Requires executive agencies to pay commercial obligations within certain time periods and to pay interest penalties when payments are late. 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 beginning on January 2, 1999.
- B. **Automated Clearing House (ACH)**: Computer network used by the Federal Reserve Bank (FRB) to electronically settle financial transactions, rather than through the physical movement of checks or cash.
- C. **Electronic Funds Transfer (EFT)**: Any transfer of funds, other than a transaction originated by cash, check, or similar paper instrument, that is initiated through an electronic terminal, and that instructs or authorizes a financial institution to debit or credit an account. The term includes ACH transfers, Fedwire transfers, transfers made at automatic teller machines and point-of-sale terminals, and Government-wide commercial purchase card transactions.
- D. **Direct Deposit**: An electronic payment alternative that uses the ACH system.
- E. **Federal payments**: Federal expenses for employee salary and retirement payments, vendor payments, travel advances and reimbursements, recurring benefits, and other miscellaneous items.
- F. **Government-wide purchase card**: A card, similar in nature to a commercial credit card, that is used to make financing and delivery payments for goods and services. The purchase card is an EFT method and may be used as a means to meet the requirement to pay by EFT, to the extent that purchase card limits do not preclude such payments.
- G. **Vendor Express Program**: A Department of the Treasury, Financial Management Service (FMS) program that electronically transfers money and remittance information through the ACH network to commercial payees of Federal agencies.
- H. **Fedwire Deposit System**: An information link for wire transfer collections to the Treasury's General account at the Federal Reserve Bank of New York.
- I. **Lockbox**: A mechanism that provides a method for accelerating the deposit of funds mailed to Federal agencies. It serves as a system for paper-based collections.

J. **Pay.gov**: A government-wide transaction system managed by the Financial Management Service that offers various electronic financial services to Federal agencies.

K. **Plastic Card Network**: A government-wide network that allows Federal agencies to accept credit and debit cards for collecting funds.

L. **Paper Check Conversion**: A process that provides Federal agencies with the ability to convert personal paper checks into electronic funds transfer transactions against the check writer's account.

## V. Responsibilities

A. The **Under Secretary for Management** shall be responsible for all aspects of this directive.

## VI. Policy & Procedures

A. **Policy**: It is the policy of DHS to use electronic mechanisms for payments and collections when feasible and cost effective.

1. EFT is the preferred payment method for all DHS payments. All personnel enrolled in EFT for wages and salaries shall participate in the EFT program to receive reimbursement for travel and other miscellaneous expenses.

2. All vendors doing business with DHS are strongly encouraged to participate in the EFT programs for payments. It is recognized that specific vendors, primarily in remote locations, may be unable to participate in EFT.

B. **Procedures**:

1. Bank account information will be obtained from a vendor at the time of contract award; bank account information will be obtained from DHS employee's when hired as prior to travel ;

2. DHS certifies payment to the employee/vendor and submits a payment request to Treasury's Financial Management Service Regional Financial Center (RFC) for processing;

3. The RFC processes the DHS payment request and forwards a payment file to the FRB;

4. The FRB passes the payment to the employee's/vendor's financial institution; and

5. The financial institution posts the payment to the account and notifies the employee/vendor of the transaction.

C. **Questions or Concerns Regarding the Process**: Any questions or concerns regarding this directive should be addressed to the Office of the Under Secretary for Management.