Subject: CASH MANAGEMENT

10-40-00 PURPOSE

This chapter provides Departmental policy and guidelines for use in establishing effective cash management practices in order to maximize cash balances available to the Treasury for investment and to avoid unnecessary borrowing to finance Federal programs.

10-40-10 AUTHORITY

Treasury Department Circular 1084 issued under 5 U.S.C.301 and 31 U.S.C.484, 492 (a), 492c, and 1002 requires all Federal Departments and agencies whose financial transactions affect the cash account of the treasury to ensure that financial activities are conducted in a manner which (a) will make the maximum amount of cash available to the Department of the Treasury on a continuing basis and preclude unnecessary borrowing, (b) gives full consideration at all times to the earning value of Treasury cash balances in determining the cost/benefit relationship of financial decisions, (c) incorporates the cash management practices contained therein. This circular establishes the policy regarding cash management practices within the Federal Government relating to the development and promulgation of regulations, systems, and procedures. Treasury fiscal requirements manual volume I, chapter 6-8000 – Cash Management, supplements this authority. It provides detailed fiscal instructions for implementing the provisions of Treasury Circular 1084.

General Services Administration’s Federal Procurement Regulations and Office of Management and Budget’s Circular A-125 implement the prompt Payment Act (P. L. 97-177) require Federal agencies to pay interest penalties when payments are late, and to take discounts only when payments are made within the discount period. Circular A-125 further prescribes policies and procedures to be followed in paying for property and services acquired under federal contract, defining contract as any enforceable agreement, including rental and lease agreements and purchase orders, between an agency and a business concern.

10-40-20 SCOPE AND APPLICABILITY

The policy and guidelines prescribed in this chapter apply to each of the Department's Operating Divisions (OPDIVS), Office of the Secretary (OS) Staff Divisions (Staff Divs), and regions. These organizations must use the guidelines in this chapter for establishing effective cash management practices when developing regulations, systems and procedures and conducting financial activities encompassing billing and collections, of the Treasury, foreign currency considerations, and restrictions on financial transaction with foreign countries and international organizations.

10-40-30 BILLINGS AND COLLECTIONS

A. Timeliness. Departmental component organizations responsible for the preparation of goods or services to those outside the U.S. Government will ensure that invoices are issued one day after the day the billing office is advised that the goods have been shipped or the services completed. when the actual value cannot be ascertained at this time, and the estimated cost is less than $50,000, preparation of the invoice may be delayed until one working day after the actual value is determined. Should of time be unduly long, a partial should be considered. Partial billing identified as such, must accomplished for not less than 75% of the estimated value within one working day after the goods have been shipped or released or the services completely provided: (1) the actual value cannot be determined and the estimated value is $50,000 or more; or the estimated value is less than $50,000 and determined to be cost effective by the billing component organization. A statement that the final billing will be completed when the actual value is determined must accompany each partial. Final billing will be accomplished within a reasonable period of time. In preparing billings, the payment due date will not be more than 30 days from the date of invoice.

1. Contracts which authorize the sale of goods or services to an organization outside the U.S. Government will include provisions which:

    a. Establish a definite payment due date,

b. Require that payment be received no later than the due date.

c. Provide the payment by wire when applicable, and

d. Provide for additional charges for payments received after the due date.

B. Charges for late payments. Departmental components will apply a late charge for overdue payments. The charge will be computed at a percentage rate based on the current value of funds to the treasury. The current value of funds rate is transmitted in Treasury Fiscal Requirements Manual bulletin prior to the first day of each calendar quarter. The collection of these charges is to be promptly deposited for credit to the General Account of the U.S. Treasury unless contrary to prescribed statute or regulation. The latter part of this provision provides an exemption to those programs, which are dependent upon prompt payment or reimbursement to continue operations.

The application of late charges for payments that are late does not relieve the debtor of the obligation to pay when due, nor does it relieve Departmental components of their responsibilities to undertake additional measures to collect debts in accordance with the provisions of the Federal Claims Collection Standards (4 CFR 101 – 105). These standards are implemented in chapter 4-70 of the Department’s General Administration manual.

The late charge applied to a delinquent debt will remain in effect until payment is made, or a different rate is applied in the case of an authorized payment schedule. The late charge is applicable to each 30-day period. Charges will not be prorated on a daily basis for overdue payments received during the month (i.e., 10, 15, or 20 days late) but for the full 30-day period. When a partial payment is received, the amount received will usually be applied first to the amount due for the late charge and then to the principal owed. Complete instructions on accounting for and reporting of late charges are contained in the Department’s issuance “Policies on charging Interest and Penalties”.

1. Charges for Late Payments covered by Contracts, Agreements, or Other Formal Agreements. Except where prohibited or expressly provided for by Law, Departmental components will ensure that charges for late payments are stipulated in all contracts, agreements, or other formal payment arrangements.

2. Charges for Late Payments not covered by Contracts, Agreements, or Other Formal Agreements. Initial notification will inform the debtor of the basis for the indebtedness, the date by which payment is to be made due date), and the requirement for additional charge for payments received after the due date.

3. Delinquent Accounts Agreements. Any agreement that is made with a debtor to extend credit and schedule overdue payments over a period of time should contain a provision for late payment charges. The computation rate for late charge should be equivalent to Treasury borrowing rate at the time of the agreement and for the same duration period.

4. Collections. Collection of charges for late payments will be promptly deposited for credit to the General Account of the U.S. Treasury. A six digit account symbol will be used. The first two digits identify the Departmental component administratively responsible for accounting for the receipts. Use 1499 as the latest four digits to identify the account as “Miscellaneous Interest Collections Not Otherwise Classified.”

5. Waiver of Late Charges. Departmental components may request a waiver of late payment from the Deputy Assistant Secretary for Management and Budget, 200 Independence Avenue, S.W., Washington D.C. 20201. Such request must be accompanied by detailed justification that the administrative cost of collecting such charges exceeds the amount of the charges

C. Volume and Character of Collections. Departmental Components should consider the full range of options available when establishing procedures for collecting funds For credit to the account of the U.S. Treasury. Consideration will be given to:

1. Wire funds transfers,

2. Treasury Financial Communications Systems (TFCS)

3. Minimization of total cost including direct costs, cost of purchased services, interest cost on money involved in the collection system.

Major changes in collection systems or procedures and requests for use of the TFCS must be submitted to the Deputy Assistant Secretary, finance. These changes can only be made with the approval of the Banking and Cash Management Operations Staff, Department of the Treasury (see Treasury Fiscal Requirements Manual 6-8095).

10-40-40 **DEPOSITS**

A. Departmental components will follow the following procedures to ensure its receipts are deposited to the General Account of the U.S. Treasury on a timely basis. All processing systems will provide for separation of payments received e.g., checks, money orders, etc. from the accompanying accounting documents at the initial stage of processing. All deposits will be made promptly. Encoders will be used by components processing over 5,000 items per day for deposit. The following policy governs frequency of deposits:

- Receipts of $1,000 or more will be deposited daily.
- Receipts less than $1,000 will also be deposited will also be deposited within 24 hours.

1. Receipts or accumulations of $1,000 or more must be delivered to Federal Reserve Banks and Branches no later than noon of the following business day, or mailed no later than the next morning.

2. Over the counter deposits with commercial banks will be timed to maximize the amount of daily deposits. Transmittals of deposits must be limited to no more than one each day.

3. Deposits mailed to commercial banks can only be made when specifically authorized by the Banking and Cash Management Operations Staff, U.S. Treasury. Requests for this authority must be submitted through the Deputy Assistant Secretary, finance.

B. Reporting Large Deposits. Financial officers of Departmental components depositing a total of $10 million or more in one transaction, other than Treasury checks, will report on the day of deposit, the name of the Departmental Component, the amount deposited, and the name and location of the depository by wire (to commercial facilities, TWX 7108229201, 02, 03, or 04) and addressed to:

Funds Control Section
Division of Government Accounts and Reports
Bureau of Government Financial Operations
Department of the Treasury
Room 1010, GAO Building
Washington D.C. 20226

The TWX numbers above identify the TWX machines in Main Treasury. In lieu of the TWX wire, each office has the option of calling the Treasury Funds Control Section directly on FTS 202-566-2171.

10-40-50 DISBURSEMENTS

A. Timeliness of Disbursements. Invoices, bills, statements, or any other documents which are authorized for payment by a financial officer of a departmental component, including progress and final payments, will be paid when due. Each Departmental component is responsible for ensuring that its payment system provides for the following:

1. Payments are to be made as close as possible to, but not later than the due date, or if appropriate, the discount date whenever performance satisfies the provisions of the contract, and a proper invoice is received.

2. The payment due date shall be (1) the date on which the payment is due, or (2) 30 days after receipt of a proper invoice for the amount of the payment due, if a specific date on which payment is due is not established by contract.

3. All Standard Form (SF) 1166s must be mailed to the appropriate Treasury disbursing office 5 days in advance of the payment due date to insure Treasury issues checks on time.

B. Cash Discounts. Departmental Components will adhere to the following procedures to achieve cash discounts for goods or services received except as specifically provided by contract or other agreement executed pursuant to law:

1. Modify payments systems, if necessary, to automatically take advantage of cash discounts as a matter of routine and to eliminate any need for special handling.

2. Take the offered discount when the discount terms, converted to an effective annual interest rate, is equivalent to or greater than the percentage rate based upon the current value of funds to the Treasury. This percentage rate is published in Treasury Bulletins for each three month period. Refer to section 10-40-30 and I TFRM 6-8020.20.

   The conversion formula (TFRM 6-8040.30”) to convert sales discount terms to an effective annual interest rate is shown below:

Conversion Formula: $\dfrac{\text{Discount \%}}{\text{100\%-Discount\%}} \times \dfrac{\text{No. of Days in a year}}{\text{Time Span In Days to Due Date} - \text{Discount Period In Days}}$

To accomplish the effective annual interest rate when discount terms are ½ of 1% in 10 days, net 30 days, use the Conversion formula illustrated below:

Effective Annual = $\dfrac{.005}{1.00 - .005} \times \dfrac{360}{30 - 10} = .09$ or 9%

In this example the offered discount will be taken when the Treasury published rate was 9% or lower; it would not be Taken when the treasury rate was higher than 9%.

A table prepared below computing the effective annual rate for several discount terms. Use of a table will preclude the necessity of computing effective rates on each invoice.

Discount Rate	Term	Effective Annual Interest Rate (to be Compared with Current Value of Funds Rate Published in Treasury Bulletins for Each Three Month Period.)
½ of 1%	10 days, net 30 =	9%
½ of 1%	20 days, net 30 =	18%
½ of 1%	20 days, net 60 =	5%
1%	10 days, net 30 =	18%
1%	20 days, net 30 =	36%
1%	20 days, net 60 =	8%
2%	10 days, net 30 =	37%

3. Base discount payment date upon the date of receipt of the invoice, authorized for payment, unless otherwise provided on the contract or invoice.

4. Do not make payments to achieve cash discounts unless the related goods and services have been received except as specifically provided by contract or other agreement.

5. Record economical discounts in the accounting system as an item of expense. Purchases are to be recorded net of discount, whether taken or not.

6. Schedule all discounted payments for check issuance on the last day of the discount period.

7. Lost economical discounts must be summarized and reported to Treasury in accordance with 1 TFRM 6-8080.40.

C. Use of Treasury Financial Communications Systems (TFCS). Financial officers of departmental components must use the TFCS for making Treasury disbursed vendor payments in excess of $25,000 beginning October 1, 1983. A letter requesting approval and a completed questionnaire as incorporated in 1 TFRM 4-2500 must be forwarded to the Deputy Assistant Secretary, finance, room 705-d Humphrey for transmittal to:

Assistant Commissioner
Banking and Cash Management
Bureau of Government Commercial Operations
Department of Treasury
Treasury Annex No. 1, PB-704k
Washington, D.C. 20226

Certifying officers must inform Treasury of payments in excess of $50 million in a single transaction or in a multiple transaction of a common nature at least two days prior to the date of payment. The required information must be transmitted by wire (to commercial facilities, TWX 7108229201, O2, 03, 04) to:

Funds Control Section
Division of Government Accounts and Reports
Bureau of Government Financing Operations
Department of the Treasury
Treasury Annex No. 1
Room 1010, GAO Building
Washington, D.C. 20226

The TWX numbers above identify the TWX machines in main Treasury. In lieu of the TWX wire, each office has the option of calling the treasury Funds Control Section directly on FTS 202-566-2171

D. Late Payments. Department components will make every effort to pay their bills on time and avoid late payment interest penalties. Late payments must be reviewed and reported to Treasury pursuant to I TFRM 6-8080.40.

E. Interest Penalty Requirements. Interest penalties must be paid when late payments occur or discounts are taken after expiration of the discount period, without the need for business concerns to request them. An interest penalty will be paid automatically when all of the following conditions are met:

1. There is a contract or purchase order with a business concern.

2. Federal acceptance of property or services has occurred and there is no disagreement over quantity, quality, or contract provisions.

3. A proper invoice has been received (except where no invoice is required, e.g. some periodic lease agreements) or the Department fails to give notice that the invoice is not proper within 15 days of receipt of an invoice (3 days for meat or meat food products, and 5 days for perishable agricultural commodities.)

4. Payment is made to the business concern more than 15 days after the due date (3 days for meat or meat food products, and 5 days for perishable agricultural commodities.)

An interest will also be paid on the discount amount when Department components take a discount period has expired, and fail to correct the underpayment within 15 days of the expiration date of the discount period (3 days for meat or meat food products, and 5 days for perishable agricultural commodities.)

Payment of interest penalties will be charged to the currently available appropriation (FY/CAN) for the administration or operation of the program that funded the applicable invoice (contract).

Each OPDIV, STAFFDIV, and Region (and the Division of Accounting Operations, OS) shall report to the Deputy Secretary, Finance, 705-D Humphry Building, 200 Independence Ave, S.W., Washington, D.C. 20201, no later than 20 calendar days after the end of each quarter, the following data:

1. Number of interest penalties paid;

2. Amount of interest penalties paid;

3. Why interest penalties were incurred;

4. Relative frequency, on a percentage basis, of interest penalty payments to the total number of payments; and

5. Number, total amount, and relative frequency, on a percentage basis, of payments made 5 days or more before the due date, except where cash discounts are taken.

10-40-60 CASH ADVANCES

A. General Policy. The Deputy Assistant Secretary, Finance has the responsibility for establishing and monitoring the cash management practices of the Department’s recipients. Cooperation of Departmental component organizations that advance fund awards and recipients receiving such funds is essential in meeting with this responsibility. (see section 10-40-90c) as a minimum, the Departmental components that advance fund awards must establish systems and procedures that ensure:

1. Federal (HHS) cash is not maintained in excess of immediate disbursing needs;

2. Excess balances are promptly returned to the Treasury Department;

3. Interest earned on Federal (HHS) cash, except where contrary to law, is promptly paid to the Treasury Department; and

4. Noncompliance with these requirements will result in termination of advance funds.

B. Timeliness of Advances. Each awarding organization will ensure that its procedures specify:

1. Advance payments will be made only at times and in amounts necessary to meet immediate disbursing needs;

2. Where large amounts of funds are disbursed on a daily basis under the letter-of-credit system, receipts not under a checks paid systems must give considerations to the delay of drawdown technique when submitting payment vouchers; and that

3. Monitoring evaluation will be based on cash payment and not on accrued liabilities.

C. Interest Earned on Balances. Departmental components shall require that all interest earned by recipients on advances of Federal funds, except where specifically prohibited by law, be remitted to them. Such interest shall be promptly deposited by departmental components in the General Account of the U.S. Treasury using a six-digit account symbol. The first two digits will identify the departmental component. The last four digits (1499) will identify the account within the fund group as “Miscellaneous Interest Collections Not Otherwise Classified”.

D. Recoveries of Disallowed Expenditures. Departmental components shall require funds returned as soon as possible immediately upon determination that an expenditure of advance funds is disallowable in accordance with the terms of a contractual arrangement. Under no circumstance can the return of such funds be delayed more than thirty days from the date of notification by the departmental component. The Departmental component, except when prohibited by law, shall take appropriate measures to ensure that no further withdrawals are made by a recipient funded by a letter of credit pending disposition of recovery action with that recipient.

E. Recoveries of Unused Cash Advances. If cash is advanced in excess of final expenditures reported by a recipient. Departmental components are responsible for immediately collecting that unused cash. (see Office of Management and Budget circulars A-102 and A-110 as implemented in HHS 45 CFR 74).

1. If an award will be closed within thirty days, the departmental component or the Federal Assistance Financing Branch if paid through the Departmental Federal Assistance Financing system, may defer collection until the closing transaction is processed. If there is doubt concerning when the award will be closed, collection action will be started without delay.

2. Collection action is not required if unused funds can be immediately offset against or applied to other awards from this department held by the recipient or applied to new or continuation awards about to be released to the recipient. If, for example, there is an unused balance of $50,000 on a Head Start award, the letter of credit funding of a new or continuation Head Start award should be reduced by $50,000.

10-40-70 CASH HELD OUTSIDE TREASURY

A. Cash Held at Personal Risk Including Imprest Funds, by Disbursing Officers and Cashiers. Quarterly, Departmental components shall review funds held by their accountable officers to ensure that such funds are commensurate with actual needs and do not exceed maximum limitations. (see Volume I, Treasury fiscal requirements manual 4-300).

B. All Other Cash Held Outside Treasury. Departmental components authorized to maintain funds with depositaries for specific purposes, or to control the maintenance of such funds, must establish procedures to monitor such accounts on a continuing basis. These procedures shall, as minimum ensure that:

1. fund balances are maintained at the minimum amount required to meet immediate disbursement needs (checks issued and in process) and are commensurate with the activity in the account;

2. Funds in excess of the immediate needs for which the account was established are promptly withdrawn from the account and deposited with Treasury; and

3. Where fund balances as authorized by Treasury or provided by law may bear interest, such interest shall be at the highest possible interest rate commensurate with the administration of the account.

10-40-80 RESTRICTIONS ON FINANCIAL TRANSACTIONS WITH FOREIGN COUNTRIES AND INTERNATIONAL ORGANIZATIONS

A. General. Restrictions are placed on procurement, coproduction, grants and other significant transactions with foreign countries and international organizations involved in bilateral programs that require:

1. Outlay of U.S. dollars on foreign currencies;

2. Inflow of funds from foreign countries; and

3. Exchange of U.S. dollars and foreign currencies.

The restrictions are intended to reflect U.S. Treasury policy with respect to funds which have a potential impact on interest costs to the Treasury and in the foreign exchange area.

B. Negotiating Financial Arrangements. Departmental components will observe the following policies, except for arrangements that may be entered into solely for implementing U.S. international monetary policy.

1. The U.S. Government will not permit the withdrawal of dollars from the account of the U.S. Treasury, for placement with any program management organization, prior to the need for the dollars as determined by the actual immediate funding requirements of the recipient organization to carry out the project;

2. Arrangements which require U.S. funding will be negotiated to provide for dollar outlays as close to the need for current program expenditures as possible;

3. Each program should be structured to the maximum practical extent so as to provide flexibility for the country or international organization to fund the program, conforming to their own fiscal needs and policy considerations;

4. Program funds will not be derived from interest earned on U.S. contributions. See 10-40-60C;

5. Each request for the temporary deposit and safekeeping of dollars in trust in an account of the U.S. Treasury will be decided on its own merit, according to established reasons, the specific financial arrangements proposed, and U.S. Government political and general financial considerations;

6. Unless otherwise required by law, the U.S. Government will not invest funds on behalf of a foreign country or international organization when receipt of such funds by the Government will serve as a basis for creating contract obligational authority for a Departmental component; and

7. Departmental components will alter or revise current practice to achieve these funding policies, and the principles set forth will not be compromised by internal administrative practices.

C. Exchange of U.S. Dollars for Foreign Currencies. Departmental components will not hold more foreign currency than immediately required, nor will any transaction give the appearance of currency speculation in the exchange markets. Accordingly, the following guidelines will be adhered to accept for those exchanges entered into solely for implementing U.S. international monetary policy:

1. Conduct “spot” delivery for all exchange of dollars for foreign currency. Do not use forward contracts, or exchange directly with foreign governments or private contractors at negotiated rates:

2. Do not make an exchange prior to the time the foreign currency is needed for immediate funding requirements;

3. Appearance of currency speculation must be avoided;

4. U.S. and foreign program agencies involved in a program will be responsible for any change in program costs resulting from foreign currency denomination of the financial arrangements;

5. To reduce exchange risks, Departmental components may take steps to assure that a large portion of program funds be expended in the U.S., or that additional financial arrangements are dollar denominated. If these steps are not feasible, applicable financial arrangements may be entered into using a multiple currency "unit of account" which includes the dollar as one of the currencies, as set forth in the next paragraph.

6. The U.S. dollar is the preferred currency for all international financial arrangements unless the U.S. Government owed excess or near-excess currencies can be used. If the only alternative to the use of U.S dollars is the use of a foreign currency, Departmental components should together with Treasury consider the use of a "multiple currency unit of account" which include the dollar as one of its currencies. An example of such an account is the International Monetary Fund's "special drawing right" (SDR). The exchange value of the SDR is determined by the IMF on the basis of a basket of currencies assigned a weight in determining the SDR exchange value.

D. Policy exceptions. Exceptions to Treasury policies and guidelines referred to in this section will be made only when an exception would be advantageous to the U.S. Government. If a Departmental component anticipates such an exception, it should contact the foreign staff (1 TFRM 6-8095) at the earliest possible time on potential or pending financial negotiations.

E. Collections and Depository Arrangements. All checks drawn and payable to foreign banks in U.S. dollars and/or in foreign currencies must be based on the geographic location of the foreign bank. Checks payable at foreign banks overseas depository purposes must be deposited at the following depositories:

Area	Overseas Depository
Africa Caribbean Mexico Other Latin American Countries	Federal Reserve Bank of of New York Check Processing Country Section 33 liberty Street New York, NY 10045
Canada	The Royal Bank of Canada 90 Sparks Street Main Branch Station B, Box 746 Ottawa, Canada

Area	Overseas Depository
Europe, Asia, South Pacific, and Other Areas not covered.	Bank of America, N.T., & S.A. Department # 1055 San Francisco, CA 94137

The depository officer must transmit each check payable to the foreign bank with a fully prepared Certificate of Deposit (CD) to the appropriate depository in accordance with the following procedures:

1. A single CD must be prepared for all U.S. dollar checks payable to a depository for any day at foreign banks.

2. Checks drawn in U.S. dollars must be accompanied by CDs prepared in the usual manner.

3. A separate CD must be prepared for each foreign currency check payable at foreign banks, except for those Canadian dollar items deposited with Royal Bank of Canada. For Canadian dollar items deposited with Royal Bank of Canada, adhere to the following:

   a. Prepare a single CD for all dollar checks deposited by a Government officer for any day.

   b. CDs accompanying Canadian dollar checks must be completed in the usual manner except the amount will be left blank.

      (1) The U.S. dollar equivalent will be entered by the depository when credit is received in the treasury account.

   c. Pro-rate individual items on a single CD for each item upon receipt of the CD from the bank.

   d. The appropriate copies of the CDs will be distributed in accordance with established procedures

4. All foreign exchange (checks, bills and coins) collected outside the United States by departmental components must be delivered promptly into the custody of accountable officers for credit to accounts maintained by the department of treasury.

   a. HHS will advise accountable officers of the source of their collections and any restrictions on their use.

5. All foreign exchange disbursed outside the U.S. will follow the guidelines in accordance with Section 10-40-50. Requests for waivers should be forwarded to:

   Cash Management Operations Staff
   Bureau of Government Financial Operations
   Treasury Department
   Washington, D.C. 20226
   (202) 634-5760

6. Departmental components desiring disbursing authority outside the U.S. must get concurrence from the Department of State and the Department of Treasury. Written requests must be coordinated with the Deputy Assistant Secretary, Finance and: (1) typed in triplicate, (2) with the volume of transactions for the use in connection workload requirements, and (3) signed by an agency official to:

   Office of Financial Services
   Department of State
   Washington D.C.

7. Individual deposits of foreign items less than U.S. $15 in value should not be dispatched to either the Bank of America or the Federal Reserve Bank of New York.

8. Departmental components must reconsider the form of payment when the U.S. dollar equivalent of a check is less than the collection charge.

9. Checks drawn on foreign banks encoded with the ABA routing symbol shall be effected through the U.S. depository normally used for domestic deposits.

10-40-90 FOREIGN CURRENCY

A. General. This section contains the Department's cash management policy as it relates to the purchase, custody, deposit, transfer, sale, and utilization of the foreign exchange. Procedural instructions regarding the receipt and disposition of foreign exchange owned by the U.S. Government are contained in Volume I of the Treasury Fiscal Requirements Manual, Treasury Department Circular No. 830, and Office of Management and Budget Circular No. A-20.

B. Designation of Financial Institutions to Maintain United States Government Operating Accounts. Preference shall be given to American financial institutions unless a local bank's arrangement is clearly more advantageous to the U.S. Government. Treasury will consider three areas of service in determining the most beneficial banking arrangement: (1) minimum required service, (2) customary local banking practices, and (3) other special services which may be deemed necessary in a particular country or circumstance. The minimum required services are:

1. Capability to honor payments to payees in outlying areas,

2. Processing of checks and deposits,

3. Submission of monthly bank statement,

4. Acceptance of Treasury minimum/maximum funding procedures whenever applicable,

5. Any customary banking practices (such as payment of interest on the operating account, waiver of miscellaneous charge, preferential exchange rates on purchases with U.S. dollar, etc.) peculiar to a particular country, etc.

6. Other special services such as telex cost, funds transfer, overdraft, armored car service, etc.

   The operating account will not be used to subsidize banking services that would otherwise be funded through the appropriation process. The level of balance will be determined solely by disbursing requirement. Generally, the operating account will not be subject to transfer more frequently than every two years.

C. Operating Account Balance Limitation. All accountable officers shall ensure that the amount of foreign exchange purchased with U.S. dollars is commensurate with immediate disbursed requirement. This is essential to: (1) minimize local currency operating bank balances; (2) minimize losses due to rate devaluation; and (3) avoid premature drawdowns on the General Account of the U.S. Treasury. Adherence to this policy will result in interest savings to the U.S. Government and have a favorable impact on the U.S balances of payments. Specifically, accountable officers shall purchase:

   1. Readily obtained currencies in an amount that, together with the checkbook balances on hand at the time of purchase, would not exceed the estimated requirements for the ensuing two to three day period.

2. Not readily available currencies in an amount that, together with the checkbook balance on hand at the time of the purchase, would not exceed the estimated requirements for the ensuing seven day period.

The above requirements apply only to accounts that are funded based on the accountable officer’s checkbook balance. They are not applicable to the funding of accounts in which the level of actual bank balances has been established or concurred with by treasury.

The seven-day maximum funding level may not be exceeded without a specific waiver of this requirement from the foreign currency staff, Department of the Treasury. (see volume I Treasury Fiscal Requirements Manual, 6-8095).

D. Acquisition of Foreign Exchange.

1. Commercial Purchase. Accountable officers or their duly authorized agents shall ensure that foreign exchange purchased commercially is purchased at the highest legal rate obtained from a legally authorized exchanged dealer whether purchasing for their own or other accountable officers’ accounts. Bids should be solicited from at least three sources, if available, when foreign exchange is purchased at non-fixed rates. Accountable officers or their duly authorized agents shall ascertain that the rate received is the most favorable applicable to each transaction if foreign exchange is purchased commercially at a fixed rate.

This includes diplomatic rates or special rates established by agreement with the authorities of the country. Accountable officers or their agents may purchase foreign exchange from the Government or other legally authorized sources at rates more favorable than the official rate only if the accountable officer or agent has specific authority to do so from the Department of the Treasury. Address specific requests to the foreign currency staff, Department of the Treasury (see paragraph C above.

2. Collections. Foreign exchange must be promptly delivered into the custody of accountable officers for credit maintained by the Department of the Treasury. Only the secretary of the Treasury can authorize exceptions to this requirement. Collectors of foreign exchange will inform the accountable officer of the source of the collections and any restrictions on their use.

3. Currency Use Payments. Payment in U.S. dollars is normally required for Surplus Agricultural Commodities purchased by agreement under the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480). In non-excess currency countries where U.S. dollars are being used to purchase foreign exchange commercially, a Currency Use Payment (CUP) provision may be inserted in the purchase agreement whereby a percentage (ranging from 5% to 30%) of the dollar amount of the agreement may be paid in the currency of the country. All requests for CUP should be on an as-needed basis to avoid purchasing commercially in those countries where P.L. 480 agreements contain CUP provisions. Such requests should be made only after all other U.S. owned currencies have been exhausted, including those available through unfunding. U.S. Disbursing Officers and regional Disbursing Officers, or their agents, are responsible for contacting the American embassy in each country having a CUP agreement to determine the existence of any U.S. military requirements for currency.

4. Unfunding. All foreign transaction (FT) program accounts susceptible to unfunding are to be fully unfunded prior to purchasing commercially. Foreign exchange held by accountable officers in program accounts may be used for any U.S. Government expenditure through the use of a contra account established by Treasury until such time as they are required in connection with the particular program intended. If necessary, the accountable officer may then purchase commercially with U.S. dollars to reimburse the program account.

5. Disposition of Excess Balances. Efforts will be made to transfer those foreign currencies in excess of immediate disbursing requirements that may be utilized by other accountable officers in a particular locality, e.g. Military, state, or Treasury. Currencies obtained in designated excess or near excess currency countries must be acquired from sources provided by the U.S. Government. American embassies in these countries may be contacted concerning their acquisitions. Accountable officers in non-excess currency countries having excess balances should initiate action to effect transfers with other accountable officers using like currency.

6. Interest on Deposits. Accountable officers will establish an interest bearing account if the collection of foreign currency causes the non-interest bearing local currency checking account to exceed a 30-day supply and all attempts to sell currencies to other accountable officers have been exhausted. All funds in excess of the operating

account balance limitation (see volume I, Treasury Fiscal Requirements Manual (6-8070.25) must immediately be placed in a short term interest bearing account provided such an account is available. The deposit must be in a bank that has been designated as a depository of public moneys by the department of Treasury. Accountable officers should place such excess funds in the bank that maintains the operating account unless another designated depository can provide a more beneficial banking arrangement. The accountable officer will furnish the name of the bank, account number, the interest rate obtained, and the conditions and terms of the deposit by telegram to the Foreign Currency Staff, Department of the Treasury.

a. If the balance is in excess of a six-month supply, the accountable officer will canvas the market to obtain the highest interest rates legally available for 3 months, 6 months, and one-year deposits. This information must be submitted to Treasury for approval together with a proposed schedule for the placement of the excess balance, commensurate with disbursing requirements. The accountable officer is responsible for monitoring the interest bearing accounts to ensure that interest is being paid on a timely basis and in accordance with agreements reached between the accountable officer and the banks.

7. Limitations. Unless authorized by the secretary of the Treasury, foreign exchange shall not be purchased from any source outside the United States except when exchange for the purpose intended is not available from accounts maintained by the treasury.

a. When Treasury authorizes a transfer of foreign currencies to an account within this department for the purpose of making an authorized expenditure, pursuant to the OMB allocation or an international agreement, the actual foreign currencies will be maintained by Treasury. Once the department determines that the transfer is in excess of its needs, it is responsible for promptly arranging with treasury to reduce the original authorization thereby making the funds available for other official requirements.

8. Disbursements. Domestic disbursements are applicable to foreign exchange disbursements. Refer to section 10-40-50.

9. Rate of Exchange. Accountable officers shall make a concerted effort to preclude losses due to fluctuations in rates of exchange. The prevailing rate shall be used in converting foreign currency to expenditures to dollars unless otherwise authorized by the Treasury.

10. Utilization of Excess and Near-Excess Currencies. The following policy applies to utilization of excess and near excess currencies.

    a. Obligations will be made payable in the currencies of the excess and near excess currency countries rather than U.S. dollars.

    b. Contracts with American contractors will include a provision that obligations will be made payable in foreign exchange of excess and near-excess currency countries to the extent that the contractor may be expected to require such exchange for necessary expenses in the country involved. Further, the contract will provide that the contract be obtained solely from the accountable officer.

    c. Cost of living allowances, housing, etc. to employees, uniformed personnel and others under U.S. Government sponsorship must be paid in local currency to the extent possible under existing law in excess or near-excess currency countries.

    d. Employees, uniformed personnel, and others under U.S. Government sponsorship in any of the excess or near-excess currency countries must use the accommodation exchange service provided by the U.S. Government, or their delegated agents, to exchange checks, drafts, bills of exchange and other instruments payable in U.S. dollars for local currency.

E. Charges Against Deposits. Department components must consider the following charges against deposits for collection purposes when dispatching payments for deposits within the United States.

1. The Bank of America will charge a handling fee equivalent to 1/10 of 1% for such U.S. dollar checks and certain foreign currency plus the following:

a. At least $5.00 but no more than $7.50.

b. A $2.00 charge for each tracer for every thirty days.

2. The Bank of America will not access a General Collection charge against Foreign currency items payable in the currencies listed below:

Country		Currency	Country		Currency
Australia	-	Australian dollar	Netherlands	-	Dutch Guilder
Australia	-	Australian shilling	Northern Ireland	-	Irish pound
Denmark	–	Danish Kroner	Norway	–	Norwegian Kroner
Finland	–	Finmark	Scotland	-	Pound Sterling
France	-	French Franc	Sweden	-	Swedish Kroner
Germany	-	Deutsche Mark	Switzerland	–	Swiss franc
Hong Kong	–	Hong Kong dollar	United Kingdom	–	Pound Sterling

This list may change without notice as a certain currency suddenly becomes volatile.

3. The Federal Reserve Bank of New York will impose a collection fee equivalent to that of a subsequent collecting bank or paying bank plus, that bank’s normal per item cost for handling such items.

10-40-100 RESPONSIBILITIES: OPDIVs, STAFFDIVs, AND REGIONS.

A. It is the responsibility of each departmental component to incorporate the provisions contained therein in their billing and collection, accounting, and disbursing systems, and as an integral part of their comprehensive audits and review program.

B. Each Departmental component will develop written internal regulations implementing the cash management practices contained in this chapter. Such regulations will be available upon request to the Deputy Assistant Secretary, Finance not later than March 15, 1979.

1. Provisions of existing contracts and other formal agreements not in compliance with these regulations at the time of release of this chapter that are subject to renegotiation and amendments will be amended upon the next renegotiations of such arrangements.

C. Review. Each departmental component shall establish a system for monitoring its cash management practices within three months of the completion of its written internal regulations. The system will provide periodic, no less frequent than annual, review of cash management practices.

D. Reports to the Treasury. Documentation summarizing Departmental component annual reviews of cash management practices will be forwarded September 30th, each year, to the Deputy Assistant Secretary, Finance. This office will transmit a consolidated Departmental report to the Special Financing Staff, Department of Treasury. Internal audit reports related to cash management shall be furnished upon request to the Deputy Assistant Secretary, Finance.

E. Waivers, Exemptions, and Other Applicable Regulations. Request for waivers to specific provisions of these requirements must be submitted to the Deputy Assistant Secretary, Finance, who in turn will coordinate these requests with the appropriate Treasury Department's Banking and Cash Management Staff. Such requests must identify the specific requirement, state the reason for the request, the period of time to be covered by the waiver, and include documentation supporting the request. Departmental components shall immediately advise the Deputy Assistant Secretary, Finance, of any programs existing or new, that are exempt by law from one or more provisions of these regulations. The governing law and conflicting provision must be cited. The provisions of this chapter are designed to supplement existing cash management regulations and therefore do not relieve departmental components from compliance with OMB, GAO, and other Treasury regulations.