

CASH MANAGEMENT

1. REASON FOR ISSUE: To provide Department of Veterans Affairs (VA) policy as it pertains to cash management decisions and reviews.

2. SUMMARY OF CONTENTS/MAJOR CHANGES:

a. The Cash Management Improvement Act of 1990 and the Cash Management Improvement Amendments of 1992 mandated that executive agencies use Electronic Funds Transfers (EFT) for financial transactions whenever cost-effective, practicable, and consistent with statutory authority. Regulations for implementing the law are contained in Title 31 Code of Federal Regulations (CFR) Part 206. The Debt Collection Improvement Act of 1996 strengthened this issue by requiring EFT for all Federal payments to new recipients beginning July 26, 1996. The 1996 law also requires EFT for all Federal payments to existing recipients effective January 1, 1999. This directive provides that, consistent with statutory authority, electronic transfers will be the method of collection and disbursement for VA financial transactions.

b. The Cash Management Improvement Act and Amendments require agencies to periodically perform cash management reviews to identify areas needing improvement. This directive provides VA policy on the required reviews.

c. The Cash Management Improvement Act and Amendments also require equitable treatment in the transfer of funds between the Federal Government and the States for Federal grants and other programs. This directive provides VA policy on these transfers.

d. Material in this directive provides new information that has not previously been provided in VA directives, handbooks, or manuals.

3. RESPONSIBLE OFFICE: Cash and Debt Management Division (047GC1), Cost and Debt Management Service, Office of the Associate Deputy Assistant Secretary for Financial Policy.

4. RELATED HANDBOOKS: VA Handbook 4070.1, Collection Mechanisms and VA Handbook 4070.2, Disbursement Mechanisms.

5. RESCISSIONS: None.

CERTIFIED BY:

**BY DIRECTION OF THE
SECRETARY**

OF VETERANS AFFAIRS

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CASH MANAGEMENT

1. PURPOSE. This directive sets forth the policies of the Department of Veterans Affairs (VA) for cash management decisions and reviews.

2. POLICY

a. General. In accordance with Title 31 CFR Part 206, it is the policy of the VA that effective, efficient collection and disbursement methods, principally Electronic Funds Transfer (EFT), will be utilized and that periodic cash management reviews will be conducted.

b. VA Disbursements. In accordance with the Debt Collection Improvement Act of 1996, it is the policy of the VA that beginning July 26, 1996, all disbursements to new payment recipients will be distributed by EFT unless a waiver has been approved. Effective, efficient disbursement methods, principally EFT, will be utilized for all payments to existing recipients prior to January 1, 1999. Payments to all existing recipients shall be by EFT beginning January 1, 1999, unless a waiver has been approved. Full and specific limitations on use will be prescribed in the forthcoming Treasury Final Rule. Credit card transactions are considered electronic payments.

c. VA Collections. In accordance with 31 CFR Part 206, it is the policy of the VA that effective, efficient collection methods, principally EFT, will be utilized. The VA will conduct continuing aggressive campaigns to encourage remitters to submit their payments electronically.

d. Periodic Cash Management Reviews.

(1) General. In accordance with 31 CFR Part 206, it is the policy of the VA that periodic cash management reviews will be conducted at each level of the department. The VA and the Department of the Treasury conduct agency-wide cash flow reviews annually and comprehensive cash management reviews once every five years. In addition, each area responsible for certifying cash management operations or for collecting or disbursing funds shall conduct their own internal reviews in order to validate the Department-wide responses and certifications.

(2) Cash Management Annual Certification (CMAC). The VA shall conduct annual cash management reviews. If requested by the Department of the Treasury, cash flow descriptions and certifications that VA programs meet Treasury Financial Manual (TFM) standards will be issued. Also, status of ongoing cash management initiatives and implementation plans for new cash management initiatives will be reported.

(3) Current Assets Management Review and Analysis (CAMRA). Comprehensive cash management reviews will be conducted every five years if requested by the Department of the Treasury.

e. Transfers Between the VA and State Governments.

(1) General. In accordance with 31 CFR Part 205, it is the policy of the VA that transfers of funds between the VA and State Governments shall be made as soon as funds are due. The Cash Management Improvement Act (CMIA) governs the transfer of funds between the Federal Government and the States for Federal grants and other programs. The three key transfer principles of the legislation follow:

(a) The States and a Federal program agency must minimize the time elapsing between the transfer of funds from the United States Treasury and the payout of funds for program purposes by a State.

(b) The Secretary of the Treasury must enter into an Agreement with each State that establishes the terms for CMIA implementation of affected programs.

(c) Interest payments will be exchanged between a State and the Federal Government through the Department of the Treasury in instances where funds are not transferred in a timely manner.

(2) Federal Programs Affected. The CMIA provides separate transfer regulations for those programs covered by a Treasury and State Agreement (TSA) and those not covered. If the program is not included in a TSA, all funds must be transferred on a timely basis. Programs that may be covered by a TSA normally are listed in the Catalog of Federal Domestic Assistance (CFDA). If the program meets or exceeds the State's dollar threshold for major Federal assistance programs it may be included in a TSA. Exceptions to the dollar threshold rule are available upon request by a State. If the program is included in a TSA, the agreement will specify the funding technique, the interest calculation method, and the clearance pattern method.

(3) VA Programs Affected. VA programs originally identified as potential candidates for inclusion were: Veterans State Nursing Home, Grants to States for Construction of State Home Facilities, Veterans State Domiciliary Care, Veterans State Hospital Care, and State Cemetery Grants. Any program that involves transfers between VA and a State government may be included upon justification by the affected state. Potential programs will only be covered if a state or the VA requests inclusion.

(4) VA Requests for Inclusion. If a State demonstrates an unwillingness or inability to draw advances only when due, the VA may request the program be included in a TSA. The Chief Financial Officers or comparable office within a VA Administration or Staff Office shall provide a request and supporting documentation to Cash and Debt Management Division (047GC1), Office of the Associate Deputy Assistant Secretary for Financial Policy.

(5) Notification of Inclusion. The Cash and Debt Management Division (047GC1) maintains ongoing contact with the Department of the Treasury Cash Management Officials. Treasury provides a copy of the TSA and notifies the Cash and Debt Management Division when a VA program will be included in a TSA. The Chief Financial Officers or comparable office within a VA Administration or Staff Office shall notify the Cash and Debt Management Division of the staff office designated to handle the TSA record information. Copies of a signed TSA will be provided to the affected designated staff upon receipt.

(6) Review of Pending Agreements. Treasury and State Agreements (TSA) normally cover the period from July 1 to June 30 of the next year. Usually the VA has an opportunity to review and comment in June prior to the signing of the TSA. However, this review period is available for a very short time period, sometimes only 24 hours. Immediately upon receiving notice of a potential TSA, Cash and Debt Management Division staff will notify designated Department staff.

(7) Recordkeeping for Included Programs. Offices that are responsible for providing TSA record information will obtain complete and accurate billing and payment records. These records will be forwarded to the Cash and Debt Management Division quarterly and will be the basis for determining, with Treasury, whether interest is due to or from the State government.

3. RESPONSIBILITIES

a. Assistant Secretary for Management. The Chief Financial Officers (CFO) Act of 1990 mandates improved financial management, in part, by assigning clearer responsibilities for leadership to senior officials and by requiring the establishment of CFO organizations in each Department.

b. Deputy Assistant Secretary for Financial Management. As the CFO for VA, the Assistant Secretary for Management has redelegated to the Deputy Assistant Secretary for Financial Management, as the Deputy CFO, the authority to direct, manage, and provide policy guidance and oversight of cash management activities and operations

c. Administration Chief Financial Officers or Comparable Office. The Chief Financial Officers (CFO) or comparable office for each VA Administration or Staff Office shall be accountable for cash management actions within their responsibility segments. This includes the following:

- (1) Notifies employees of VA wide policies and individual responsibilities.
- (2) Develops detailed procedures, if necessary, to implement policies.
- (3) Promotes EFT initiatives for both disbursements and collections.
- (4) Conducts cash management reviews and certifies whether cash flows in their responsibility areas meet the cash management standards set forth in the Treasury Financial Manual.
- (5) Provides cash flow data, cash management initiative implementation plans, and status reports on cash management activities to the Cash and Debt Management Division upon request.
- (6) Provides information on transfers between VA and State governments to the Cash and Debt Management Division upon request.
- (7) Ensures that the job elements of agency personnel responsible for receipts and disbursements shall include cash management as critical performance measurements.

d. Associate Deputy Assistant Secretary for Financial Policy. The Deputy Assistant Secretary for Financial Management has delegated to the Associate Deputy Assistant Secretary for Financial Policy, the authority to provide policy guidance and oversight of cash management issues. This includes the following:

- (1) Serves as central coordination and liaison point for the VA with the Financial Management Service, Department of the Treasury, on cash management issues.
- (2) Reviews cash management information from the Chief Financial Officers or comparable office within a VA Administration or Staff Office, analyzes data provided and consolidates information into agency cash management reports.
- (3) Notifies affected offices of TSAs, reviews billing and payment information between the VA and State Governments, and advises the Department of the Treasury on interest amounts due under CMIA.

4. REFERENCES

a. Regulatory Authority. 31 CFR Part 206 requires all funds to be collected and disbursed by EFT when cost-effective, practicable, and consistent with statutory authority. Title 31 CFR Part 206 also requires periodic cash management reviews. An Interim Rule, 31 CFR Part 208 was issued on July 26, 1996 to outline regulatory authority for implementing the EFT provisions of the Debt Collection Improvement Act of 1996. Rules and procedures for the transfer of funds between the Federal and the State governments are detailed in 31 CFR Part 205.

b. Statutory Authority. The Cash Management Improvement Act of 1990, Public Law 101-453, and the Cash Management Improvement Amendments of 1992, Public Law 102-589, and 106 Stat. 5133 (1992) require that executive agencies use effective, efficient collection and disbursement mechanisms, principally EFT, in financial transactions. They also require periodic cash management reviews and equitable transfers between the Federal and State governments. The Debt Collection Improvement Act of 1996, Public Law 104-134 mandates that all new Federal payment recipients receive their payments by EFT beginning July 26, 1996. The 1996 law also requires all Federal payments to be delivered using EFT by January 1, 1999.

c. Treasury Requirements. Title 31 CFR Part 206 delegates the Department of the Treasury authority to implement the Cash Management regulations. Cash Management requirements are contained in the Treasury Financial Manual, Volume 1, Part 6, Chapter 8000.