

## CASH MANAGEMENT POLICIES AND PROCEDURES HANDBOOK

### GLOSSARY OF CASH MANAGEMENT TERMS

Accountable Officer--a Government official who, on behalf of the United States, receives and maintains public funds, certifies vouchers, or maintains or draws checks on accounts of the United States in depository banks designated by the Secretary of the Treasury.

Action Plan--a cash management report documenting an organization unit's efforts to accelerate receipts, control disbursements, or reduce excess cash balances. Such action plans are to include the objective, tasks, and timeframes for completing a cash management initiative.

Administrative Charges--additional costs incurred in processing and handling a debt because it has become delinquent. Charges should be based on actual costs incurred or cost analyses which estimate the average of actual additional costs incurred for particular types of debt at similar stages of delinquency. Administrative charges should be accrued and assessed from the date of delinquency.

Administrative Offset--to withhold money payable by the Government to, or held by the Government for, a person or entity to satisfy a debt that the person or entity owes the Government. Generally, administrative offset does not apply to current Federal employees except for the collection of travel advances (5 U.S.C. Sec. 5705) and employee training expenses (5 U.S.C. Sec. 4108). (Also, see Salary Offset.)

Agency Location Code (ALC)--a four- (4) or eight- (8) digit number identifying an organization unit or area within an agency. The first two (2) digits identify the agency or department, the second two (2) digits identify the organization unit, and if applicable, the remaining four (4) digits identify the particular accounting station within that organization unit. Each reporting office which prepares an SF 224, Statement of Transactions, will be identified by an ALC.

Amount Encoders (Magnetic Ink Character Recognition (MICR))--machine readable magnetic characters encoded at the bottom of checks. The "MICR Line" includes from left to right--bank identification number, account number, check number, and after encoding, check amount. Organization units processing over 5,000 deposit items per day will incorporate the use of amount encoders.

Appropriation or Fund Symbol--The numeric and/or alphanumeric character assigned by Treasury to an account used to identify an agency's account with the Treasury Department. The availability of the fund for expenditure and the source of the receipts are indicated by the symbol. Example: 13X4417--13 denotes that it is a Department of Commerce account, X denotes that it is a no-year appropriation, which is available for obligations for an indefinite period of time, and the last four (4) digits (4417) indicate that it is a revolving fund.

Audit--an official examination and verification of accounts.

Automated Clearing House (ACH)--a central distribution and settlement point for transferring funds electronically between an originating depository financial institution and a receiving depository financial institution.

Benefit Days--the average number of days that a change in collecting or disbursing funds improves the overall cash management of that cash flow and establishes interest savings to the Government.

Billing--any of a variety of means by which the Government places a demand for payment against an entity that is indebted to the Government. The term encompasses invoices, notices, initial demand letters, and other forms of notification.

Cash Concentration System--a collection system used to accelerate the flow of funds and truncate all paper at the depository by transferring the fund's accounting information electronically.

Cash Discount--a discount offered by businesses for early payment on an invoice. Discounts should be taken when the discount terms applied in the conversion formula result in an effective annual discount rate equal to, or greater than, the current value of funds rate.

Cash Flow--each category of: **incoming funds**, including specific program sources, travel reimbursements, and collection of overpayments; and **disbursements**, including payroll, vendors, and travel.

Cash-Link Identification Number (CIN)--a number used within the Federal Reserve Bank to expedite processing that is later converted to the organization unit's agency location code. Organization units are to use the CIN on deposit tickets and debit vouchers for deposits.

Cash Management--practices and techniques designed to accelerate and control collections, ensure prompt deposit of receipts, improve control over disbursement methods, and eliminate idle cash balances.

Cash Management Agency Certification (CMAC)--an annual review of an organization unit's cash flow and the corresponding collection and disbursement systems and procedures performed to ensure compliance with Treasury Financial Manual standards.

Cash Management Savings Goals Plan--a cash management report that documents savings for new and existing cash management initiatives which meet the cash management goals of accelerating receipts, controlling disbursements, and reducing excess cash balances.

Cash Management Officer--an individual within an organization unit who is the primary point of contact with the Office of Financial Management in matters relating to cash management and reporting cash management efforts for that organization unit.

Chargeback--a transaction reversed by a bank due to incomplete transaction information or inappropriate handling as prescribed in the Master Agreement.

Collection--the transfer of monies from one source to another for the payment of goods and/or services.

Commerce Bankcard Center—a website maintained by NOAA regarding policies and procedures for using purchase cards (see Appendix A).

Comprehensive Cash Management Review (CCMR)--an in-depth examination of cash flows. This review requires organization units to prepare flow charts reflective of its actual cash management operations, and provide statistical data on the volume of transactions and dollar amounts collected and disbursed. The review facilitates the detection of existing or potential deficiencies, and provides the opportunity to identify improvements and to document accomplishments. This review is performed at the request of Treasury.

Current Value of Funds Rate--the percentage rate used as a comparison point in evaluating the cost-effectiveness of a cash discount. This rate is subject to quarterly revisions, and is published each year by October 31, to become effective January 1, in the Federal Register. This rate is also used in computing interest savings for cash management initiatives.

Data Message and Retrieval System (DMRS)--a personal computer accessed information system that provides organization units next-day information on deposits made through the Fedwire Deposit System.

Delinquency--an account which is past due. A debt is considered delinquent when it is not paid either by the date specified in the applicable agreement or by the date specified on the initial written notification of the debt, unless other satisfactory repayment arrangements have been made by that date. Delinquency would also occur if, at any time thereafter, the debtor fails to satisfy the obligations under such repayment arrangements made with the organization unit.

Deposit--monies that are presented for credit to the U.S. Treasury. Such transfers can be made by an organization unit(s) or directly by the remitter. All such transactions are affected through a Federal Reserve Bank or other financial institution.

Deposit Cutoff Time--a time predesignated by a financial institution beyond which transactions presented or actions requested will be deferred to the next banking day's business.

Deposit (Same Day)--a deposit made before the cutoff time on the day on which the funds to be deposited were received by the organization unit. For example, if an organization unit receives funds for deposit at 10 a.m. on Monday and transmits the deposits by 1 p.m. on Monday (the bank's cutoff time), then same-day deposit has been achieved.

Deposit (Next Day)--a deposit made on the day following the cutoff time on which the funds to be deposited were received by the organization unit. For example, if an organization unit receives funds for deposit at 3 p.m. on Monday and transmits the deposits by 2 p.m. on Tuesday (the bank's cutoff time), then next-day deposit has been achieved.

Depository--a bank or other financial institution that has been designated by the Financial Management Service (Treasury) to receive monies for credit to the U.S. Treasury.

Designated Depository--a financial institution designated and authorized by Treasury to maintain specified U.S. Government accounts in foreign countries and in U.S. territories and possessions.

Disbursement--an authorized payment or expenditure of monies.

Dollar Volume--the total dollar value of all individual items collected or disbursed. A designation of low dollar volume signifies \$0 to \$1,000. A designation of medium dollar volume signifies \$1,001 to \$25,000. A designation of high dollar volume signifies more than \$25,001.

Electronic Funds Transfer (EFT)--systems used to transfer funds electronically, i.e., computers, magnetic tapes, automated teller machines, and telephones in lieu of issuing paper checks. These systems include Automated Clearing House (ACH), Fedwire Deposit System (Fedwire), and Fedline Payment System (Fedline).

Excess Currencies--United States-owned foreign currencies in excess of the normal requirements (generally more than a two- (2) year supply) of U.S. Government agencies within the country involved.

Near-Excess Currencies--United States-owned foreign currencies that are sufficient to exceed the U.S. Government's immediate needs within the country involved, but are not sufficient to be declared excess.

Federal Reserve Bank (FRB)--any district bank or branch bank of the Federal Reserve System designated by Treasury to receive funds for the U.S. Government.

Fedwire Deposit System (Fedwire)--a wire transfer collection system whereby remitters can instruct their banks to transfer payments by the Federal Reserve Communications System to Treasury's main account at the Federal Reserve Bank of New York. Fedwire should be used by all remitters making individual payments of \$100,000 or more to the Government, although smaller dollar payments may be appropriate depending on the circumstances. Fedwire replaces the Treasury Financial Communications System.

Financial Institution--any bank, savings and loan association, or credit union accepting funds on behalf of the U.S. Government.

Float--the period of time that elapses between two (2) collection or disbursement activities. Specific types of float are defined as follows:

Billing Float--the average amount of time between the provision of goods or services and the issuance of an invoice.

Mail Float--the average amount of time between the remitter mailing the payment and receipt of the payment in the organization unit or financial institution for credit to the U.S. Treasury.

Processing Float (Collections)--the average amount of time between the initial receipt of the payment in the organization unit's mailroom and receipt of the related deposit by the depository.

Processing Float (Disbursements)--the average amount of time between the receipt of goods or services by an organization unit and the issuance of payment.

Full Cost--includes all direct and indirect costs of providing special products or services.

Government On-Line Accounting Link System (GOALS)--a Government- wide telecommunications network that provides financial information. This network enables agencies to transfer funds to each other and receive notification that Treasury has accomplished disbursement.

International Merchant Purchase Authorization Card (IMPAC)--a credit card issued to designated employees for the purchase of goods to facilitate Federal business.

Imprest Fund--a fixed cash or petty cash fund in the form of currency, coin, or Government check that is advanced by an organization unit from appropriated funds to an authorized (designated) employee.

Interest--the charge assessed on delinquent debts in order to compensate the Government for the time-value-of-money owed and not paid when due. As established by the Debt Collection Act of 1982, the minimum annual rate to be assessed is the Department of the Treasury's "Current Value of Funds Rate;" a higher rate may be used if the organization unit judges it necessary to protect the Government's interests. Additional interest is accrued and assessed from the date of delinquency.

Invoice--an itemized list of goods or services specifying the price and terms of the sale.

Intra-Governmental Payment and Collection System (IPAC)--an automated means by which billing information can be transmitted between Federal agencies through the internet.

Lockbox--a collection and processing service provided by financial institutions that accelerates the flow of funds to Treasury's General Account. This service includes collecting the organization unit's mail from a specified post office box, sorting, totaling, and recording the payments, processing the items, making the deposits, and transferring the funds. Organization units will receive remittance data either by hard copy or via electronic format.

Wholesale Lockbox--involves the manual processing of invoice documents and is best suited for high-dollar, low-volume remittances.

Retail Lockbox--uses machine-readable documents for automated processing through optical character recognition equipment. It is best suited for low- to moderate-dollar, high-volume remittances.

Electronic Lockbox--accommodates both paper remittances, as well as all types of electronic transactions.

Market Price--the price for a unit of property, resource, or service that is based on competition in open markets and creates neither a shortage nor a surplus of the property, resource, or service.

Master Agreement--A contract signed by Treasury and each bank in the Credit Card Collection Network to provide credit card collection services to Federal agencies.

Memorandum of Understanding (MOU)--a three- (3) party agreement between the organization unit, Treasury, and the lockbox bank, incorporating the terms and requirements for lockbox services for each account established.

Magnetic Ink Character Recognition (MICR)--(see Amount Encoders).

Mechanism--any one (1) of a number of tools or systems through which funds are collected or disbursed.

Mechanized Initiative (MEC)--an initiative that focuses on accelerating or deferring cash flow.

Minority Bank Deposit Program--this program promotes the development of minority-owned business enterprises by increasing Federal and private sector use of minority financial institutions. Participating institutions include commercial banks and savings and loan associations which are minority-owned or minority-controlled, women's commercial banks and savings and loans associations, as well as limited income credit unions serving predominantly low income members.

Optical Character Recognition (OCR)--a process whereby characters imprinted on documents can be read by a machine and transferred directly to magnetic tape.

Other Initiatives (OTH)--an initiative that focuses on procedural changes that realize savings through cost reductions.

Pay.gov-- Pay.gov has been developed to process collections electronically using Internet technologies. Pay.gov satisfies agencies and consumers demands for electronic alternatives by providing the ability to complete forms, make payments and submit queries 24 hours a day electronically.

Penalty--a punitive charge assessed for delinquent debts. The rate to be assessed is set by law at no more than six (6) percent per year and is assessed on the portion of a debt remaining delinquent more than ninety (90) days, although the charge will accrue and be assessed from the date of delinquency. Penalties and additional interest are separate and distinct charges. Both should be assessed, unless otherwise provided in legislation or a contractual agreement.

Receivable--an amount owed the U.S. Government by an individual, organization, or other entity upon completion of the acts giving rise to such claims. Examples of receivables generated by U.S. Government activities include amounts due for loans, sales of goods and services, fines, penalties, forfeitures, interest, overpayments, fees, duties, rents, royalties, claims, damages, audit disallowances, and travel advances.

Recipient--an individual, organization unit of the Government, business entity, or a combination of these, that is designated to receive goods or services.

Recurring Transaction--a collection or disbursement transaction which occurs repeatedly with the same party.

Non-recurring Transaction--a collection or disbursement transaction which occurs only once or at infrequent and undetermined intervals.

Refund--a return of advances, collections for overpayments made, adjustments for previous amounts disbursed, or recovery of erroneous disbursements from appropriation or fund accounts that are directly related to, and reductions of, previously recorded payments from accounts. Refunds are to be deposited to appropriation accounts.

Reimbursement--a sum received by the U.S. Government in payment for commodities sold or services furnished, either to the public or to another Government account, that are authorized by law to be credited directly to specific appropriation and fund accounts.

Remittance Advice--a document designed to identify detailed information on the collection received by an organization unit, i.e., date of deposit, amount.

Salary Offset--the process of collecting certain debts by deducting, in one (1) or more pay periods, all or part of the debt from the Federal pay of a current Federal employee who is indebted to the Department, or all or part of the debt from the Federal pay of a current Department employee who is indebted to another Federal agency. Salary offset is used for the collection of all Federal employee-related debts unless collecting the debt is specifically provided for by administrative offset methods (i.e., travel advances (5 U.S.C. Sec. 5705) and employee training expenses (5 U.S.C. Sec. 4108)).

Spot Rate--the price of foreign currencies for delivery in two (2) business days.

Statement of Transactions (SF 224)--a report, prepared and submitted to Treasury monthly, that details an organization unit's disbursements and/or collections, by appropriation and receipt account.

Treasury Prevailing Rate--the most favorable rate that would be legally available to the U.S. Government for the acquisition of foreign exchange for its official disbursement and accommodation of exchange transactions.

Treasury's General Account (TGA)--a bank account in a commercial bank or other financial institution in which an agency can deposit cash and checks. TGAs are designed to move funds quickly and efficiently from numerous and widely dispersed points of initial deposit to a centrally controlled or "concentration" account.

Truncation--the process of capturing data contained on a paper check electronically. The electronic information, and not the paper check, is then sent through the clearing system.

User Charges--fees or charges collected from sources outside the Federal Government for goods or services. The price may include both the cost to the agency and any profit.

Voucher--a written authorization of a business transaction.