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## CHAPTER 24

ELECTRONIC COMMERCE2401 OVERVIEW

Electronic commerce (EC) encompasses a wide range of financial functions that are performed using data communications techniques to transfer information between one or more parties. A subset, called electronic data interchange (EDI) employs a prescribed format for data transfers that is structured per the guidelines of the American National Standards Institute (ANSI), Accredited Standards Committee (ASC). All elements of EDI shall use the DoD-adopted ANSI Standard No. X12 (reference (ah)). All EC transactions shall be properly authenticated. Authentication measures shall conform to ANSI Standard No. X9.9 (reference (ai)) or equivalent authentication techniques. Reference (ai) establishes a universally-applicable method to authenticate financial messages, including funds transfer, letters of credit, security transfers, loan agreements, and foreign exchange contracts that are transmitted by electronic means. DoD Component applications of electronic commerce that anticipate a recurring use of the Treasury Department's Fedwire System (Chapter 4-2500 of reference (m)) shall be coordinated with the supporting DFAS Center before formalizing arrangements with the Treasury Department.

★2402 ELECTRONIC FUNDS TRANSFER

★ 240201. Overview. The Debt Collection Improvement Act of 1996 mandates that federal payments be made via EFT no later than January 1, 1999. Currently, payments are made by the government either by check or electronic funds transfer (EFT). EFT utilizes the FRB and its computer network is used to deposit funds into the checking or savings account of a person or company. The FRB processes all EFT actions through the automated clearing house (ACH) network. The FRB also processes all ancillary transactions related to the original EFT transaction through the ACH network. Disbursing offices whose activities include payment of civilian payrolls, travel, and/or vendor invoices must be EFT capable by January 1, 1999. All participating disbursing offices shall execute a Memorandum of Understanding (MOU) with the FRB which details the operating parameters and procedures for the conduct of Direct Deposit and Vendor Express operations. Payment or payroll files may be transmitted to the FRB by either a magnetic tape or electronic file transmission. The actual method will be spelled out in the MOU.

★ 240202. Mandatory EFT. The following provides implementing guidance to administer the Department of Defense (DoD) financial policy for mandatory EFT of all federal payments. It applies to the United States, Puerto Rico, overseas locations (as defined in this volume), and afloat units (ships). Implementation of this policy for employees in bargaining units is subject to notification of the appropriate exclusive representative and the completion of applicable bargaining obligations.

A. General. Public Law 104-134, the Debt Collection Improvement Act of 1996, (Act) (reference (aj)) includes a provision pertaining to the expanded use of EFT. Generally, it requires that:

1. Within 90 days of enactment i.e., beginning July 26, 1996, all recipients newly entitled to federal payments (including contractors) must receive such payments by EFT. This provision will be waived if the recipient certifies in writing that he/she does not have an account with a financial institution or authorized payment agent.

2. By January 1, 1999, all recipients entitled to federal payments shall be paid via EFT. In support of this requirement, the Secretary of the Treasury is required to issue regulations including guidelines on how “unbanked” recipients will be accorded EFT services.

3. The Act applies to all categories of DoD payments. However, there are several specialized exceptions for mission essential payments.

B. Effective Date. These guidelines are effective immediately. The implementation of these procedures will be phased in based on development and fielding of automated systems.

C. Responsibilities

1. The Director for Finance, Defense Finance and Accounting Service Headquarters, through the Director for Financial Commerce, Office of the Under Secretary of Defense (Comptroller), shall:

a. Develop the Act’s Implementation Plan and the DoD Financial Electronic Data Interchange (FEDI) Customer Awareness Plan and coordinate these plans with the Department of the Treasury.

b. Coordinate the implementation of procedures for active duty and Reserve Component members, and civilian employees in appropriate military and civilian regulations.

c. Publish implementing procedures for military members and civilian employees.

d. Coordinate the presentation of issues to the Department of the Treasury and ensure that the issues are addressed properly in this regulation.

e. Coordinate the development and presentation of a proposed exception to the Department's mandatory EFT policy to the Department of the Treasury for approval.

f. Prepare appropriate reports for submission to the Department of the Treasury.

2. The Deputy Director for Finance also shall ensure that DFAS Centers develop and provide periodic reports to DFAS-HQ/Finance (DFAS-HQ/F) which reflect EFT participation and furnish, at the end of each fiscal year quarter, to employing organizations, a listing, by organization, of military members and DoD civilian employees, paid by the DFAS, who do not participate in (receive their pay) via EFT.

3. DoD Component Personnel Directors shall:

a. Ensure accession agreements require use of EFT for new military accessions including those entering Officer Training Schools, Reserve Officer Training Corps, the Service Academies, and the Armed Forces Health Professions Scholarship Program.

b. For bargaining unit employees, ensure notification to appropriate exclusive representative(s) and the completion of applicable bargaining obligations prior to implementation.

c. Ensure new civilian employees are informed during inprocessing of the requirement to participate in the EFT program.

d. Ensure vacancy announcements advise applicants that selectees will be required to participate in EFT for all payments as a condition of employment.

e. Promote EFT enrollment. Employing activities are responsible for ensuring that their employees participate in EFT. In order to ensure that employing activities have the necessary information, a report will be furnished after the end of each fiscal year quarter, listing employees by organization who do not participate in EFT. (Employing activities are expected to campaign actively so that such individuals understand the benefits of, and enroll in EFT).

f. Implement procedures in appropriate personnel/pay and travel systems and issuances for military members and civilian employees.

4. Commanders/Directors of DoD Activities shall:

a. Ensure that all new personnel hired on or after July 26, 1996, are made aware of, and comply with, the mandatory EFT provisions.

b. Contact all “grandfathered” non-EFT employees to request that they use EFT. Inform them that the “grandfathering” period will end as of December 31, 1998. For bargaining unit employees, this contact must be consistent with the provisions of the Federal Service Labor-Management Relations Statute.

c. Monitor EFT participation.

d. Ensure that written waivers for all eligible employees are on file. Inform the eligible employees that this waiver will lapse as of December 31, 1998.

e. Ensure reimbursements are made to military members and civilian employees who incur charges in the unlikely event that the Department fails to accurately and timely deposit payments in their EFT accounts when the government notifies military members and civilian employees of such payments pursuant to 10 U.S.C., sections 1053 and 1594 (reference (b)), respectively.

f. Provide information for reporting purposes to DFAS Centers when so requested.

**D. Contractor Pay Applicability**

1. General. All contractor payments resulting from solicitations dated on or after July 26, 1996, shall be made by EFT unless excepted. Payments under earlier contracts (“grandfathered” contracts) are not subject to the statute. For example, if a company has four “grandfathered” contracts and accepts a new contract subject to the Act, only that new contract is subject to mandatory EFT payment; the others are not brought in by association. The exercise of options or the issuance of contract modifications on or after July 26, 1996, does not make a “grandfathered” contract subject to the mandatory EFT payment requirement of the statute. See 48 CFR Ch 1, et al. (reference (ak)).

a. If a DO is using a non-DFAS disbursing system or module that is not EFT capable, the DO shall notify the DFAS-HQ/FCD point of contact, through the supporting DFAS Center. The notification must include the following: a compliance plan including the date when the system/module will be EFT capable, the annual number of payments, the number of contractors/personnel serviced, or a migration plan to an EFT compliant system, and the date on which the migration will occur and the old system will no longer be used. The DFAS-HQ/FCD point of contact will compile all non-EFT capable system data and will present such information to the Department of the Treasury for consideration of a limited waiver. See subparagraph 240202.C.3.A, above, for notice to contracting offices.

b. The DFAS-HQ/F point of contact will notify the disbursing officer when there is an exception from mandatory EFT from the Department of the Treasury. All exceptions for non-EFT capable systems are for a limited duration, until a system is made

EFT capable or the system lapses but under no circumstances will the exemption extend beyond December 31, 1998.

## 2. Exceptions

a. Payments made under contracts awarded by contracting officers located outside the United States and Puerto Rico. (See FAR, subsection 32.1101, reference (o).)

b. Payments made under contracts denominated or paid in other than United States currency. (See FAR subsection 32.1101, reference (o).)

c. Payments under classified contracts where payment by EFT could either compromise the safeguarding of classified information, or national security, or where arrangements for appropriate EFT payments would be impractical due to security considerations. (See FAR subsection 32.1101, reference (o).)

d. Payments made under contracts executed by deployed contracting officers in the course of military operations including, but not limited to, contingency operations (as defined in 10 U.S.C. 101(a), (reference (b))) or contracts executed by any contracting officer in the conduct of emergency operations such as responses to natural disasters or national or civil emergencies, where payment by EFT is not known to be possible or would not support the objectives of the operation. (See FAR subsection 32.1101, reference (o).)

e. Payments made by a DoD accounting or disbursing system which does not have EFT capability, and which system has been reported to the DFAS-HQ/FCD point of contact in accordance with subparagraph 240202.C.1, above. See 31 CFR, Part 208.3(c) (reference (p)).

f. Notwithstanding the exceptions provided for above, where feasible, EFT should be used as the preferred method for making payments to contractors in those instances described in subparagraphs 240202.C.2.a, 240202.C.2.b, and 240202.C.3.d, above.

## 3. Procedures for Contractor Payments

a. The FAR (reference (o)) prescribes contract clauses for EFT and the policy for use of those clauses. Under the FAR, DoD DOs are responsible for notifying contracting officers of the EFT clause to be included in contracts to be paid by that DO. If the disbursing office will make payment by EFT, no further action is required by the disbursing officer; under FAR policy, the contract will require the contractor to submit EFT information as a condition of payment. However, if the disbursing office cannot make payment by EFT, then the DO shall seek guidance from the supporting DFAS Center and, in the interim, inform the contracting officer that contracts to be paid by that disbursing office shall contain the

clause at subsection 52.232-34, FAR, (reference (o)) "Optional Information for Electronic Funds Transfer Payment."

b. The FAR clause provides exceptions from mandatory EFT payment at the disbursing officer's sole discretion.

c. In some instances, the commercial banking industry currently does not have a capability to provide their customers with the contractual remittance information transmitted with EFT payments. During this transition period, disbursing offices are required to assist contractors by offering remittance information through alternative media; e.g., mail, e-mail or EDI.

d. If a payment cannot be made to a contractor due to the absence of valid EFT information for that contractor, notify the contractor and request a valid EFT address.

E. Applicability to DoD Personnel

1. General. All personnel presently enrolled in EFT for wages, salaries, reimbursements, cash advances, or travel are required to continue participation in this program. In addition, on and after July 26, 1996, any personnel who meet the following requirements must participate.

a. Military members

(1) Active duty military members, to include those entering or reentering the Services.

(2) Reserve and National Guard members entering or reentering a Reserve Component (i.e., upon processing into their respective component, upon mobilization or recall to active duty). Mobilized or recalled personnel also are required to continue participation after demobilization or deactivation.

(3) Service Academy and Reserve Officer Training Corps (ROTC) Cadets and Midshipmen.

(4) Armed Forces Health Professions Scholarship Program Personnel.

b. DoD Civilian employees. The following groups of employees will have two pay periods after entering duty in which to designate one or more financial institutions or other authorized payment agents in which to deposit their net pay and savings/discretionary allotments, or request a waiver. Thereafter, all moneys payable will be

held in suspense until either proof of EFT participation or waiver is received by the employee's Customer Service Representative (CSR).

(1) New civilian employees.

(2) Civilian employees who transfer between agencies (for this purpose "agency" is defined as a Military Service, a Defense Agency or a DoD field activity).

(3) Civilian employees who resume employment after a break in service.

c. Benefit Recipients. All benefit recipients who, on or after July 26, 1996, apply for the benefit being received.

d. Travel Payments. All travel payments for federal employees who travel, on or after July 26, 1996, and are otherwise entitled to receive travel reimbursement payments.

## 2. Exceptions

a. Active duty military members or civilian employees serving or residing in an overseas area (1) not serviced by the Department's Overseas Military Banking Program or a Federal Credit Union sponsored by the Department, and (2) where EFT otherwise is not available, are excepted from this policy until they relocate to an area where EFT is available. However, this exception shall not apply if their pay is received in the United States or Puerto Rico, or at another location where EFT services are available.

b. Student workers, summer hire, seasonal, and on-call employees until their status is defined by the Department of the Treasury.

c. Temporary and term employees who are employed for a period of less than 6 months until their status is defined by the Department of the Treasury.

3. Civilian Employees Covered by Labor Agreements. EFT is mandated by the Debt Collection Improvement Act of 1996 (Public Law 104-134) (reference (aj)). However, management officials should notify union representatives of this requirement and give them an opportunity to discuss its implementation.

## F. Retirees and Annuitants Applicability

1. All federal retirees and annuitants, residing in the United States, who apply for retirement or annuitant benefits on or after July 26, 1996.

2. For federal retirees and annuitants residing outside the United States, EFT should be used as the preferred method of payment to the maximum extent feasible.

G. Travel

1. Military members. Military members who travel on official business on or after July 26, 1996, automatically are covered by mandatory EFT for all future travel payments. "Cash advances" are also to be made by EFT.

2. Civilian employees. Civilian employees who travel on official business on or after July 26, 1996, automatically are covered by mandatory EFT for all future travel payments. "Cash advances" are also to be made by EFT.

3. Invitational Travel Orders. Military members and civilian employees traveling under Invitational Travel Orders are subject to the use of EFT for travel advances and travel claim settlement. Individuals using Invitational Travel Orders should make arrangements with the servicing disbursing office to facilitate travel payments using EFT.

4. Miscellaneous. When individuals (military and civilian) travel under orders citing funds of a DoD organization other than the funds of the organization to which they are assigned, then the traveler should make arrangements with the servicing disbursing office to facilitate travel payments using EFT.

H. Certification

1. General. Contractors, military members and civilian employees who certify in writing that they do not have an account with a financial institution or an authorized payment agent shall be granted a waiver to mandatory EFT payment. This waiver expires no later than December 31, 1998. Certification for net pay will not be permitted if a member or employee has allotments to the member's or employee's own personal account(s) being remitted via EFT.

2. Waivers. Certification waivers should be received by the appropriate authority, described below, and forwarded to the paying office:

a. For contractors, the waiver request shall be sent by the contractor directly to the payment office.

b. For military active duty members, waiver requests shall be sent to the unit commander.

c. For reserve members, waiver requests shall be sent to the unit commander.

d. For National Guard members, waiver requests shall be sent to the wing/group commander or equivalent.

e. For National Guard technicians, waiver requests shall be sent to the State personnel management offices through command channels.

f. For civilian employees (including National Guard civilian employees), waiver requests shall be sent to the appropriate authority and then to the Customer Service Representative.

3. Certification Procedures. The contractor, military member, or civilian employee wishing a waiver shall certify in writing that they do not have an account at a financial institution or an authorized payment agent.

4. Model Certification. "I certify that I do not have an account with a financial institution or an authorized payment agent. Signature:\_\_\_\_\_ Date:\_\_\_\_\_"

I. Enrollment Documentation for Military Members and Civilian Employees

1. Travel payments for all military members and civilian employees automatically will be sent to their payroll EFT account unless they designate a separate account for travel pay.

2. Individuals designating a separate EFT account for travel should use the SF 1199A or equivalent enrollment form directed by their servicing finance office.

J. Reimbursement of Financial Institution Charges

1. General

a. The following is not applicable to contractor payments under FAR (reference (o)) and DFAR (reference (al)) supplement contracts, which are governed by the specific terms of the contracts' clauses.

b. Charges by financial institutions resulting from erroneous information provided by the individual or the financial institution to the servicing finance office are not the liability of the government and will not be reimbursed. Reimbursement is authorized and limited to overdraft charges and minimum balance or average balance charges levied by the financial institution as a result of an administrative or mechanical error on the part of the government that causes pay to be deposited late or in an incorrect manner or amount pursuant to 10 U.S.C., sections 1053 and 1594 (reference (b)).

2. Procedures. When charges result from government errors, supporting DFAS Centers will contact the financial institution to explain the error and request that charges levied against the account holder be reversed.

a. If the financial institution declines to reverse the charges, government reimbursement of the charges will be made pursuant to 10 U.S.C., sections 1053(b) and 1594(b) (reference (b)). Such reimbursement will be charged to the agency's appropriation that is available for the pay and allowances of their military members or civilian employees.

b. Letters will be provided to dishonored check recipients explaining that the dishonored check was caused by government error, not an error on the part of the individual.

K. Reporting Requirements. DFAS Centers will develop and provide periodic reports to DFAS-HQ/FCD which reflect EFT participation when so requested.

L. DFAS Implementation Point of Contact

1. The DFAS point of contact will assist the DoD Components with implementation of the Act. This includes assisting in the preparation of proposed EFT payment exceptions.

2. The DFAS point of contact is:

Defense Finance and Accounting Service  
(DFAS-HQ/FCD)  
1931 Jefferson Davis Highway, Room 401  
Arlington, VA 22240-5291  
(703) 607-5037

★ 240203. Pre-notification. Prenotification is the transmission of a zero dollar value transaction through the FRB/ACH network to a financial institution. This type of transaction serves to verify a payee's account information and the financial institution's ability to post a payment to the account.

★ 240204. Advance Reporting of EFT Disbursements. Since the Treasury Department's Financial Management Service (FMS) is solely responsible for the management of the government's daily cash position, large disbursements by EFT affecting the cash position shall be made known to the FMS in advance of the time of actual disbursement. The DFAS Centers must report in advance all U.S. military pay and all U.S. military retired pay made by EFT for the required payroll reporting periods. Pay totals should be reported as far in advance of the pay date as possible; however, a minimum of two business days advance notice is required. All DFAS Centers and other DoD Component installations making EFT payments to vendors are required to report these transactions daily to the FMS. Specific reporting requirements for large

EFT disbursements (\$50 million or more), disbursements of military pay and military retired pay by EFT, and EFT payments to vendors are prescribed in section 1106 of this volume.

★ 240205. Procedures. Disbursing offices utilizing EFT shall transfer funds to the FRB by an SF 5515. The SFs 5515 are prepared and dated to show the date payment is due, and delivered to the FRB with the magnetic tape or other medium. The DO must implement mandatory internal controls for confirmation that the FRB received the EFT payment files successfully and in accordance with the payment schedule. The DO shall retain the memorandum copy of the SF 5515. If the payment file is transmitted electronically to the FRB, the DO shall use the FRB's summary of ACH activity report in lieu of the SF 5515. In either case, the FRB will issue a confirmation SF 5515 to the DO. For an EFT transaction, the SF 5515 is recorded as a negative deposit with the payroll, travel, or vendor payment recorded as a gross disbursement.

★ 240206. Returned Payments. Whenever a financial institution returns one or more EFT/ACH payments to the paying office, the DO shall prepare and process a collection voucher to account for the funds that have been returned. The funds shall be credited to the appropriation from which the funds were originally disbursed. The collection will be recorded on line 4.1B of the DD Form 2657 (Daily Statement of Accountability). The offsetting entry on the DD Form 2657 will be on line 4.2A to account for the SF 215 (Deposit Ticket), generated by the FRB in processing the returned payment. The DO shall notify the appropriate entitlement area of the returned payment by provision of a copy of the collection voucher and any rejection information received with the reject; e.g., the reject code. A detailed listing of payment rejection codes are available in the Green Book, published by the Treasury Department. The entitlement area shall research the cause of the return and provide corrective information to initiate an appropriate EFT/ACH payment within 5 business days. This payment method will be EFT/ACH and shall not default to check. The DO shall also maintain a tracking mechanism to ensure that the entitlement areas take prompt action to resolve the EFT/ACH reject problem and return the correct documentation for payment.

#### 2403 VENDOR EXPRESS

★ 240301. Enrollment in Vendor Express. Vendor Express is an electronic funds transfer program for vendors to receive funds due them for goods or services rendered to the government. Payment shall be via EFT vice a Treasury check. The Federal Acquisition Regulation (FAR) section 52.232-28 indicates that vendors will be paid by either FEDLINE or ACH, rather than by check, at the option of the government. The vendor shall obtain the SF 3881 (ACH Vendor/Miscellaneous Payment Enrollment Form) from the DoD Component activity with which it does business. The completed SF 3881 shall then be forwarded to the paying office for processing.

240302. Payment Date. Under the Vendor Express program, the payment date is the date of an EFT payment (settlement date). Payments made via EFT shall be made so as to be received by the vendor's financial institution by the established payment due date. The process-

ing time required to have an EFT transaction reach a financial institution should be part of the MOU with the FRB. On Saturdays, Sundays, and legal holidays, when government offices are closed and business is not expected to be conducted, payments falling due may be made on the following business day without incurring late payment interest penalties.

★2404      GOVERNMENT PURCHASE CARDS

The official government purchase card is issued under a General Services Administration (GSA) firm fixed price requirements contract.

★      240401.      Payment. The purchase card provider reports are the official invoices for credit card purchases. To determine the payment due date and date on which interest will begin to accrue, the invoice shall be paid in compliance with the guidance contained in [Volume 10](#) of this Regulation. Payment is due 23-30 days after receipt of the invoice in the designated billing office.

★      240402.      Responsibilities of the Disbursing Office

A.      The disbursing office will receive an annotated and certified copy of each invoice from the approving official or, in the Air Force, the base financial service officer. The summarized charges are included on the official invoice along with any applicable Notices of Invoice Adjustment (NIAs). Cardholders' Statements of Account (SOAs), signed by both the cardholder and the approving official, and supporting documentation will be maintained by cardholders or by their approving officials.

B.      The disbursing office will ensure that only transactions which have been certified for payment by approving officials or FSOs are processed for payment. Valid disputed transactions, for which NIA forms have been received, will be deducted from the official invoice. The NIA form must accompany payment to the credit card contractor in order that the total official invoice amount is accounted for. In mathematical terms, the payment amount is the net of the current charges minus any current credits and disputed items plus any prior disputed items approved for payment. Vendor Express is the preferred method of payment for the government purchase card invoices.

★2405      PLASTIC CARD COLLECTIONS

★      240501.      Overview. The Treasury Department established a government-wide plastic card collection network allowing federal agencies to accept credit (VISA or MasterCard) and debit cards (ATM Cards) subject to the provision of 31 CFR 206, from the public (vendor, member, and employee) for the collection of moneys due from sales, services, fees, fines, and debt repayment. DoD Activities interested in accepting credit and debit cards should obtain applications supporting DFAS Centers which obtain forms from network banks or the Financial

Management Service (FMS). A completed application will be sent to FMS via the supporting DFAS Center, to be analyzed against the objectives shown in I-TFM 5-4730 (reference (m)). Once the application is approved by the FMS, Agency Participation Agreements for either credit cards, debit cards, or both must be signed by the DoD Activity and the network bank. The agreement then must be forwarded to FMS for the final signature. An Agency Participation Agreement documents an agency's participation in the Master Agreement and outlines terms and conditions for DoD activity acceptance of credit or debit cards. This agreement is a binding document between the activity, the network bank, and FMS, and must be signed by the FMS before the FMS can pay for agency credit or debit card services. The FMS will maintain the signed copy in its files. If the application is approved, the activity will work with the network bank to construct a customized implementation plan. The plan will include: DoD activity profile (type of collection, potential volume, collection method (mail, phone, etc.)); information on activity locations (addresses/contact points); type of services (credit card, debit card, or both); training; follow-up program for quality assurance; technical specifications on equipment; equipment to be purchased by the activity for the network bank; implementation timeline milestones; and special handling procedures.

★ 240502. Types of Credit and Debit Card Collections. Subject to the provisions of 31 CFR 206 (reference (p)), DoD activities can accept debit and credit cards for various collection activities. DoD activities that have more than 100 monthly credit card transactions must perform electronic authorization. Voice and paper authorizations of credit card transactions should be used on an exception only basis as a backup to electronic authorizations. Every transaction must be authorized, and activities should work with the network bank to determine the most appropriate authorization technique. Voice and paper authorizations of credit card transactions should be used on an exception only basis as a backup to electronic authorizations. If an activity is not performing the authorization properly (by procedure), all costs above the agreed upon method will be assessed to the activity. Some examples of collection actions that credit and debit cards can be used for are: sales of miscellaneous items, medical services, freedom of information requests, inspection or grading services, commodity sales, fees and fines such as inspection fees, criminal, civil and court fees and fines, recreation user fees, duties, patent fees, registration fees and license fees and debt repayment for extending loss for housing, education, health care, agriculture and business, repaying duplicate benefits, travel advances repayments, and other administrative collections.

★ 240503. Compensations/Agency Expenses. When funds are deposited to the General Fund and not withdrawn for investment, FMS will pay the costs for processing each debit and credit card transaction, all per-transaction-call charges assessed by the network bank for authorization and settlement, chargeback assistance, deposit reporting through the CASH LINK system, training arranged with network banks in the "train the trainer" format, supplies from the network bank to include sales drafts, imprinter plates and promotional items and deposit reports. Costs paid by agencies will include: equipment (computer, modems, imprinter, electronic data capture/point of sales (EDC/POS) terminals with printers, personal identification number (PIN) pads and software), standard voice-grade telephone line installation and charges, dedicated lines, any international authorization/settlement charges above domestic charge rates

paid by FMS, costs incurred by the failure to perform electronic authorizations (by procedures), extra services beyond those specifically defined and priced in the Master Agreement, including detailed training beyond "train-the-trainer" and customized reports.

★ 240504. Processing Transactions. The FMS strictly prohibits holding credit card deposits above the daily \$5,000 limit. DoD activities should not accumulate daily receipts of more than \$5,000 after the network banks daily cutoff time if they are operating in a paper sales draft settlement mode. If the activity is operating in an electronic data capture (EDC) mode, it must settle on a daily basis, regardless of the amount accumulated that day. Activities will pay the assessed non-qualifying interchange fee if they fail to settle electronically every day. Each network bank informs the activity of its particular cutoff times for deposits. In an electronic environment, this means a settlement transaction should take place through an EDC/POS at various times during the day (or once at the close of business) in order to meet the cutoff time for deposits.

★ 240505. Reports and Reconciliation. Based on the report requirements established in the participation agreement with the network bank, weekly or monthly summary reports of the merchant's credit card activity will be mailed or electronically transmitted by the network bank to the participating DoD activity (merchant). The summary will detail dates of deposits, dollar amounts of deposits, number of transactions processed, adjustment charges, and chargebacks. This report shall be used to reconcile any differences which may occur between the report and entries into the accounting system. The report shall also be reconciled with the DD Forms 1131 submitted to the DO or deputy. Any adjustments or chargebacks shall be processed and documented in accordance with the credit card participation agreement.

★ 240506. Internal Controls. Internal control procedures shall be established by each participating DoD activity to ensure that credit card transaction documentation to support all DD Forms 1131 submitted to the DO is properly safeguarded. Documentation shall be available for use by the DO's quarterly cash verification board, the collection agent audit board, and for other audit purposes.

★2406 LOCKBOX COLLECTIONS

240601. Overview. A lockbox is a collection and processing service provided by a financial institution (typically a bank) that accelerates the flow of funds to the TGA at the FRB New York. This service includes collecting a lockbox agency's mail from a specified post office box, sorting, totaling, and recording the payments, processing the items, making the deposit, and forwarding lockbox remittance data either in hard copy or electronic format to the lockbox agency. The FMS has exclusive authority to contract for lockbox services with selected banks and the participating DoD activities. Activities are prohibited from entering into new contractual agreements, modifications of existing contracts, or renewal of existing contracts without the prior approval of FMS. Compensation to the selected banks for specified lockbox services is

provided by the Treasury Department. There are three types of lockbox services available to participating activities: retail, wholesale, and electronic.

A. Retail Lockbox. A retail lockbox uses optical character recognition, machine-readable coupon-type payment documents for automated processing. This type of lockbox is best suited for low dollar, high annual item volume payments. High speed equipment captures specific information from the invoice and the check and stores it in electronic form on tapes or disks. The accounting information can be captured and passed via computer-to-computer link from the lockbox bank to the participating activity.

B. Wholesale Lockbox. A wholesale lockbox involves the manual processing of traditional invoice documents and is best suited for high dollar, low annual item volume payments. Once received at the lockbox site, these payment documents are processed using key entry to capture accounting information. The accounting information can be transmitted via computer-to-computer link or in hard copy from the lockbox bank to the participating activity.

C. Electronic Lockbox. An electronic lockbox is either a wholesale or retail lockbox that processes transactions electronically. The remitter can provide payments through ACH, by wire transfer, or with paper check. Electronic lockboxes collect and deposit all three. The accounting information can be captured and transmitted via computer-to-computer link, magnetic tape, or in hard copy from the lockbox bank to the activity.

240602. Criteria for Participation. The use of the lockbox mechanism as a collection option requires: collections of \$1 million or more average monthly dollar volume; recurring and non-recurring, fixed and fluctuating transactions; and approval must be obtained from the servicing DFAS Center to implement a lockbox operation.

240603. Lockbox Implementation. Generally, a lockbox application is identified through cash management reviews and audits. DoD activities desiring to use lockbox services should contact the Cash Management Division, FMS through the supporting DFAS Center, and provide an updated cash flow review consisting of current collection practices and deposit information. The FMS and the DoD activity jointly will complete a cost-benefit analysis to determine: the total days of float in the activity's current collection system and the lockbox system; the costs (including float) associated with the activity's current collection system and the lockbox system; and the optimal sites within the lockbox network to process the activity's remittances. If the lockbox is considered to be cost beneficial, the FMS will select a network bank for the activity to implement lockbox services. Activities utilizing lockbox collection services (billing activity) shall enter into a MOU with FMS and the lockbox bank designated by FMS. The MOU will incorporate the terms and specifications for the lockbox services to be provided to each billing activity that will provide the necessary information pertinent to internal controls and the Treasury Department's financial regulations and reports. Recommendations will be made for an alternative collection mechanism when a lockbox application is not viable.

240604. Lockbox Collection Process

A. Lockbox Payments. The designated lockbox bank will assign a unique post office box number to the billing activity to facilitate receipt and processing of collections. The billing activity shall advise remitters to mail payments and associated remittance documentation directly to the assigned post office box number. The bank picks up the mail several times daily and processes the remittances according to the activity's instructions. On the following business day, the bank transfers the funds by wire or ACH to FRB New York with credit to the DO's DSSN designated in the MOU. The bank will issue an SF 215 for the daily deposit. The confirmed copy of the SF 215 and an Advice of Deposit will be forwarded via First Class mail to the disbursing office. The DO shall prepare a DD Form 1131 crediting the lockbox deposit to \*\*F3875, Budget Clearing Account (Suspense), pending receipt of an SF 1080 from the billing activity citing the appropriation(s) to be credited. The DD Form 1131 and SF 215 shall be reported on the DD Form 2657 as a Reimbursement (line 4.1E) and a Deposit (line 4.2A).

B. Lockbox Documentation. The bank will forward via overnight delivery the agency and/or memorandum copy of the SF 215, an Advice of Deposit, and all supporting remittance documentation received in the lockbox to the billing activity. Upon receipt of the deposit documentation, the billing activity shall reconcile the remittance documentation against the dollar amount indicated on the accompanying SF 215 and Advice of Deposit. Within five (5) work days of receipt of the documentation, the billing activity shall prepare an SF 1080 for the SF 215 and forward it to the DO designated on the SF 215. The SF 1080 shall furnish complete collection information and accounting data, as appropriate (receiving activity, date of receipt, remitter, purpose of remittance, the complete accounting citation(s) to which the collection is to be credited, the contract number(s), contract line item number(s), sub-line item number(s), and accounting classification reference number(s) for each remittance included in the SF 215 total). The disbursing office shall complete the "Office Charged" portion of the SF 1080 by charging \*\*F3875, Budget Clearing Account (Suspense), assigning the voucher number, and processing the voucher as a disbursement and a collection. The SF 1080 shall be recorded on the DD Form 2657 as a Gross Disbursement (line 4.1A) and a Reimbursement (line 4.1E).

C. Lockbox Debits. The bank will issue an SF 5515 to the DO to process a decrease resulting from duplication of a deposit, dishonored checks, or adjustments to deposits erroneously credited. The bank will forward dishonored checks with the SF 5515 for processing.

★2407 ON-LINE PAYMENT AND COLLECTION (OPAC) SYSTEM

★ 240701. Applicability. This section describes the OPAC procedures for simultaneous on-line billing and collection of intergovernmental transactions between federal agencies. This includes the use of OPAC's two subset systems: the Federal Tax Deposit System (FEDTAX) and Retirement Insurance Transfer System (RITS). This section also identifies general requirements and technical specifications prescribed by the Treasury Department. The OPAC system will be used at DFAS Centers and Operating Locations (OPLOCs) for

transactions with other federal agencies and to transfer funds between DFAS Centers and OPLOCs.

★ 240702. Background. The OPAC system, which is a component of the Government On-Line Accounting Link System (GOALS), establishes a standardized interagency billing, transfer and adjustment procedure via a telecommunications network. If initiated by the billing agency (i.e., a collection), the transaction provides essential invoice information and immediately charges the funds to the 8-digit customer agency location code (ALC). Within the Department, the 8-digit ALC is the 4-digit DSSN preceded by 4 zeros. Upon fulfilling the customer agency's order or requisition for services purchased or supplies shipped, immediate payment is accomplished by the billing agency crediting its own ALC and charging the customer agency's ALC. A transaction initiated by the customer agency (i.e., disbursement) is used to credit funds of the billing ALC when a hardcopy invoice is received or to transfer payroll deduction type payments (e.g., Internal Revenue Service or Veterans Education Assistance Program). The OPAC system accomplishes the following: (1) eliminates receivables; (2) eliminates the paper flow between agencies; (3) eliminates the use of Treasury checks between agencies; (4) improves cash management; and (5) establishes the Treasury Department as the collection agency.

★ 240703. Originating the Intergovernmental Transactions

A. Initiating the Order. The customer agency must include its ALC on all requisitions or order forms forwarded to the billing agency. This code identifies the customer agency to be billed for services or supplies. The billing agency will provide the customer agency with appropriate instructions for transmitting this information. In addition, the customer agency is advised to include sufficient descriptive information on the requisition or order form which the billing agency will place in the description section of the bill. This will enable the customer agency to match the bill with the originating requisition when the bill is received on the customer's computer system. The primary match will be on the originating document number. OPAC was not designed to be dependent on appropriation data as a criteria to match an existing obligation since the Treasury Department transfers funds at ALC level.

B. Initiating the OPAC Transaction. The transactions can be input manually into the on-line system or created automatically by DFAS accounting or disbursing systems for off-line bulk data transfer or host-to-host transmissions. Specific instructions for logging onto the on-line OPAC system are provided in the OPAC Users Manual. The system is menu driven and user-friendly. The system automatically will issue an OPAC Document Reference Number that is the equivalent of a U.S. Treasury check number and ensure that no two transactions have the same number. Whether on-line or off-line bulk data transfer, the transaction originator must include a point of contact and telephone number to ensure the receiving agency can accurately determine the need for adjustment. A collection or disbursement voucher (e.g., DD Form 1131, SF 1080 or SF 1034) shall be prepared for each bill or payment entered in the system and processed through the DO in the same manner as other vouchers except that no check or cash payment is sent or received.

C. Transmitting/Receiving an OPAC Transaction. The Treasury Department system is updated overnight commencing approximately 6:00 p.m. Eastern time. The receiving agencies on the OPAC system can print out their activity at their site the day after the transactions are entered into the system. The Treasury Department also provides a monthly activity report, available for downloading during the first 5 workdays of the following month, to assist the ALC in ensuring all transactions are accounted for on the current month SF 1219. ALCs receive a microfiche of these transactions for historical records approximately 1 month after the month in which the transactions were processed.

★ 240704. Processing Cycle. Agencies have through the last day of each month to enter bills or transfers for that month; however, it is recommended that agencies hold off originating new transactions the last two workdays of the month to avoid month-end accounting problems. Refer to [Chapter 19](#) of this volume for instructions on reporting prior month OPAC transactions that are processed in current month accountability. Only the receiving agencies have 90 days to enter adjustments.

★ 240705. Recording OPAC Transactions. The transaction is recorded on lines 2.8 and 4.1 (A or E, as applicable) of the DD Form 2657 and on the SF 1219. If a hardcopy SF 1219 is used, cross through line 2.39 and replace with 2.8. Refer to [Chapter 19](#) of this volume for instruction on preparation of these forms. At the end of each month, both the customer agency and the billing agency must also report the applicable appropriation or fund symbol amount for all original transactions and adjustments on its DD Form 1329 (Statement of Transactions).

A. Monthly Reporting of Differences by the Treasury Department to Agencies. The Treasury Department will compare the customer and billing agencies' SF 1219 with the OPAC data. If there is a difference, an FMS Form 6652 (Statement of Differences, Disbursing Office Transaction) will be generated. This statement is prepared by the Treasury Department on a monthly basis and provided to each agency's departmental reporting office. Also accompanying the FMS Form 6652 will be a "Monthly Register of Transactions," which gives a detail of all transactions charged against a particular ALC. Agencies will investigate the differences and make the necessary corrections on their next SF 1219. All differences that have not been reconciled within six months from the date of the initial transaction shall be considered as losses or overages of funds as prescribed in [Chapter 6](#) of this volume. Corrections reported in months subsequent to the month in which the error occurred are reported as separate 2.8 lines on the SF 1219. For example, an amount reported erroneously in January is corrected in the February accounting month. The February SF 1219 will have two 2.8 lines: one for the net total of transactions processed in February and one for the January corrected amount.

B. End of Fiscal Year Reporting by OPAC Customer Agencies. OPAC charges to the customer agency's ALC will be reported to the applicable appropriation or fund symbol for the fiscal year to which it relates. If, at the end of the fiscal year, a customer agency does not have sufficient time to determine the amount of an adjustment for its regular monthly

reporting on the SF 1219, the agency should include the erroneous charge to its regular appropriation or fund symbol.

1. These erroneous charges do not constitute overobligations or overexpenditures with respect to 31 U.S.C. 1517, the Anti-Deficiency Act (reference (e)). Agencies should footnote FMS Form 2108 (Year-End Closing Statement) to indicate those cases that would appear to overexpend the symbol charged.

2. When the amount of the adjustment is determined, a refund receivable account should be established in its regular appropriation or fund symbol for year-end reporting on the FMS Form 2108. Such receivables should be cleared in the subsequent fiscal year by adjusting the amount to the OPAC billing agency and crediting the appropriation or fund symbol charged on its regular monthly reporting on the SF 1219.

C. End of Fiscal Year Reporting by OPAC Billing Agencies. On the FMS Form 2108, the OPAC billing agency will establish and report an accounts payable for an amount equal to the amount of adjustments against the related appropriation or fund account of the OPAC billing agency.

★ 240706. Adjustments of Erroneous Charges. Both the billing and customer agencies should recognize that the system cannot tolerate uncontrolled charges or adjustments. The adjustment should not be used to adjust charges that originated under other billing systems. A charge should also not be considered erroneous simply because the customer agency receives the paid billing statement before supplies are received. Federal agencies are exempt from this requirement under 31 U.S.C. 1535 (reference (e)). If the receiving agency subsequently finds that the transaction was erroneous, the adjustments should be made at that time; however, the receiving agency is limited to three months, upon receipt of its OPAC statement, to process the adjustment.

A. First, the agency representative that created the original transaction should be contacted. If the transaction is erroneous, the receiving agency will access the OPAC on-line system and make the menu selection for OPAC adjustments. The OPAC system will guide the user with prompts. The user will enter all pertinent data as requested. The OPAC system contains edits to ensure that the original transaction is matched. Once the data is entered correctly, the system will issue an OPAC Adjustment Voucher Number unique to each transaction. Adjustments are considered a new transaction for reporting purposes and included in the net totals for month in which the adjustment is accepted in OPAC.

B. In cases where the originating agency later concludes that the adjustment (or a portion thereof) was improper, it must communicate this to the receiving agency, preferably by telephone. When agreement is reached, a second OPAC transaction will be prepared for the proper amount.

★ 240707. Basic Criteria to Access the OPAC System. In order for billing and customer agencies to use the OPAC system, the following are required:

A. A personal computer (PC) with modem (or modem access through a local area network (LAN)) and auxiliary 80-character minimum printer within the disbursing office for transmission and receipt of OPAC transactions. The PC should be “IBM compatible” and contain a 386 or higher level processor. The modem speed should be 9600 Baud or greater.

B. The Treasury Department must assign each ALC an ID and password that will enable access to the system. The Treasury Department also requires the ALCs of the corresponding agencies from which the transactions will originate or be received. The Treasury Department encodes this information into a table to ensure transactions are not erroneously input for agencies without a prearranged agreement to accept such transactions.

★ 240708. Treasury Department GOALS Agreement for Reimbursable Services. The Treasury Department charges for DFAS use of GOALS have been consolidated for payment by the DFAS-Columbus Center. The agreement supersedes all previous agreements independently written by the DFAS Centers. The GOALS charges also now include operating costs for OPAC, FEDTAX, and RITS. The agreement covers all current DFAS GOALS and OPAC users and any new OPAC users established at the OPLOCs.

A. Each DFAS Center is responsible to budget for its portion of the bill to include the Center's disbursing office, the OPLOC disbursing offices under its control, and any departmental accounting office use of GOALS, if applicable to that Center. The budget is reported using the general fund 97X4930 with an information copy provided to the DFAS-Columbus Center for incorporation in the annual agreement with the Treasury Department.

B. The procedures for posting OPAC bills are as follows:

1. Monthly, all GOALS and/or OPAC users will print the GOALS Monthly Billing Statement and forward a copy to the servicing DFAS Center's Defense Business Management System (DBMS) liaison office. The report can be obtained by selecting item 6, GOALS Administrative Information, on the GOALS menu. The charges generally are available on GOALS by the 24th of the month following the month in which the costs were incurred.

2. The Center liaison office will record the obligation in DBMS and forward a copy of the report by fax to DFAS-CO/FQAS. Also, the liaison office should confirm with DFAS-CO/FQAS, as soon as possible, the proper Center account number that the DFAS-Columbus Center should charge when the bill is received from the Treasury Department.

3. The Treasury Department will charge one amount using the general fund 97X4930 for DFAS-Columbus Center ALC 00006551. In turn, the DFAS-Columbus Center will process a transaction by others (TBO) for each Center's designated ac-

count. The TBO charge will cover each Center's portion of the charges to include any costs incurred by an OPLOC under that Center's authority.

★ 240709. Restrictions. The Treasury Department reserves the right to (a) make any adjustments centrally in Treasury's Central Accounting System and (b) to remove any agency from OPAC in those instances when the agency fails to comply with the rules and regulations set forth by the Treasury Department.