

CHAPTER 6

CASH

1. INTRODUCTION.

- a. **Purpose.** This chapter provides Departmental procedures and policy for handling cash and transactions in which cash is involved. It supplements the Treasury Financial Manual (TFM) and the Department of the Treasury (Treasury) Financial Management Service's (FMS) supplement to the TFM, "Cash Management Made Easy." Additional information is available on the FMS website at www.fms.treas.gov.
- b. **Applicability.** The applicability of this chapter is specified in Chapter 1, "Accounting Overview." The Power Marketing Administrations (PMAs) are subject to all financial policies and procedures of the Department unless these policies and procedures are superseded by the Federal Columbia River Transmission System Act, the Government Corporation Control Act, or other statutory authority. When in conflict with the provisions of this chapter, PMAs shall observe the policies and meet the reporting requirements of the Federal Energy Regulatory Commission (FERC) and other industry standards. Specific site/facility management contractor requirements are as follows unless more detailed guidance is provided by the responsible contracting officer:
 - (1) The contractor's system of internal controls will be adequate to ensure proper control of cash from its receipt to final disposition.
 - (2) When payment terms are not defined by the procurement document, a 30-day payment period will be assumed.
 - (3) Disbursements and collections will be by electronic funds transfer (EFT) to the maximum extent feasible.
 - (4) Treasury checks will be deposited in a Federal Reserve Bank.
 - (5) All other collections will be deposited in the special financial institution account to the extent authorized in the contract, unless otherwise directed by the contracting officer. All DOE funds held in commercial financial institutions will be collateralized in accordance with 31 CFR 202. Additional information is available on the Treasury website at www.fms.treas.gov/collateral.
 - (6) Unannounced verifications of imprest funds will be performed quarterly, and periodic reviews will be made to ensure they do not

exceed actual needs. However, the Treasury Policy Directive issued November 9, 1999, requires agencies to eliminate imprest funds except under circumstances described in paragraph 12.

- (7) Payments cleared funding activities will be managed in accordance with paragraph 7.
- c. Requirements.** Procedures for accounting for cash from its receipt to final disposition must include safeguards necessary to ensure proper control as outlined in DOE O 413.1A, Management Control Program.
- (1) Personnel handling cash, or involved in making accounting transactions affecting cash, are responsible for receiving, safeguarding, recording, depositing, and disbursing cash on a timely basis, and for keeping the required records and accounts.
 - (2) Collections and all other funds held within the finance organization (for example, negotiable instruments, travelers checks, airline tickets, third-party drafts, and other cash instruments), whether pending regular deposit or deposit in imprest funds, shall be handled as cash and kept under complete control and proper physical safeguards. At a minimum, they shall be kept in a fire-resistant combination safe or safe-cabinet.
 - (3) A proper segregation of duties will be maintained to minimize the risk of loss from theft, fraud, and error.
 - (4) Pursuant to Public Law 104-134, the Debt Collection Improvement Act of 1996 (DCIA), DOE requires each contractor doing business with DOE to furnish its Taxpayer Identification Number (TIN) to DOE (31 U.S.C. 7701(c)) and requires DOE to include, with each certified voucher prepared by the DOE payment office and submitted to a disbursing official, the TIN of the contractor receiving payment under the voucher (31 U.S.C. 3325(d)). The TIN may be used by the DOE to collect and report on any delinquent amounts arising out of the contractor's relationship with the Government. If a contractor refuses to provide a TIN, the payment office should begin backup withholding immediately on any reportable payments (paragraph 15d). The Federal Acquisition Regulation (FAR) requires DOE contracting officers to:
 - (a) Attach a copy of the completed solicitation provision as the last page of the copy of the contract sent to the payment office if the contractor has furnished a TIN when completing the solicitation provision, Taxpayer Identification (48 CFR

52.204-3), or Offeror Representations and Certifications—Commercial Items (48 CFR 52.212-3);

- (b) Annotate the last page of the contract or order forwarded to the payment office to state the contractor’s TIN and type of organization if the TIN or type of organization is derived from a source other than the provisions in paragraph (a) above;
 - (c) Forward the information to the payment office within 7 days of its receipt if the contractor provides its TIN or type of organization to the contracting officer after award.
- (5) Pursuant to the DCIA and regulations promulgated by Treasury (31 CFR 208), all DOE payments shall be made by EFT. See FMS’s supplement to the TFM, “Cash Management Made Easy,” for more information on electronic payment and collection requirements. Payment by EFT is not required, for individuals only, in the following cases:
- (a) Where an individual determines, in his or her sole discretion, that payment by EFT would impose a hardship due to a physical or mental disability or a geographic, language, or literacy barrier, or would impose a financial hardship;
 - (b) Where the political, financial, or communications infrastructure in a foreign country does not support payment by EFT;
 - (c) Where the payment is to a recipient within an area designated by the President or an authorized DOE administrator as a disaster area. This waiver is limited to payments made within 120 days after the disaster is declared;
 - (d) Where either:

 1. A military operation is designated by the Secretary of Defense in which uniformed services undertake military actions against an enemy, or
 2. A call or order to, or retention on, active duty of members of the uniformed services is made during war or national emergency declared by the President or Congress;

- (e) Where a threat may be posed to national security, the life or physical safety of any individual may be endangered, or a law enforcement action may be compromised;
 - (f) Where the office is not expected to make more than one payment to the same recipient within a one-year period, i.e., the payment is non-recurring, and the cost of making the payment via EFT exceeds the cost of making the payment by check; and
 - (g) Where DOE's need for goods and services is of such unusual and compelling urgency that the Government would be seriously injured unless payment is made by a method other than EFT; or, where there is only one source for goods or services and the Government would be seriously injured unless payment is made by a method other than EFT.
- (6) Final EFT FAR (64 FR 10538) requires contracting officers to insert the "Payment by Electronic Funds Transfer" clause in all solicitations and contracts and forward EFT information provided by the successful offeror to the payment office (48 CFR 32.1109-1110).
 - (7) The Intra-governmental Payment and Collection System should be used for all intra-governmental payments and collections.
 - (8) Wire transfer payments should be restricted to emergencies or unusual situations. The cost of a wire payment is significantly higher than a next day Automated Clearing House (ACH) payment.
 - (9) Electronic collection methods will be used whenever possible. Sales agreements should provide for collection by EFT.
 - (10) Each Field Chief Financial Officer or equivalent (Field CFO or equivalent) will maintain written internal procedures for cash management and will monitor the office's cash management practices.
2. **COLLECTIONS AND DEPOSITS.** See I TFM 5, I TFM 6-8025, and I TFM 6-8030 and "Cash Management Made Easy," Chapter 2. Offices are encouraged to use EFT whenever cost effective and feasible.
- a. **Electronic Funds Transfer.** FMS has several EFT collection mechanisms available. Enrollment forms and details are available on the Treasury website at www.fms.treas.gov. Some of these are:

- (1) Remittance Express - allows the Federal Government to receive Automated Clearing House (ACH) credits directly into the Treasury General Account from a customer's bank for payments to a Federal agency.
 - (2) Electronic lockboxes - allow Customer Initiated Entries or Pre-authorized debits to the lockbox bank.
 - (3) Pay.gov - allows agencies to establish an Internet site through FMS to collect customer remittances.
 - (4) Plastic Card Network - allows agencies to accept VISA, MasterCard, American Express, Diners Club, and Discover/Novus credit cards and some debit cards for collecting funds due the Federal Government.
 - (5) Paper Check Conversion at the Point of Sale - converts personal paper checks into EFT debit transactions against the check writer's account. This eliminates the need to transport paper.
- b. Cash and Checks.** Cash and checks are processed through Federal Reserve Banks, Treasury General Accounts, and Lockboxes. The Energy Finance and Accounting Service Center (EFASC) will provide instructions for the deposit of checks that are sent in error to DOE field offices that are part of EFASC. To reduce processing float and improve availability of funds, offices must adhere to the following deposit practices:
- (1) Offices will deposit receipts totaling \$5,000 or more received prior to depository cutoff time, on the same day at the nearest commercial bank (i.e., Treasury General Account). Deposits will be made as late as possible prior to the specified cutoff time to maximize daily deposit amounts.
 - (2) Monies received too late in the day to meet the deposit cutoff time must be deposited the following business day. Offices must have adequate internal controls in place to ensure the security of all undeposited funds.
 - (3) Collections totaling less than \$5,000 may be accumulated and deposited when the total reaches \$5,000. However, deposits will be made by Thursday of each week, regardless of the amount accumulated.
 - (4) Offices will generally limit their deposits to one per day per deposit site. However, when beneficial to the Government, offices will make multiple deposits.

- (5) All Treasury checks must be deposited with the nearest Federal Reserve Bank (FRB). These checks may be mailed or delivered via courier. All cash receipts must be converted into a cashier's check or money order. The FRB does not accept walk-in deposits or cash deposits of any kind.
3. **DISBURSEMENTS.** See I TFM 4, I TFM 6-8040.10 and "Cash Management Made Easy," Chapter 3 and 5 CFR Part 1315, Prompt Payment, Final Rule. The principal objectives of control over disbursements are to ensure that all disbursements are legal, proper, correct, and timely and that they are recorded accurately and reported promptly. Payments are to be made electronically except in situations where EFT requirement is waived under 31 CFR 208.4. (See paragraph 1c(5)).
- a. **Introduction.** Officials responsible for the examination and payment of invoices shall establish adequate procedures to safeguard against illegal or erroneous certifications and payments, and shall implement any necessary measures to effect recovery of amounts illegally or erroneously paid.
- b. **Accountable Officers.** An accountable officer is any government officer or employee who by reason of his or her employment is responsible for or has custody of government funds. Certifying officers and cashiers are accountable officers. Refer to I TFM 4-2040 for information on procedures for appointing certifying officers and Title 31, Section 3528, of the United States Code (31 U.S.C. 3528), as amended, for the legal responsibilities of a certifying officer.
- (1) **Delegation of Authority.** In accordance with I TFM 4-1135, the Secretary of Energy has been delegated the authority to designate certifying officers, electronic certification security administrators, communication encryption officers and to appoint cashiers. Within the Department, this authority has been further delegated to the CFO; Deputy CFO; the Director, Office of Financial Policy; and the Team Leader, Management Accounting and Cash Management. Each Field CFO or equivalent requesting delegation of designation authority must complete FMS Form 2958, Delegation of Authority, identifying the specific authorities for which delegation of designation authority is requested and submit the completed form to the Office of Financial Policy for approval. The Director, Office of Financial Policy, or the Team Leader, Management Accounting and Cash Management, will approve the request, sign the form as the delegator, and forward it to Treasury. Upon receipt of a copy of the executed form from Treasury, Field CFOs or equivalents will then designate certifying officers as directed in I TFM 4-1100 and cashiers as directed in I TFM 4-3000. Field CFOs or equivalents are

responsible for monitoring all delegations of authority to ensure they are current and for initiating required changes on a timely basis.

- (2) Advance Decisions.
- (a) Effective on the date of enactment, section 204 of the Government Accountability Office Act of 1996 (GAO Act of 1996), Public Law 104-316, 110 Stat. 3826, 3845-46, October 19, 1996, amended the Comptroller General's authority under 31 U.S.C. section 3529 to issue advance decisions with respect to the functions transferred to OMB by section 211 of Public Law 104-53, supra. Section 204 transferred the authority to issue advance decisions with respect to the claims settlement functions transferred by section 211 to the Director of OMB or to the head of the agency to which the function was delegated. The Comptroller General, however, retains the authority under 31 U.S.C. section 3529 to issue decisions to disbursing or certifying officers and heads of agencies on matters involving the use of appropriated funds that do not specifically involve settling a claim or the other functions transferred to OMB. (Comp Gen B-275605, March 17, 1997)
- (b) Accountable Officers and other Departmental employees may apply for and obtain from the appropriate legal counsel an opinion on the legality of any obligation or claim presented to them for approval, certification or payment. Accountable Officers and other Departmental employees at Headquarters and field employees who do not have direct access to Department lawyers serving as program counsel may seek such an opinion from DOE's Office of the General Counsel (specifically the Office of the Assistant General Counsel for General Law). Employees of the NNSA may seek such an opinion from the General Counsel of NNSA.
- The Department will not seek to recover a payment from an official if that official has obtained from his or her appropriate Department legal counsel an opinion advising that the payment could legally be made, or if the circumstances otherwise do not warrant bringing suit against such official.
- (3) Authority to grant relief. The Comptroller General retains the authority under 31 U.S.C. sections 3527 and 3528, to grant relief to disbursing and certifying officers. (Comp Gen B-275605, March 17, 1997)

c. Definitions.

- (1) Accelerated Payment means a payment made prior to the due date. (See paragraph 3f(5)).
- (2) Acceptance means an acknowledgement by an authorized DOE official that goods received and services rendered, conform with the contract requirements. Acceptance also applies to partial deliveries.
- (3) Applicable interest rate means the interest rate established by the Secretary of the Treasury for interest payments under Section 12 of the Contract Disputes Act of 1978 (41 U.S.C. 611), which is in effect on the day after the due date, except where the interest penalty is prescribed by other governmental authority (e.g., utility tariffs). The rate established under the Contract Disputes Act is referred to as the “Renegotiation Board Interest Rate,” and is published semiannually by the Fiscal Service, Department of Treasury, in the Federal Register on or about January 1 and July 1. The rate is available on the Treasury website at www.fms.treas.gov.
- (4) Automated Clearing House (ACH) means a network that performs interbank clearing of electronic debit and credit entries for participating financial institutions.
- (5) Banking Information means information necessary to facilitate an EFT payment, including the vendor’s bank account number and the vendor financial institution’s routing number.
- (6) Contract means any enforceable agreement, including rental and lease agreements, purchase orders, delivery orders (including obligations under Federal Supply Schedule contracts), requirements-type (open-ended) service contracts, and blanket purchases agreements between DOE and a vendor for the acquisition of goods or services and agreements entered into under the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.). Contracts must meet the requirements of the Prompt Payment regulations at 5 CFR 1315.9(a).
- (7) Contract financing payments means an authorized disbursement of monies prior to acceptance of goods or services including advance payments, progress payments based on cost, progress payments (other than under construction contracts) based on a percentage or stage of completion, payments on performance-based contracts and interim payments on cost-type contracts (other than under cost-reimbursement contracts for the acquisition of services). Contract financing payments do not include invoice payments, payments for partial deliveries, or lease and rental payments. Contract financing payments also do not

include progress payments under construction contracts based on a percentage or stage of completion and interim payments under cost-reimbursement service contracts. Interim payments under cost-reimbursement service contracts are treated as invoice payments and subject to the requirements of this chapter, except for provisions related to receipt and acceptance as noted in 5 CFR sections 1315.4 (d) and (e), and 1315.9(b)(1) and (c).

- (8) Contracting Office means any entity issuing a contract or purchase order, or issuing a contract modification or termination.
- (9) Contractor (see Vendor).
- (10) Day means a calendar day including weekend and holiday, unless otherwise indicated.
- (11) Delivery Ticket means a vendor document supplied at the time of delivery, which indicates the items delivered, and can serve as a proper invoice based on contractual agreement.
- (12) Designated Office means the office designated by the purchase order, agreement, or contract to first receive and review invoices. This office can be contractually designated as the receiving entity. This office may be different from the office issuing the payment.
- (13) Discount means an invoice payment reduction offered by the vendor for early payment.
- (14) Discount Date means the date by which a specified invoice payment reduction, or a discount, can be taken.
- (15) Due Date means the date on which Federal payment should be made. Determination of such dates is discussed in paragraph 3.h.
- (16) Electronic Commerce means the end-to-end electronic exchange of business information using electronic data interchange, electronic mail, electronic bulletin boards, EFT and similar technologies.
- (17) Electronic Data Interchange means the computer-to-computer exchange of routine business information in a standard format. The standard formats are developed and maintained by the Accredited Standards Committee of the American National Standards Institute, 11 West 42nd Street, New York, NY 10036.
- (18) Electronic Funds Transfer (EFT) means any transfer of funds, other than a transaction originated by cash, check, or similar paper

instrument that is initiated through an electronic terminal, telephone, computer, or magnetic tape, for the purpose of ordering, instructing, or authorizing a financial institution to debit or credit an account. The term includes, but is not limited to, Automated Clearing House and Fedwire transfers.

- (19) Emergency Payment means a payment made under an emergency defined as a hurricane, tornado, storm, flood, high water, wind-driven water, tidal wave, tsunami, earthquake, volcanic eruption, landslide, mud slide, snowstorm, drought, fire, explosion, or other catastrophe which requires Federal emergency assistance to supplement State and local efforts to save lives and property, and ensure public health and safety; and the release or threatened release of hazardous substances.
- (20) Evaluated Receipts means contractually designated use of the acceptance document and the contract as the basis for payment without requiring a separate invoice.
- (21) Fast Payment means a payment procedure under the Federal Acquisition Regulation at Part 13, which allows payment under limited conditions to a vendor prior to the Government's verification that supplies have been received and accepted.
- (22) Federal Acquisition Regulation (FAR) means the regulation (48 CFR Chapter 1) that governs most Federal acquisition and related payment issues and the DOE regulation (48 CFR, Chapter 9, parts 900-970) describing unique DOE acquisition regulations.
- (23) Government-wide Commercial Purchase Cards means internationally-accepted purchase cards available to all Federal agencies under a General Services Administration contract for the purpose of making simplified acquisitions up to the threshold set by the Federal Acquisition Regulation or for travel expenses or payment, for purchases of fuel, or other purposes as authorized by the contract.
- (24) Invoice means a bill, written document or electronic transmission, provided by a vendor requesting payment for property received or services rendered. A proper invoice must meet the requirements of paragraph 3f(3). The term invoice can include receiving reports and delivery tickets when contractually designated as invoices.
- (25) Payment Date means the date on which a check for payment is dated or the date of an EFT payment (settlement date).

- (26) Rebate means a monetary incentive offered to the Government by Government-wide commercial purchase card issuers to pay purchase card invoices early.
- (27) Receiving Office means the entity, which physically receives the goods or services, and may be separate from the accepting entity.
- (28) Receiving Report means written or electronic evidence of receipt of goods or services by a Government official. Receiving reports must meet the requirements of paragraph 3f(3).

Proper Invoice means written or electronic evidence of receipt of goods or services by a Government official. Proper Invoice must meet the requirements of paragraph 3f(3).

- (29) Recurring Payments means payments for services of a recurring nature, such as rents, building maintenance, transportation services, parking, leases, and maintenance for equipment, pagers and cellular phones, etc., which are performed under DOE-vendor agreements providing for payments of definite amounts at fixed periodic intervals.
- (30) Settlement Date means the date on which an EFT payment is credited to the vendor's financial institution.
- (31) Taxpayer Identifying Number (TIN) means the nine digit Employer Identifying Number or Social Security Number as defined in Section 6109 of the Internal Revenue Code of 1986 (26 U.S.C. 6109).
- (32) Utilities and Telephones mean electricity, water, sewage services, telephone services, and natural gas. Utilities can be regulated, unregulated, or under contract.
- (33) Vendor means any person, organization, or business concern engaged in a profession, trade, or business and any not-for-profit entity operating as a vendor (including State and local governments and foreign entities and foreign governments, but excluding Federal entities).

- d. **Prompt Payment Requirements.** Refer to 5 CFR Part 1315, Prompt Payment, Final Rule published by Office of Management and Budget (OMB), and I TFM 6-8000 and 4-2000 for complete Prompt Payment Requirements. See paragraphs 15b and 16 for prompt payment reporting and quality control programs.

- e. Erroneous Payments.** The “Improper Payments Information Act of 2002” requires DOE to review all programs and activities that it administers, estimate the amount of improper payments, and report actions being taken to reduce improper payments. Field CFOs or equivalents for the EFASC-Oak Ridge Payment Center and PMAs are required to review activities and provide information on erroneous payments based on guidance issued by the CFO.
- f. Required Payment Documentation.** To ensure that payments are properly authorized and correct, the following documents are usually required: a contract, an invoice, and a receiving report or equivalent. Refer to 5 CFR Part 1315.9 Prompt Payment, Final Rule for guidance on the requirements for proper contracts, invoices, and receiving reports.
- (1) Services from Regulated Utilities.** Each payment must be based on a valid contract, purchase order, or similar contractual document. If a utility’s rates have been fixed or adjusted by Federal, State, or other regulatory bodies, it is not necessary to have a contract to make payments to a public utility, regardless of the amount or the number of payments to be made, unless a contract is in the best interest of DOE. A public utility service is not required to furnish rate schedules if it supplies unit rates or if the invoices or bills from the utility show the total amount of the services furnished, the unit rates charged for the services, and the total amount charged. This does not preclude the use of a DOE contract when the utility company requires an agreement or contract for the furnishing of services.
- (2) Contracts.** The following information from the contract is required as payment documentation:
- (a)** Payment due date(s) as defined in paragraph 3h;
 - (b)** A notation in the contract that partial payments are prohibited, if applicable;
 - (c)** For construction contracts, specific payment due dates for approved progress payments or milestone payments for completed phases, increments, or segments of the project;
 - (d)** Where considered appropriate by DOE, the specified acceptance period following delivery to inspect and/or test goods furnished or to evaluate services performed is stated;

- (e) Name (where practicable), title, telephone number, and complete mailing address of officials of the DOE's designated office, and of the vendor receiving the payments;
 - (f) Reference to requirements under the Prompt Payment Act, including the payment of interest penalties on late invoice payments (including progress payments under construction contracts);
 - (g) Reference requirements under the Debt Collection Improvement Act (Pub. L. 104-134, 110 Stat. 1321), including the requirement that payments must be made electronically except in situations where the EFT requirements is waived under 31 CFR 208.4. Where electronic payment is required, the contract will stipulate that banking information must be submitted no later than the first request for payment.
- (3) **Proper Invoice.** Any media which produce tangible recordings of information in lieu of "written" or "original" paper document equivalents should be used by offices to expedite the payment process, rather than delaying the process by requiring "original" paper documents. Adequate systems of internal controls shall be provided to ensure that no duplicate payments can occur under this procedure. Invoices sent to DOE should be prepared in accordance with the terms and conditions of the contract or purchase order. Except for interim payment requests under cost-reimbursement service contracts, which are covered below, the following correct information constitutes a proper invoice and is required as payment documentation:
- (a) Name of vendor;
 - (b) Invoice date;
 - (c) Government contract number, or other authorization for delivery of goods or services;
 - (d) Vendor invoice number, account number, and/or any other identifying number agreed to by contract;
 - (e) Description (including, for example, contract line/subline number), price, and quantity of goods and services rendered;

- (f) Shipping and payment terms (unless mutually agreed that this information is only required in the contract);
 - (g) Taxpayer Identifying Number (TIN);
 - (h) Banking information;
 - (i) Contact name (where practicable), title and telephone number;
 - (j) Other substantiating documentation or information required by the contract.
- (4) For interim payment requests under cost-reimbursement service contracts, the following information from receiving reports, delivery tickets, and evaluated receipts is required as payment documentation:
- (a) Name of vendor;
 - (b) Contract or other authorization number;
 - (c) Description of goods or services;
 - (d) Quantities received, if applicable;
 - (e) Date(s) goods were delivered or services were provided;
 - (f) Date(s) goods or services were accepted;
 - (g) Signature (or electronic alternative when supported by appropriate internal controls), printed name, telephone number, mailing address of the receiving official.
- (5) Accelerated Payment Methods. Payments may be made under the accelerated payment method for:
- (a) A single invoice under \$2,500. Payments may be made as soon as the contract, proper invoice, receipt and acceptance documents are matched except where statutory authority prescribes otherwise and except where otherwise contractually stipulated (e.g., government-wide commercial purchase card). Vendors shall be entitled to interest penalties if invoice payments are made after the payment due date.

- (b)** Small Business (as defined in FAR 19.001 (48 CFR 19.001)). Offices may pay a small business as quickly as possible, when all proper documentation, including acceptance, is received in the payment office and before the payment due date. Such payments are not subject to payment restrictions stated elsewhere in this part. Vendors shall be entitled to interest penalties if invoice payments are made after the payment due date.
- (c)** Emergency payments. Payments related to emergencies and disasters (as defined in the Robert T. Stafford Disaster Relief Act and Emergency Assistance, Pub. L. 93-288), as amended (42 U.S.C. 5 121 et. seq.); payments related to the release or threatened release of hazardous substances (as defined in the Comprehensive Environmental Response Compensation and Liability Act of 1980, Pub. L. 96-510, 42 U.S.C. 9606); and payments made under a military contingency (as defined in 10 U.S.C. 101(a)(13)) may be made as soon as the contract, proper invoice, receipt and acceptance documents or any other agreements are matched. Vendors shall be entitled to interest penalties if invoice payments are made after the payment due date.
- (d)** Interim payments under cost-reimbursement contracts for services. For interim payments under cost-reimbursement service contracts, offices may make payments earlier than seven days prior to the payment due date with prior approval of the CFO or Field CFO or equivalent.
- (6)** Payment without evidence that supplies have been received (Fast Payment).

 - (a)** In limited situations, payment may be made without evidence that supplies have been received. Instead, a contractor certification that supplies have been shipped may be used as the basis for authorizing payment. Payment may be made within 15 days after the date of receipt of the invoice. This payment procedure may be employed only when all of the following conditions are present:

 1. Individual orders do not exceed \$25,000 (except where the CFO permits a higher amount on a case-by-case basis);
 2. Deliveries of supplies are to occur where there is both a geographical separation and a lack of

adequate communications facilities between Governments receiving and disbursing activities that make it impracticable to make timely payments based on evidence of Federal acceptance;

3. Title to supplies will vest in the Government upon delivery to a post office or common carrier for mailing or shipment to destination or upon receipt by the Government if the shipment is by means other than the Postal Service or a common carrier; and
 4. The contractor agrees to replace, repair, or correct supplies not received at destination, damaged in transit, or not conforming to purchase requirements.
- (b) DOE shall promptly inspect and accept supplies acquired under these procedures and shall ensure that receiving reports and payment documents are matched and steps are taken to correct discrepancies.
- (c) DOE shall ensure that specific internal controls are in place to assure that supplies paid for are received.
- (d) As authorized by the 1988 Amendment to the Prompt Payment Act (Section 11(b)(1)(c)), a contract clause at 48 CFR 52.213-1 is provided in the Federal Acquisition Regulations (FAR) at 48CFR part 13, subpart 13.4” Fast Payment Procedure,” for use when using this fast payment procedure.
- (7) Negative Confirmation Approval Process. GAO Comp. Gen. B-276232 (Payment Processing: “Negative Confirmation” of Receipt) granted DOE approval to use a payment method that combines Fast Pay with statistical sampling. Under this process, the paying office would process and certify payment without obtaining notification of receipt and acceptance from the designated invoice-approving official for purchase order awards less than or equal to \$25,000. The invoice-approving officials would continue to be responsible for documenting and ensuring receipt and acceptance of each invoice. The negative confirmation procedure would require invoice-approving officials to notify the paying office only if payment should not be made, or if a payment modification is necessary. However, notification should occur if goods and/or services are not received or accepted, or description, quantities, and invoice total cost do not match those on the purchase orders.

Negative confirmation should not be used for: invoices submitted under purchase orders with a cumulative estimated award value over \$25,000; contract invoices; and invoices where the risks of recovering overpayments exceed established thresholds (such as those from poor-risk vendors and vendors doing business with DOE for the first time).

g. Processing Invoices for Payment.

- (1) **Actions Required Prior to Payment.** The prepayment actions specified below must take place with as little delay as possible. Proper procedures will ensure that payment officials have a valid contract that contains the required accounting data; all applicable amendments, with appropriate accounting data; and evidence that property or services have been received, inspected, and accepted or that the contracting officer or designee has approved the invoiced amount for payment.
 - (a) **Receipt of invoice.** The invoice shall be stamped with the date it is received in the designated office and recorded as received. DOE may designate another agency or cognizant another agency or cognizant audit agency to receive contract invoices and may delegate to that agency the authority to approve for payment some invoices for cost reimbursement contracts. Such agencies must date the invoices or public vouchers to show when they were received. The date represents constructive receipt by DOE and is the date that should be used in timing payments. For the purposes of determining a payment due date and the date on which interest will begin to accrue if a payment is late, an invoice shall be deemed to be received:
 - I. On the later of:
 - a. For invoices that are mailed, the date a proper invoice is actually received by the designated office if the office annotates the invoice with date of receipt at the time of receipt. For invoices electronically transmitted, the date a readable transmission is received by the designated DOE office, or the next business day if received after normal business hours; or
 - b. The seventh day after the date on which the property is actually delivered or performance of the services is actually completed; unless—

- i. DOE has actually accepted the property or services before the seventh day in which case the acceptance date shall substitute for the seventh day after the delivery date; or
 - ii. A longer acceptance period is specified in the contract, in which case the date of actual acceptance or the date on which such longer acceptance period ends shall substitute for the seventh day after the delivery date;
 2. On the date placed on the invoice by the contractor, when the office fails to annotate the invoice with date of receipt of the invoice at the time of receipt (such invoice must be a proper invoice); or
 3. On the date of delivery, when the contract specifies that the delivery ticket may serve as an invoice.
- (b)** DOE officials authorized to approve receiving reports must forward the approved documents to the appropriate DOE Field CFO or equivalent for the EFASC-Oak Ridge Payment Center and PMAs, for payment processing sufficiently in advance of the payment deadline so that documentation can be reviewed and contractors notified of any problems detected before penalties must be added to the amounts payable. Invoices of \$25,000 or less may be processed for payment based on a negative confirmation of receipt if appropriate controls are in place to prohibit improper and excess payments. Use of a negative confirmation of receipt methodology requires prior written approval from the Departmental CFO. See paragraph 3f(5) for Accelerated payment information.
- (c)** When an invoice is determined to be improper, the office shall return the invoice to the vendor as soon as practicable after receipt, but no later than 7 days after receipt. For defective invoices, the notice may be given orally and confirmed in writing. Local procedures shall stipulate who is responsible for providing this notification. The office will identify all defects that prevent payment and specify all reasons why the invoice is not proper and why it is

being returned. This notification to the vendor shall include a request for a corrected invoice, to be clearly marked as such.

- (d) Any media which produce tangible recordings of information in lieu of “written” or “original” paper document equivalents should be used by offices to expedite the payment process, rather than delaying the process by requiring “original” paper documents. Offices should ensure adequate safeguards and controls to ensure the integrity of the data and to prevent duplicate processing.
- (2) Prepayment Examination by Statistical Sampling. Field CFOs or equivalents for the EFASC-Oak Ridge Payment Center and PMAs have the primary responsibility for establishing a sampling plan consistent with the GAO Policies and Procedures Manual; Title 7, Fiscal Matters; Appendix III, “Use of Statistical Sampling Procedures in Examination of Vouchers for Payment.”
- (3) Request for Process Payments under Construction Contracts. Payment standards and required documentation for making progress payments under construction contracts are contained in OMB Prompt Payment regulations pub at 5 CFR 1315.14.
- (4) Postpayment Verification by Statistical Sampling. Quarterly, each DOE paying office will conduct a postpayment verification on a statistical sampling basis to verify the acceptance of goods or services for those payments that were processed under the negative confirmation approval procedure. A statistical sampling of all invoices paid from the negative confirmation procedure would be selected from the universe of all such payments to verify that the process is operating as intended. For each item selected in the sampling, the paying office would request evidence of receipt and acceptance from the applicable approving official. The paying office would compare the items listed on the related purchase orders, invoices, and receiving evidence to ensure that the type of goods and/or services received was ordered and that quantities, costs, and math are accurate, complete, and proper. DOE has set the tolerable threshold for errors at 5 percent of the number of invoices subject to negative confirmation. If the projected error rate exceeds this tolerance limit, the negative confirmation procedures would be adjusted to ensure that the rates do not breach the established thresholds (GAO Report GAO/AIMD-97-77R Payment Processing (Energy), April 24, 1997).

h. Timing of Payment.

- (1) **Payment Due Date.** Payment may be made no more than 7 days before the payment due date, unless the CFO or Field CFO or equivalent has determined, on a case-by-case basis for specific payments, that earlier payment is necessary. This authority must be used cautiously, weighing the benefits of making a payment early against the good stewardship inherent in effective cash management practices. An office may use the “accelerated payment methods” in paragraph 3f(5) when it determines that such earlier payment is necessary. Unless otherwise specified, the payment is due either:
 - (a) On the date(s) specified in the contract;
 - (b) In accordance with discount terms when discounts are offered and taken (paragraph 3i);
 - (c) In accordance with Accelerated Payment Methods (paragraph 3f(5));
 - (d) 30 days after the start of the payment period if not specified in the contract, if discounts are not taken, and if accelerated payment methods are not used; or 30 days after the date of receipt of a proper invoice for interim payments under cost-reimbursement contracts for services.

When an office fails to make notification of an improper invoice within seven days according to paragraph 3g(1)(c) of this section, the number of days allowed for payment of the corrected proper invoice will be reduced by the number of days between the seventh day and the day notification was transmitted to the vendor. Calculation of interest penalties, if any, will be based on an adjusted due date reflecting the reduced number of days allowable for payment.

- (2) **Receipt and Acceptance of Property and Services.** When a receiving report is used, it must be received by the paying office from the approving official within 5 business days of acceptance of the property or services unless other arrangements are made. If a contract does not specify a period to accept property or services, the acceptance period shall be no more than 7 business days after delivery of property or services, although acceptance may occur sooner. Receiving reports and invoices will be stamped or otherwise annotated with the date upon receipt by the payment

office. This requirement does not apply to interim payments on cost-reimbursement service contracts. The approving official must ensure that the invoice contains the data necessary for prompt payment processing; for example, the contract or other identifying number and a breakdown of billed costs by budget and reporting code. If property or services have not been received or if the terms of the contract have not been met, the designated approving official shall notify the procurement and payment offices immediately of the problems and the corrective actions that have been initiated.

- (3) **Transportation Payments.** Payment for transportation of persons or property for or on behalf of the United States by a carrier or forwarder shall be made within 30 days after receipt of bills by the designated billing office (that is, the office designated in the contract or purchase order to receive invoices). Transportation bills may be paid before the General Services Administration (GSA) performs the rate audit.
- (4) **Payment Date.** Payment will be considered to be made on the settlement date for an EFT payment or the date of the check for a check payment. Payments falling due on a weekend or federal holiday may be on the following business day without incurring late payment interest penalties.
- (5) **Payments for Partial Deliveries.** Offices shall pay for partial delivery of supplies or partial performance of services after acceptance, unless specifically prohibited by the contract and supporting documentation. Payment is contingent upon submission of a proper invoice if required by the contract.

i. Discounts.

- (1) **References.** Refer to 5 CFR Parts 1315 Prompt Payment, Final Rule and I TFM 6-8000. The FMS website at www.fms.treas.gov provides an on-line calculator for determining if a discount is cost-effective. Also, see Attachment 6-1 for determination of cost-effective discounts and Attachment 6-2 for determination of interest penalty when an improper discount has been taken. Offices shall follow these procedures in taking discounts and determining the payment due dates when discounts are taken:
 - (a) **Economically Justified Discounts.** If an office is offered a discount by a vendor, whether stipulated in the contract or offered on an invoice, the office may take the discount if economically justified but only after acceptance has occurred. Offices are encouraged to include discount terms

in a contract to give offices adequate time to take the discount if it is determined to be economically justified.

- (b) **Discounts Taken after the Discount Date.** If an office takes the discount after the deadline, the office shall pay an interest penalty on any amount remaining unpaid as prescribed in paragraph 3k(8).
 - (c) **Payment Date.** When a discount is taken, payment will be made as close as possible to, but no later than, the discount date.
 - (d) **Start Date.** The period for taking the discount is calculated from the date placed on the proper invoice by the vendor. If there is no invoice by the vendor, the discount period will begin on the date a proper invoice is actually received and date stamped or otherwise annotated by the designated DOE office.
- (2) **Accounting for Lost Discounts.** Economically advantageous purchase discounts that are lost shall be charged to the same object class, and budget and reporting classification as the original contract or purchase order. Discounts lost for contracts or purchase orders funded by multiple budgets and reporting classifications or appropriations should be prorated in proportion to the costs of goods and services acquired. Lost discounts related to plant and equipment acquisitions shall immediately be written off to cost of operations.
- j. **Rebates.** Offices shall determine government-wide commercial purchase card payment dates based on an analysis of the total costs and total benefits to the Federal government as a whole, unless specified in a contract. When calculating costs and benefits, offices are expected to include the cost to the government of paying early. This cost is the interest the government would have earned, at the Current Value of Funds Rate, for each day that payment was not made. Offices may factor in benefits gained from paying early due to, for example, streamlining the payment process or other efficiencies. A rebate formula is provided at the Treasury Prompt Payment website at www.fms.treas.gov/prompt/.
 - k. **Penalties.** Refer to 5 CFR Part 1315 Prompt Payment, Final Rule and I TFM 6-8000. The FMS website at www.fms.treas.gov provides an on-line calculator for determining late payment penalties. Also, see Attachment 6-2 for determination of late payment interest penalties. The following are DOE requirements for penalties:

- (1) **Grace Period.** No grace period will be used regardless of the date of the contract award or modification.
- (2) **General.** Pay interest penalties out of funds made available for the procurement of property or services delivered. Penalties shall be charged to the same object class, and budget and reporting classification as the original contract or purchase order. Prorate penalties for contracts or purchase orders funded by more than one budget and reporting classification or appropriation. Penalties related to plant and equipment acquisitions shall immediately be written off to cost of operations. Interest penalties are subject to fund limitation, and fund availability must be assured. The Prompt Payment Act does not authorize the appropriation of additional amounts to pay penalties. See Attachment 6-3 for sample notification to a program official that a penalty has been charged to the program.
- (3) **Application and Calculation.** Interest penalties are due on payments made after the payment due date for amounts retained during contract performance and released after completion of the contract. This applies to all types of contracts not excluded by paragraph 3k(9) when complete delivery and acceptance have occurred. Offices will use the following procedures in calculating interest due on late payments:
 - (a) Interest will be calculated from the day after the payment due date through the payment date at the interest rate in effect on the day after the payment due date;
 - (b) Adjustments will be made for errors in calculating interest;
 - (c) For up to one year, interest penalties remaining unpaid at the end of any 30 day period will be added to the principal and subsequent interest penalties will accrue on that amount until paid;
 - (d) When an interest penalty is owed and not paid, interest will accrue on the unpaid amount until paid, except as described in the following paragraph;
 - (e) Interest penalties under the Prompt Payment Act will not continue to accrue:

1. After the filing of a claim for such penalties under the Contract Disputes Act of 1978 (41 U.S.C. 601 et seq.); or
 2. For more than one year;
- (f) When an office takes a discount after the discount date, interest will be paid on the amount of the discount taken. Interest will be calculated for the period beginning the day after the specified discount date through the date of payment of the discount erroneously taken;
 - (g) Interest penalties of less than \$1.00 need not be paid;
 - (h) If the banking information supplied by the vendor is incorrect, interest under this regulation will not accrue until seven days after such correct information is received (provided that the vendor has been given notice of the incorrect banking information within seven days after DOE is notified that the information is incorrect);
 - (i) Interest calculations are to be based on a 360 day year; and
 - (j) The applicable interest rate may be obtained on the Treasury Prompt Payment website at www.fms.treas.gov/prompt/ or by calling the Treasury's FMS Prompt Payment help line at 1-800-266-9667.
- (4) Payment. Offices will meet the following requirements in paying interest penalties:
- (a) Interest may be paid only after acceptance has occurred;
 - (b) Late payment interest penalties shall be paid without regard to whether the vendor has requested payment of such penalty, and shall be accompanied by a notice stating the amount of the interest penalty, the number of days late and the rate used;
 - (c) The invoice number or other agreed upon transaction reference number assigned by the vendor should be included in the notice to assist the vendor in reconciling the payment. Additionally, it is optional as to whether or not an office includes the contract number in the notice to the vendor;

- (d) The temporary unavailability of funds does not relieve an office from the obligation to pay these interest penalties or the additional penalties required under paragraph 3k(7).
- (5) **Payment of Interest Penalties under Construction Contracts.** Interest penalties shall be paid as required by the contract's specified payment terms and conditions. If no payment terms are specified in the contract, penalties shall be paid as required by the Prompt Payment Act, as amended, regardless of the date of contract award or modification. (See 5 CFR 1315.14)
- (6) **Payment of Interest Penalty on an Improper Invoice Returned Late to the Vendor.** When DOE fails to make notification of an improper invoice within seven days, calculation of interest penalties, if any, will be based on an adjusted due date reflecting the reduced number of days allowable for payment.
- (7) **Additional Interest Penalties.** A vendor shall be entitled to an additional penalty payment when the vendor is owed a late payment interest penalty of \$1.00 or more, if it:
 - (a) Receives a payment dated after the payment due date which does not include the interest penalty also due to the vendor;
 - (b) Is not paid the interest penalty by DOE within 10 days after the actual payment date; and
 - (c) Makes a written request that DOE pay such an additional penalty. Such request must be postmarked, received by facsimile, or by electronic mail, by the 40th day after payment was made. If there is no postmark or if it is illegible, the request will be valid if it is received and annotated with the date of receipt by DOE by the 40th day. The written request must include the following:
 1. Specific assertion that late payment interest is due for a specific invoice, and request payment of all overdue late payment interest penalty and such additional penalty as may be required; and
 2. A copy of the invoice on which late payment interest was due but not paid and a statement that the principal has been received, and the date of receipt of the principal.

- (d) **Maximum Penalty.** The additional penalty shall be equal to one hundred (100) percent of the original late payment interest penalty but must not exceed \$5,000.
- (e) **Minimum Penalty.** Regardless of the amount of the late payment interest penalty, the additional penalty paid shall not be less than \$25. No additional penalty is owed, however, if the amount of the interest penalty is less than \$1.00.
- (f) **Penalty Basis.** The penalty is based on individual invoices. Where payments are consolidated for disbursing purposes, the penalty determinations shall be made separately for each invoice therein.
- (g) The additional penalty does not apply to the payment of utility bills where late payment penalties for these bills are determined through the tariff rate-setting process.
- (8) **Payment of Interest Penalty When an Improper Discount Has Been Taken.** Interest will be calculated for the period beginning the day after specified discount date through the date of payment of the discount erroneously taken.
- (9) **Payments Not Subject to Penalties.** The following payments are not subject to penalties:

 - (a) Progress payments based on a percentage or stage of completion (other than construction).
 - (b) Advance payments.
 - (c) Payments made solely for financing purposes.
 - (d) Contracts for utilities (gas, water, electricity), or informal contracts for the purchase of utilities that include provisions for late-payment charges established by tariff or state regulatory commissions.
 - (e) Payments on which the interest penalty would be less than \$1.00.
 - (f) Payments made to recipients of grants or Federal assistance.

- (g) Payments to Federal employees (for travel reimbursement payments to Federal employees see Federal Travel Regulations at 41 CFR 301.71.209-214).
- (h) Payments to Federal agencies.
- (i) EFT payments not credited to the vendor's account by the payment due date because of the failure of the Federal Reserve or the vendor's bank to do so.
- (j) Payments of amounts withheld or deducted from invoices by the contracting officer, approving official, or Field CFO or equivalent, in accordance with contract terms. (Penalties are not applicable before the amounts withheld are released. Once the contract is completed and the amounts withheld are released, interest penalties apply).
- (k) Payments delayed because of disagreement over the amount of payment or other issues concerning compliance with the contract.

4. CONTRACT FINANCING PAYMENTS.

- a. **Due Date.** The due date for making contract financing payments by the designated payment office will be the 30th day after the designated billing office has received a proper contract financing request unless the terms of the contract specify another time period. If an audit or other review of a specific financing request is required to ensure compliance with the terms and conditions of the contract, the designated payment office is not compelled to make payment by the due date specified or to pay interest as specified in the Prompt Payment Act (31 U.S.C. 39).
- b. **Nonrecurring Contract Financing Requests.** For advance payments, loans, or other arrangements that do not involve recurrent submission of contract financing requests, payment shall be made in accordance with the applicable contract financing terms or as directed by the contracting officer.
- c. **Proper Contract Financing Request.** A proper contract financing request must comply with the terms and conditions specified by contract financing clauses or other authorizing terms. The contractor shall correct any defects in requests submitted in the manner specified in the contract or as directed by the contracting officer.

- d. **Annotation.** The designated billing office and designated payment office shall annotate each contract financing request with the date that the proper request was received by their respective office.

5. PAYMENTS UNDER FINANCIAL ASSISTANCE INSTRUMENTS.

- a. **General.** The Department shall select the payment method under a grant or subgrant with the objective of minimizing the time between the transfer of funds from Treasury and their disbursement by the grantee or subgrantee for grant or subgrant purposes. See paragraph 8 of this chapter on the use of Treasury's Automated Standard Application for Payment System (ASAP); Chapter 7, "Advances, Prepaid Expenses, and Other Asset," for information on advances; Chapter 14, "Grants and Cooperative Agreements," for information on grants; and 10 CFR 600 and 605 for information on assistance regulations.
- b. **Prompt Payment Act Exemption.** Financial assistance instruments are not subject to the Prompt Payment Act. Recipients of Federal assistance may pay interest penalties if so specified in their contracts with contractors. However, obligations to pay such interest penalties will not be obligations of DOE, and DOE funds may not be used for this purpose.

6. CASH ADVANCES.

- a. **Determining Amounts.** Field CFOs or equivalents share the responsibility for monitoring all advances with cognizant procurement and program officials. Funds advanced to others must be kept to the minimum amount necessary to meet the immediate cash-flow needs of DOE's portion of the liabilities. Cash advances to others should not exceed 2 business days' requirements. Cash needs shall be determined by the contractor's or recipient's cash outlay requirements and shall not be based on costs incurred.
- b. **Monitoring.** Financial reports required by the terms and conditions of a contract shall be used to monitor advances to the contractor's cash position. Documents used to monitor the cash position of a recipient of a financial assistance award include SF-269, "Financial Status Report", SF-272 and SF-272A, "Federal Cash Transactions Report"; SF-271, "Outlay Report and Request for Reimbursement for Construction Programs"; and any other report of a recipient's financial activity that may be required for effective cash management. The contractor's cost reports shall be compared to the advance financing activity and balance of Federal cash on hand periodically, but not less frequently than each quarter. These reviews are done to ensure that the recipient organization, that is, the contractor or recipient, is requesting in accordance with the terms of the contract, if applicable, and is receiving funds as close as is administratively feasible to the actual

disbursements by the recipient organization. If the recipient organization fails to demonstrate adequate procedures to time requests for funds based on actual cash needs, then the ASAP account or other advance financing arrangement shall be terminated.

- c. Refunding.** If funds are erroneously requested in excess of a recipient organization's immediate disbursement needs, the excess funds should be promptly refunded and reissued when needed. The only exceptions to the requirement for prompt refunding are if the funds involved will be disbursed by the recipient organization within 2 business days or when they are less than \$10,000. These exceptions to the requirement for prompt refunding should not be construed by the recipient as approval by Treasury or DOE for a recipient organization to maintain excessive funds. These exceptions are applicable only to excessive amounts of funds that are requested erroneously.
- d. Interest Income.**
- (1) The Cash Management Improvement Act of 1990, as amended, was enacted to minimize the time elapsing between the transfer of Federal funds to a state and the state's payout of those funds for program purposes. Annually, each state must submit a report to the Treasury on the amount of interest due to or from the Federal Government. The program agencies review the states' reports for reasonableness and accuracy and report their findings back to Treasury, which will pay or collect the interest due.
 - (2) For other recipients of Federal funds, any interest earned must be promptly refunded unless the recipient is authorized by law to keep it. Additionally, OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations, specifies that recipients shall maintain advances of Federal funds in interest-bearing accounts. Interest earned on these accounts shall be remitted at least quarterly to DOE. Up to \$250 of the interest earned per year for Institutions of Higher Education, Hospitals and Other Nonprofit Organizations, and \$100 of the interest earned per year for State and Local Governments may be retained by the recipient to cover administrative expenses.
- e. Termination.** The advance funding arrangement shall be revoked, and any unused advance returned, when either the contract expires or the work is completed.

7. PAYMENTS CLEARED FUNDING.

- a. General.** Within the Department, payments cleared funding is used for financing site/facility management contractors and other major contractors. Contractors authorizing the use of payments cleared funding shall be in compliance with the requirements of DOE Acquisition Regulation (DEAR), subpart 970.32, "Contract Financing." Cash withdrawals by this method are determined by the total of contractor-issued payments that clear for payment by the servicing financial institution. The financial institution must be able to access the Federal Reserve Fedwire System to make online requests for funds. Special financial institution account agreement with DOE, the contractor, and the financial institution is required. Instructions for the solicitation of banking services are contained in Attachments 6-4 and 6-5. Detailed requirements for servicing the contractor on a payments cleared funding basis using Treasury's ASAP 1031 system are contained in the Treasury Financial Manual, Volume 1, Part 6.
- b. New Payments Cleared Funding Accounts.** All new payments cleared funding accounts set up in ASAP 1031 require prior notice to the Treasury ASAP 1031 project office. Notification of a new payments cleared account shall be submitted to the Director, Office of Financial Policy, and one month prior to the proposed implementation date. If the purpose of the account remains the same but DOE changes the financial institution or the contractor, a notification still must be submitted. Field CFOs or equivalents must submit any necessary enrollment forms to the appropriate Treasury Regional Finance Center.
- c. Operations.** Drawdowns are delayed until payments issued by the contractor organization clear the financial institution for payment. The amount of the drawdown should be sufficient to maintain the contractor's account balance as close to zero as administratively possible. Subsidiary demand accounts, such as payroll, will not be prefunded but will be included in the drawdown to cover payments cleared against the main account. Contractors will provide a Summary Cash Activity Report for the prior month's account activity to EFASC by 12:00 p.m. local time on the first business day of the succeeding month. The monthly drawdown activity is also reported to EFASC through the contractor interface file. Copies of ASAP 1031 reports shall be retained and used for monthly reconciliation with Treasury. Restoration of the financial institution's reserve account is accomplished on the same day by drawing on the DOE account at the Federal Reserve Bank of Richmond (FRB Richmond). The financial institution is compensated for services performed by submitting an invoice for fees incurred.
- d. Required Forms.** ASAP 1031 enrollment forms are available from the Treasury FMS. Instructions for completing the required

forms are contained in the “ASAP 1031 Guidelines” that are provided with the forms. The forms require manual signatures by authorized individuals.

- e. **Monitoring.** The Field CFO or equivalent shall establish procedures that ensure at least a quarterly review of each payment cleared financing arrangement. At the option of the Field CFO or equivalent and the responsible contracting officer, the review may be performed by the contractor, with a copy of the results provided to the Field CFO or equivalent. At a minimum, the review shall entail an analysis of the account statements to determine whether the accounts are being operated by the financial institution correctly, whether the financial institution is being compensated in accordance with the special financial institution account agreement, and whether the financial institution is maintaining the level of collateral commensurate with the account balances. Overdrafts and excess balances shall be dealt with as detailed below. However, the primary consideration in this process is to ensure that the financial institution is paid for the services performed, that account balances are minimized, and that account balances over the prescribed insurance limit are properly collateralized.

- f. **Overdrafts and Excess Drawdowns.** Although drawdowns under a payments cleared financing arrangement are made with the intent of maintaining the cash balance in the recipient’s bank account as close to zero as administratively feasible, overdrafts and excess balances may occur. In such cases, the procedures below should be followed:
 - (1) **Overdrafts.** On the first business day following an overdraft, the financial institution will drawdown an amount equal to the net sum of the overdraft, offset by any receipts.

 - (2) **Excess Balances.** An excess account balance results when a financial institution makes a drawdown from the ASAP 1031 account for more funds than needed to cover the net of the receipts and disbursements for the day in the contractor’s account. The financial institution must return the excess balance to FRB Richmond by 5:45 p.m. eastern time. If the financial institution is unable to return the excess by that time on the day of the occurrence, the excess should be used to offset the next day’s drawdown, and any remaining excess should be returned to FRB Richmond before 5:45 p.m.

 - (3) **Monthly Adjustments.** Monthly, the financial institution calculates the average daily balance for the demand deposit account. The contractor will instruct its financial institution to adjust its

drawdowns during the upcoming month in an amount necessary to offset the average positive or negative balance for the month.

(4) **Penalties on Excess Funds.** If the financial institution has a pattern of excess drawdowns and fails to correct the problem after written notice from the Department, the financial institution will be assessed interest on all excess balances at the Federal Funds Rate for the month(s), and the special financial institution account agreement will be terminated. The penalty amount shall be credited to account 89X1435, General Fund, Proprietary Interest, Not Otherwise Classified, or to another account specifically authorized by Treasury.

- g. **Closeout.** After all outstanding payment items have been cleared or a stop payment order has been issued therefore, the remaining authorized balance in the payments cleared funding account at FRB Richmond must be reduced to zero and the account closed in ASAP 1031.
- h. **Reporting Requirements.** Contractors shall record expenditures based on the paid transactions listed in the ASAP 1031 report.

8. **AUTOMATED STANDARD APPLICATION FOR PAYMENT (ASAP).**

- a. **General.** The Treasury's ASAP system provides next-day payment services to grantees (and certain contracts approved for advance funding) via ACH transfer. A special module of the system, ASAP 1031, is utilized under a payments cleared financing arrangement to pay the Department's site/facility management contractors and other major contractors. Payment centers desiring the service must submit enrollment forms and receive training in the use of the system prior to implementation.
- b. **Procedure.** The grantee or contractor submits an electronic payment request to the FRB Richmond. FRB Richmond processes the request and sends the payment to the recipient's bank account.
- c. **Field Office Responsibilities.** EFASC will provide instructions regarding field office responsibilities for field offices that are part of EFASC. Principal field office responsibilities include the following:
 - (1) Enrolling the recipients with the Financial Management Service;
 - (2) Setting up accounts for the recipients in the ASAP system;
 - (3) Inputting authorizations; and
 - (4) Reconciling accounting records to ASAP accounts.

- 9. GOVERNMENT SMALL PURCHASE CHARGE CARDS.** Small purchase charge cards are issued to designated DOE and contractor employees for purchases of \$25,000 or less. The card bears the employee's name and can be used only by that employee. The card is subject to a single transaction limit, a monthly cardholder limit, and a monthly field office limit established by the field office. Small purchase cards provide significant savings in administrative costs over other methods. The card provider makes reports available to the field offices to assist in controlling abuse of the card by DOE and contractor employees. For further information, refer to I TFM 4-4500.
- 10. GOVERNMENT TRAVEL CHARGE CARDS.** Travel charge cards are issued to DOE employees who travel once or more in a year for charging transportation, subsistence, and other allowable travel and transportation expenses incurred while on official travel. Travelers may use the cards to obtain advances from Automated Teller Machines (ATMs) for out-of-pocket expenses. This eliminates the need for cash advances from the Department. Employees who possess travel charge cards make payments directly to the card provider and the card provider has no recourse against the Department for nonpayment. The card provider makes reports available to the field offices to assist in controlling abuse of the card by DOE employees. For further information, see DOE O 552.1A, "Travel Policy and Procedures" and I TFM 4-3000.
- 11. FEDSELECT CHECKS.** FedSelect checks are Treasury's low-cost alternative to commercial third-party drafts. Their dollar limit is \$10,000; a waiver can be granted up to \$25,000. The checks are used to replace imprest fund disbursements and for other "on demand" payment needs. Checks issued for routine imprest fund payments remain at the current \$2,500 limit. The FedSelect system uses a positive payment process to minimize the potential for fraud. For the information, see I TFM 4-3000.
- 12. IMPREST FUNDS.** Field offices must use all available methods to eliminate imprest fund balances, including EFT payments, Government small purchase charge cards, Government travel charge cards, and FedSelect checks. According to the Imprest Fund Policy Statement issued by Treasury on November 9, 1999, imprest funds may be used only when a payment by EFT is waived in accordance with the provisions of 31 CFR 208, Management of Federal Agency Disbursements, at section 208.4 Waivers; and, one of the following exceptions apply:
- (1) Payments involve national security interests, military operations, or national disasters;
 - (2) Payments are made in furtherance of a law enforcement action;
 - (3) The amount owed is less than \$25;
 - (4) The political, financial, or communications infrastructure of a foreign country does not support payment by a non-cash mechanism; or

- (5) Payments are made in emergencies, or in mission critical circumstances, that are of such an unusual and compelling urgency that the Government would otherwise be seriously injured, unless payment is made by cash.

DOE has direct responsibility for ensuring the proper use of cashier advances and establishing procedures to govern imprest fund activities. Cashier advances are charged to DOE's appropriated funds and thereby bring such advances under DOE and OMB guidelines that control appropriations. Those persons delegated authority to *both* designate certifying officers *and* appoint cashiers via TFS Form 2958, "Delegation of Authority," have automatic authority to establish and terminate imprest funds. All DOE imprest funds operate under 31 U.S.C. 3321 (formerly Executive Order 6166) and the policies and procedures contained in I TFM 4-3000 and the Treasury Manual of Procedures and Instructions for Cashiers.

13. **SPECIAL DEPOSIT FUNDS.** Special deposit funds are combined receipt and reimbursement accounts established to account for receipts held in suspense temporarily and later refunded or paid into some other fund of the Government, or held by the Government as banker or agent for others and paid out at the direction of the fund custodian for purposes authorized by law. Additional guidance for special deposit funds is found in Chapter 13, "Reimbursable Work, Revenues, and Other Collections."

14. **LIMITED PAYABILITY AND CLAIMABILITY.** Refer to TFM Bulletin 90-03 and 31 CFR 240.3 for additional information.

- a. Payability is the length of time a check can be negotiated to a financial institution. Treasury checks dated on or after 10-1-89 must be negotiated within 1 year from the date of issuance.
- b. Claimability is the length of time during which a payee can present a claim of nonreceipt, loss, or theft of a check to an agency.
- c. Reclamation is a demand by Treasury for a refund of the amount of a check payment from the presenting bank or other endorser. Title X, Public Law 100-86, reduces the period during which Treasury may reclaim the amount of a check that has been paid over a forged or unauthorized endorsement. Treasury considers the date of payment to be the date on which the Federal Reserve Bank gives provisional credit for the item to the clearing bank.

15. **REPORTING.**

- a. **Statement of Transaction (SF-224).** Each Field CFO or equivalent shall prepare a monthly SF-224 for each of that office's ALCs to report net disbursements to Treasury. Headquarters EFASC will prepare the SF-224

for field offices that are part of EFASC. Refer to I TFM 2-3300 for specific reporting and reconciling requirements.

b. Prompt Payment Report.

- (1) Field CFOs or equivalents shall submit prompt payment reports in the format, and frequency, determined by the CFO. Oak Ridge Field Office will prepare the prompt payment report for offices that are part of EFASC.
- (2) Field CFOs or equivalents should use actual data in the reports. However, to minimize the cost of reporting, valid statistical sampling methods may be used to derive the required information for reports. The use of statistical sampling methods must be disclosed.
- (3) Field CFOs or equivalents must also comply with reporting and certification as required in I TFM 6-8075.

c. Erroneous Payment Report. Each Field CFO or equivalent shall prepare a report on erroneous payments in the format, and frequency, determined by the CFO. Oak Ridge Field Office will prepare the report for field offices that are part of EFASC.

d. Miscellaneous Income, IRS Form 1099-Misc.

- (1) The IRS (26 U.S.C. 6041 and 6041A, as implemented in 26 CFR) requires payors, including Government agencies, to report to the IRS, on Form 1099, payments made to certain contractors. A contractor is required to provide its TIN if a Form 1099-Misc. is required (26 U.S.C. 6109). The IRS instructions mandate minimum reporting criteria. Payment offices may report all vendor payment information for ease of reporting.
- (2) The Oak Ridge Field Office will consolidate payment information and forward the 1099-Misc. forms to the contractors and the IRS for DOE.
- (3) If the Oak Ridge Field Office is notified by the IRS that a vendor has submitted an incorrect TIN, they will notify the payment office that submitted the incorrect information. The payment office must obtain the correct TIN or begin backup withholding. Detailed information on backup withholding is available in IRS Publication 1282, Backup Withholding for Missing and Incorrect Name/TIN(s). This publication is available on the IRS website (www.irs.treas.gov).

16. PROMPT PAYMENT QUALITY CONTROL PROGRAM.

- a. General.** The Prompt Payment, Final Rule (5 CFR Part 1315), requires that Federal agencies establish a quality control (QC) program to:
- (1) Ensure that payments are made in accordance with 5 CFR Part 1315, Prompt Payment, Final Rule;
 - (2) Provide a reliable way to estimate payment performance; and
 - (3) Ensure the integrity of prompt payment reporting.
- b. Standards.** The following guidelines have been established as standards for the QC program:
- (1) QC must be a systematic performance measurement system in place at each payment center.
 - (2) QC data should provide managers with information about problems and assist in targeting corrective action.
 - (3) QC data must be accurate within a confidence level of 90 percent, with a precision of plus or minus 10 percent.
 - (4) Data should be gathered as frequently as needed by the cognizant Field CFO or equivalent to identify and correct errors, but not less frequently than annually (if only annually, gather data at the end of each fiscal year). The annual review shall cover changes in the nature of procurement actions, changing prompt payment requirements, and prior deficiencies are situations requiring more frequent gathering of data. If data are gathered more frequently than annually, for example, quarterly, the data should be gathered based on a valid statistical sample drawn after each quarter of the fiscal year.
 - (5) QC reviewers must use original documents and repeat original calculations.
 - (6) When a total review is not possible, data should be gathered on the basis of a statistically valid sample sufficient to assure reliability of QC reviews without unduly burdening finance office resources.
 - (7) Collection of data must be performed by persons independent of the original payment decision.

- (8) Analysis of QC data must result in remedial action targeted to correct objectively determined error causes.
- c. **Procedures for Performing a QC Review.** Field CFOs or equivalents with responsibility for payments shall use the following procedures to perform a QC review:
- (1) Reviewers shall:
- (a) Select a statistically valid random sample of sufficient size to provide a 90-percent confidence level, plus or minus 10 percent, that sample data are representative of the overall population. The U.S. Army Audit Agency (USAA) statistical sampling program or equivalent will be used to determine the sample size. Copies of the USAA statistical sampling program are available on the USAA website at www.hqda.army.mil/aaaweb/audit.htm or from the Office of Financial Policy (CF-50/GTN). Attachment 6-6 is a checklist of items to be completed.
 - (b) Gather sample data generated from original documents and repeat original calculations to assess prompt payment performance.
 - (c) Compare data generated from the sample to system-generated data to determine the accuracy of system-generated data.
 - (d) Report findings to the Field CFO or equivalent.
- (2) Field CFOs or equivalents, shall:
- (a) Select persons independent of the original payment decision to perform QC reviews.
 - (b) Determine the cause of any deficiency in payment performance or error in the system-generated data.
 - (c) Implement appropriate action to correct any deficiencies or error causes.
 - (d) When a significant deficiency or error is discovered (for example, the payment due date is routinely based on receipt of invoice only), conduct a follow-up review of data for the quarterly following corrective actions to ensure that the deficiency or error has been eliminated. The follow-up

review shall also be performed on the basis of a valid statistical sample.

- (e) Maintain appropriate documentation related to the foregoing activities. Such documentation shall be made available upon request to the CFO or designee.

ATTACHMENT 6-1

DETERMINATION OF COST-EFFECTIVE DISCOUNTS

1. Take a discount only when the discount rate offered is equal to or greater than Treasury's Current Value of Funds Rate (CVFR). FMS provides an on-line calculator on their website www.fms.treas.gov/prompt/ or use the following conversion formula to convert discount terms to the effective annual interest rate, which will be used as a comparison factor against the CVFR:

Conversion Formula:

$$\frac{\text{Discount \%}}{100\% - \text{discount\%}} \times \frac{360}{\text{No. of days from discount date to due date}} = \text{Effective annual Interest Rate}$$

Example:

Discount terms: ½% (0.005) in 10 days, net 30 days

$$\frac{.005}{1.000-.005} \times \frac{360}{(30 - 10)} = .09 \text{ or } 9\%$$

Conclusion: If the CVFR is 9% or less, the offered discount should be taken.

2. The following table of the more commonly offered discount terms, along with their corresponding effective annual interest rate conversions, may be used as a ready reference guide:

<u>Discount Terms</u>	<u>Effective Annual Rate</u>	<u>Discount Terms</u>	<u>Effective Annual Rate</u>
2/20 net 30	74.5	0.8/10 net 30	14.7
2/10 net 30	37.2	0.7/10 net 30	12.9
1/20 net 30	36.9	0.6/10 net 30	11.0
0.75/10 net 30	13.8	0.55/10 net 30	10.1
1/10 net 30	18.4	0.5/10 net 30	9.2
0.5/20 net 30	18.3	0.2/10 net 30	7.3
0.9/10 net 30	16.6	0.1/20 net 30	3.7
0.85/10 net 30	15.6	0.1/10 net 30	1.8

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ATTACHMENT 6-2
DETERMINATION OF PROMPT PAYMENT PENALTIES
Calculation of Prompt Payment Interest Penalty

Prompt Payment Interest is calculated from the day after payment was due until the day payment is made. The interest rate in effect on the day after the payment due date is used to calculate the interest penalty. The following FMS website provides penalty calculators and rates:

- <http://www.fms.treas.gov/prompt/ppcalc1.html> Automatically calculates simple daily interest.
- <http://www.fms.treas.gov/prompt/ppcalc2.html> Automatically calculates monthly compounding interest.
- <http://www.fms.treas.gov/prompt/rates.html> Prompt Payment interest rate.

Simply Daily Interest

The following formula can be used to determine simple daily interest:

$$P(r/360*d)$$

- P is the amount of principle or invoice amount;
- r equals the Prompt Payment interest rate; and
- d equals the number of days in which interest is being calculated.

For example, if payment is due on April 1 and the payment is not made until April 11 a simple interest calculation will determine the amount of interest owed to the vendor for the late payment. Using the formula above, an invoice in the amount of \$1,500 paid 10 days late and at an interest rate of 6.5% would be calculated as follows:

$$\$1,500 (.065/360*10) = \$2.71$$

Monthly Compounding Interest

The following formula can be used to determine monthly compounding interest in accordance with 5 CFR 1315.10(a)(3):

$$P (1+r/12)^n * (1+(r/360*d)) - P$$

- P is the amount of principle or invoice amount;
- r equals the Prompt Payment Interest rate;
- n equals the number of months; and
- d equals the number of days for which interest is being calculated.

The first part of the equation calculates compounded monthly interest. The second part of the equation calculates simple interest on any additional days beyond a monthly increment.

For example, if the amount owed is \$1,500, the payment due date is April 1 the agency does not pay until June 15 and the applicable interest rate is 6%, interest is calculated as follows:

$$\$1,500 (1+.06/12)^2 * (1+(0.06/360*15)) - \$1,500 = \$18.83$$

Examples of Prompt Payment Interest Penalty Calculations

1. DETERMINATION OF INTEREST PENALTY ON A PROPER INVOICE PAID LATE

Terms: \$10,000, due in 30 days

Facts: Paid on the 50th day after receipt

Interest computation: $\$10,000 \times \text{prompt payment interest rate in effect on the day after the payment due date}$ (for example, $7\% \times .0556$ (20 days late divided by a 360-day year) = \$38.92 interest penalty.

2. DETERMINATION OF INTEREST PENALTY WHEN AN IMPROPER DISCOUNT HAS BEEN TAKEN

Terms: \$10,000, 2/10 net 30

Facts: Discount of \$200 was taken on the 12th day, which was 2 days past the discount period. The discount was paid to business concern on the 30th day after the discount period expired.

Days of interest penalty: 30

Interest computation: $\$200 \times \text{prompt payment interest rate in effect on the day payment becomes overdue}$ (for example, $7\% \times (30 \text{ days late divided by a } 360\text{-day year}) = \1.17 interest penalty.

Payment to vendor: $\$200.00$ (improper discount) + 1.17 (interest penalty) = $\$201.17$ total payment to vendor.

3. DETERMINATION OF INTEREST PENALTY ON AN IMPROPER INVOICE RETURNED LATE TO VENDOR

Terms: \$10,000, due in 30 days

Facts: The original invoice was returned to the vendor on the 18th day after receipt. The maximum acceptance is 7 days, plus the day the invoice is returned, so 10 days are subtracted from the 30-day due date. The revised invoice was paid on the 35th day after receipt.

Days of interest penalty: 15 (subtracting 20 days from the 35 days)

Interest computation: $\$10,000 \times \text{prompt payment interest rate in effect on the day payment becomes overdue}$ (for example, $7\% \times (15 \text{ days divided by a } 360\text{-day year}) = \29.17 interest penalty.

ATTACHMENT 6-3

SAMPLE INTEREST PENALTY ASSESSMENT MEMORANDUM

To: Program Office
From: Finance Office
Subject: Confirmation of Interest Penalty Assessed

In accordance with the interest penalty provisions of this chapter, an interest penalty has been assessed in relation to a contract bearing a funds citation for which you are authorized to approve program release documents.

Pertinent details are as follows:

1. Accounting classification charged (also show budget and reporting code and fund type):
2. Amount of interest penalty charges: \$1.50
3. Date interest penalty charged: 12-31-03
4. Interest rate: 15.5%
5. Days late: 17
6. Contract identification number: DE-AC-01-82-NE-32097
7. Contractor: A. Voice, Inc.
8. Invoice or bill number: 39 82 R C0702.000
9. Reason for delay: Misplaced invoice

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ATTACHMENT 6-4**SOLICITATION FOR FINANCIAL INSTITUTION SERVICES**

When a new contract that provides for payments cleared funding has been awarded by DOE, the Departmental CFO will advise Treasury that a new payments-cleared funding account is pending. The Field CFO or equivalent shall also work with the cognizant procurement official and the contractor to solicit banking services for the contractor under a special financial institution account agreement. The Field CFO or equivalent will provide the contractor with the information required to survey eligible financial institutions for interest in providing its banking needs under a contractor's payments cleared financing arrangement.

DOE requires that financial institutions be covered by the appropriate deposit insurance and post collateral in accordance with Treasury regulations governing securing of Government accounts. The institutions must maintain an account with a Federal Reserve Bank. On completion of the survey, the contractor shall be asked to provide a list of suggested bidders to the procurement officer. The procurement officer shall solicit bids from eligible institutions and, with the advice of the Field CFO or equivalent and the contractor competitively select a financial institution to provide banking services to the contractor under a payment cleared financing arrangement.

A copy of the special financial institutions account agreement signed by all parties shall be delivered to the Field CFO or equivalent, so that an ASAP 1031 account can be set up at the Federal Reserve Bank of Richmond. Refer to Attachment 6-5 for the format of the special financial institution account agreement.

1. Prior to soliciting bids from financial institutions for their services, the contractor, with the Field CFO or equivalent's assistance, shall complete the "Schedule of Financial Institution Processing Charges" form by typing in the contractor's name and the projected monthly quantities of services that the institution will be required to provide. Use of this form will standardize the basis on which the institutions will bid.
2. The procurement officer shall determine the method to be used in soliciting bids. Soliciting for bids shall be done by the cognizant procurement office in accordance with acquisition regulations. If fewer than three bids are received in response to the initial solicitation, the bid area shall be expanded and the service rebid, or the responsible contracting officer, in coordination with the Field CFO or equivalent shall make a determination, in writing that expanding the bid area would not result in an increased competition.
3. Samples of solicitation materials to be included in the solicitation are provided in Attachment 6-5. The information provided may not be comprehensive and can be modified to include applicable cash management provisions contained in paragraph 7 of this chapter and any other warranted provisions. Generally, if specific requirements are not spelled out in the contract, the financial institution cannot be required to comply with them. However, the funds and the accounts held under a special financial institution account agreement belong to the Government and must be collateralized in accordance with Treasury regulations, specifically, Treasury Circular 176 and I TFM 6-9000, even if not included in the written agreement.
4. The financial institution will be compensated for its services based on the fees bid for those services by a direct payment of the fees. The financial institution submits a monthly invoice to the contractor's office. The invoice will show amounts due in accordance with the per-item costs specified on the "Schedule of Financial Institution Processing Charges."

- The financial institution is compensated by a payment drawn on the recipient's account in the financial institution. Fees paid for these banking services are an allowable cost under such management and operating contracts.
5. The DOE Field CFO or equivalent shall submit a written notification of a new pending payments cleared funding account to the Director, Office of Financial Policy, approximately 1 month before the desired implementation date. The request should include the following:
- a. Name and address of the recipient organization;
 - b. Name and address of the financial institution selected to provide the services;
 - c. Name and telephone number of a contact at the selected financial institution;
 - d. Pending ASAP 1031 account number; and
 - e. Proposed date of implementation.

ATTACHMENT 6-5

SAMPLE SOLICITATION LETTER

Dear Sir or Madam:

The Department of Energy is currently soliciting bids from interested financial institutions to provide services for the [contractor's name] account under a payments cleared financing arrangement.

The Treasury Automated Standard Application for Payment (ASAP) system is utilized by the Federal Government for paying grants, contracts, and other programs. Under a payment cleared financing arrangement, the contractor issues payments for program costs. When the payments are cleared by the financial institution, the financial institution draws on an ASAP 1031 account at the Federal Reserve Bank of Richmond. The amount of the drawdown should be sufficient to maintain the account balance net positive and as close to zero as administratively possible.

The institution will be compensated by direct payment of fees.

Enclosed is a proposal package that provides your institution with information and forms to be used in submitting a proposal. The following documents are contained in the proposal and information package:

1. The figure entitled "Technical Representations and Certifications,"
2. The worksheet entitled "Schedule of Financial Institution Processing Charges,"
3. A sample agreement, and
4. The document entitled "Financial Institution's Information on the Payments-Cleared Financing Arrangement."

To receive same-day credit from the Federal Reserve, the financial institution ascertains the amount of payment items received for payment net of the amount of any deposits and submits an online payment request to the Federal Reserve Bank of Richmond by 5:45p.m. Eastern Time.

If your institution is interested in providing the financial services required under a payment cleared financing arrangement, a bid must be submitted to the following address by not later than [deadline date]:

[DOE mailing address]

The completed bid must be submitted in writing, using materials 1, 2, and 3 described above. Incomplete bids or bids received after the deadline date of [deadline date] will not be considered. Your institution will receive notification of the final decision by letter within 30 days of the close of the bidding period.

Questions pertaining to the proposal package should be directed to [DOE official] at [official telephone number].

Sincerely,

Enclosures

SAMPLE TECHNICAL REPRESENTATIONS AND CERTIFICATIONS

The financial institution makes the following technical representations and certifications as part of its bid to the Department of Energy to service a payments cleared financing arrangement. (Check parentheses and complete blanks, as appropriate. All information is necessary.)

1. Financial Institution Fiscal Information

- a. The financial institution is a () national chartered financial institution () State chartered financial institution organized and existing in the State of _____.
- b. The financial institution () maintains () does not maintain an account with a Federal Reserve Bank.
- c. The current () Federal () State time deposit reserve requirement for the financial institution is ____%.
- d. The financial institution insures each time account for \$100,000 under federally approved deposit insurance () Yes () No. Deposits are insured by a Government deposit insurance organization approved by the Treasury (a list of approved insurance organizations is attached to this form). If no, explain:
- e. The financial institution has direct online access to the Federal Reserve Communications System (FRCS). If no, explain:
- f. To receive same-day credit from the Federal Reserve, the financial institution can ascertain the amount of payments cleared net of the amount of any deposits and submit a payment request through the FRCS by _____ p.m. Eastern Time.

2. Minority Business Enterprises

Is the financial institution a minority-owned or minority-controlled institution, eligible to participate in the Treasury Minority Bank Deposit Program (MBDP)? () Yes () No

Information about eligibility and enrollment in the MBDP program is available on the Treasury website at www.fms.treas.gov.

3. Technical

- a. Does the financial institution currently service and reconcile an account with a payment volume equal to or exceeding the anticipated volume required by the contractor as stated in the "Schedule of Financial Institution Processing Charges"?

Service: () Yes () No Reconciliation: () Yes () No

- b. What is the highest number of payments serviced and reconciled for a single account?

Service: _____ Reconciliation: _____

SCHEDULE OF FINANCIAL INSTITUTION PROCESSING CHARGES

Contractor:

 Financial Institution:

1.	Account Maintenance	_____	@_____	\$_____
2.	Checks Cleared	_____	@_____	\$_____
3.	Automated Clearing House Transfers	_____	@_____	\$_____
4.	Wire Transfers	_____	@_____	\$_____
5.	Stop Payment Orders	_____	@_____	\$_____
6.	Preparation of 1031, Request for Credit Transfer	_____	@_____	\$_____
7.	Deposits	_____	@_____	\$_____
8.	Non-cash Items Deposited	_____	@_____	\$_____
9.	Other Services (Explained below)	_____	@_____	\$_____
		_____	@_____	\$_____
		_____	@_____	\$_____
		_____	@_____	\$_____
		_____	@_____	\$_____
		_____	@_____	\$_____
10.	Total Monthly Service Charges (Sum Lines 1-9)			\$_____
11.	Annual Service Charges (Line 10 x 12 months)			\$_____

**SPECIAL FINANCIAL INSTITUTION ACCOUNT
AGREEMENT FOR USE WITH THE PAYMENTS CLEARED
FINANCING ARRANGEMENT**

Agreement entered into this, _____ day of _____, _____, between the UNITED STATES OF AMERICA, _____ represented by the Department of Energy (hereinafter referred to as "DOE"), and _____, a corporation/legal entity existing under the laws of the State of _____ (hereinafter referred to as the Contractor) and _____, a financial institution corporation existing under the laws of the State of _____, located at _____ (hereinafter referred to as the Financial Institution).

RECITALS

- (a) On the effective date of _____, _____, _____, DOE and the Contractor entered into Agreement(s) No. _____, or a Supplemental Agreement(s) thereto, providing for the transfer of funds on a payments-cleared basis.
- (b) DOE requires that amounts transferred to the Contractor there under be deposited in a special demand deposit account at a financial institution covered by Treasury-approved Government deposit insurance organizations that are identified in I TFM 6-9000.

These special demand deposits must be kept separate from the Contractor's general or other funds, and the parties are agreeable to so depositing said amounts with the Financial Institution.

- (c) The special demand deposit account shall be designated [name of Contractor] [account title] account.

COVENANTS

In consideration of the foregoing, and for other good and valuable considerations, it is agreed that—

1. The Government shall have a title to the credit balance in said account to secure the repayment of all funds transferred to the Contractor, and said title shall be superior to any lien, title, or claim of the Financial Institution or others with respect to such accounts.
2. The Financial Institution shall be bound by the provisions of said Agreement(s) between DOE and the Contractor relating to the transfer of funds into the and withdrawal of funds from the above special demand deposit account, which are hereby incorporated into this Agreement by reference, but the Financial Institution shall not be responsible for the application of funds withdrawn from said account. After receipt by the Financial Institution of directions from DOE, the Financial Institution shall act thereon and shall be under no liability to any party hereto for any action taken in accordance with the said written directions. Any written directions received by the Financial Institution from the Government upon DOE stationery and purporting to be signed by, or signed at the written direction of, the Government may, insofar as the rights, duties, and liabilities of the Financial Institution are concerned, be considered as having been properly issued and filed with the Financial Institution by DOE.

3. DOE, or its authorized representatives, shall have access to financial records maintained by the Financial Institution with respect to such special demand deposit account at all reasonable times and for all reasonable purposes, including, but without limitation to, the inspection or copying of such financial records and any or all memoranda, checks, payment requests, correspondence, or documents pertaining thereto. Such financial records shall be preserved by the Financial Institution for a period of 6 years after the final payment under the Agreement.
4. In the event of the service of any writ of attachment, levy of execution, or commencement of garnishment proceedings with respect to the special demand deposit account, the Financial Institution shall promptly notify DOE at:

[Name of office]
[Street address]
[City]
[State and Zip Code]

5. DOE shall authority funds that shall remain available to the extent that obligations have been incurred in good faith there under by the Contractor to the Financial Institution for the benefit of the special demand deposit account. The Financial Institution agrees to honor upon presentation for payment all payments issued by the Contractor and to restrict all withdrawals against the funds authorized to an amount sufficient to maintain the average daily balance in the special demand deposit account in a net positive and as close to zero as administratively possible.

The Financial Institution agrees to service the account in this manner based on the requirements and specifications contained in DOE solicitation No. _____, dated _____. The Financial Institution agrees that per-item costs, detailed in the form "Schedule of Financial Institution Processing Charges," contained in the Financial Institution's aforesaid bid will remain constant during the term of this Agreement. The Financial Institution shall calculate the monthly fees based on services rendered and invoice the contractor. The contractor shall issue a check or automated clearinghouse authorization transfer to the Financial Institution in payment thereof.

6. The Financial Institution shall post collateral in accordance with 31 CFR 202 with the Federal Reserve bank in an amount equal to the net balances in all of the accounts included in this Agreement (including the noninterest-bearing time deposit account), less the Treasury-approved deposit insurance.
7. This Agreement, with all its provisions and covenants, shall be in effect for a term of _____ years, beginning on the _____ day of _____, _____, and ending on the day of _____, _____.
8. DOE, the Contractor, or the Financial Institution may terminate this Agreement at any time within the agreement period upon submitting written notification to the other parties 90 days prior to the desired termination date. The specific provisions for operating the account during this 90-day period are contained in Covenant 11.
9. DOE or the Contractor may terminate this Agreement at any time upon 30 days' written notice to the Financial Institution if DOE or the Contractor, or both parties, find that the Financial Institution has failed to substantially perform its obligations under this Agreement or that the Financial Institution is performing its obligation in a manner that precludes

administering the program in an effective and efficient manner of that precludes the effective utilization of the Government's cash resources.

10. Notwithstanding the provisions of Covenants 8 and 9, in the event that the Agreement, referenced in Recital (a), between DOE and the Contractor is not renewed or is terminated, this Agreement between DOE, the Contractor, and the Financial Institution shall be terminated automatically upon the delivery of written notice to the Financial Institution.
11. In the event of termination, the Financial Institution agrees to retain the Contractor's special demand deposit account for an additional 90-day period to clear outstanding payment items.

This Agreement shall continue in effect for the 90-day additional period, with exception of the following:

1. Term Agreement (Covenant 7)
2. Termination of Agreement (Covenant 8 and 9)

All terms and conditions of the aforesaid bid submitted by the Financial Institution that are not inconsistent with this 90-day additional term shall remain in effect for this period.

The Financial Institution has submitted the forms entitled "Technical Representations and Certifications" and "Schedule of Financial Institution Processing Charges." These forms have been accepted by the Contractor and the Government and are incorporated herein with the document entitled "Financial Institution's Information on Payments Cleared Financing Arrangement" as an integral part of this Agreement.

IN WITNESS WHEREOF the parties hereto have caused this Agreement, which consists of _____ pages, including the signature pages, to be executed as of the day and year first above written.

Date Signed

By _____
(Typed Name of Contractor Officer)

(Signature of Contracting Officer)

WITNESS

(Typed Name of Witness)

(Name of Contractor)

(Signature of Witness)

By _____
(Name of Contractor's Representative)

Note: In the case of a corporation, a witness is not required. Type or print names under all signatures.

(Signature of Contractor's Representative)

(Title)

(Address)

(Date Signed)

(Name of Witness)

(Name of Financial Institution)

(Name of Financial Institution Representative)

(Signature of Witness)

(Signature of Financial Institution Representative)

Note: In the case of a corporation, a witness is not required. Type or print names under all signatures.

(Title)

(Address)

(Date Signed)

NOTE

The contractor, if a corporation, shall cause the following Certificate to be executed under its corporate seal, provided that the same officer shall not execute both the Agreement and the Certificate.

CERTIFICATE

I, _____, certify that I am the _____ of the corporation named as Contractor herein; that _____, who signed this Agreement on behalf of the Contractor, was then _____ of said corporation and that said Agreement was duly signed for the and in behalf of said corporation by authority of its governing body and is within the scope of its corporate powers.

(Corporate Seal) (Signature)

NOTE

Financial Institution, if a corporation, shall cause the following Certificate to be executed under its corporate seal, provided that the same officer shall not execute both the Agreement and the Certificate.

CERTIFICATE

I, _____, certify that I am the _____ of the corporation named as Contractor herein; that _____, who signed this Agreement on behalf of the Contractor, was then _____ of said corporation and that said Agreement was duly signed for the and in behalf of said corporation by authority of its governing body and is within the scope of its corporate powers.

(Corporate Seal) (Signature)

FINANCIAL INSTITUTION'S INFORMATION ON PAYMENTS CLEARED FINANCING ARRANGEMENT

1. GENERAL INFORMATION

Payments cleared funding is a method used by the Federal Government to provide funds to a contractor who is performing services or providing goods to the Department of Energy (DOE). Under this method, the contractor issues payments for program purposes. When these payments clear the financial institution, the payments are totaled, and the financial institution draws funds from an Automated Standard Application for Payment (ASAP) 1031 system account at the Federal Reserve Bank (FRB-Richmond) of Richmond for credit to the account at the contractor's account. The financial institution is compensated for services performed in the form of direct payment of fee. Information necessary to bid for and operate such an account and to establish the reporting requirements the financial institution must meet are provided below.

2. BIDDING INFORMATION

- a. Upon receipt of the solicitation from DOE, the financial institution representative should review the package to ensure that all material listed in the covering letter has been included. If anything is missing, the financial institution representative should contact the DOE representative named in the letter to obtain the missing material. If all material is present, the financial institution representative should review the bidding procedures, the operating procedures, the reporting requirements, and the sample agreement. Questions should be directed to the designated DOE representative.
- b. Once the procedures and requirements are understood and the financial institution's management decides to submit a proposal, the procedures below should be followed:
 - (1) Check or complete all responses contained in the "Technical Representations and Certifications" form.
 - (2) Complete the "Schedule of Financial Institution Processing Charges" form.
 - (3) Ensure that all required information has been provided before forwarding the completed forms to the designated DOE representative. These forms constitute the financial institution's formal proposal to DOE. Incomplete proposals will not be considered.
 - (4) Forward the completed proposal with a cover letter to the DOE

representative at the address provided. Proposals not received by the date established for submission will not be considered.

- c. Bidders will be notified, by letter, of the financial institution selected within 30 calendar days after the close of the bidding period.
- d. The selected financial institution will meet with the designated DOE representative to clarify any operational questions and to sign the contractual agreement and required corporate certificates for both the contractor and financial institution. The agreement term will be determined by the DOE representative, but normally will be for a period of not less than 2 years and not more than 5 years. Specific termination provisions are contained in the agreement for termination before the date specified in the agreement.

3. OPERATING REQUIREMENTS

- a. The financial institution will total the payments cleared against the special account and subtract any deposits. This sum will be drawn from the ASAP 1031 account at FRB-Richmond. The amount of the drawdown should be sufficient to maintain the account balance net positive and as close to zero as administratively possible. The institution must determine the cutoff time for processing payments and deposits to ensure same day credit. The drawdown is effected by sending an online request for funds (type code 1031) to FRB-Richmond via Fedwire by 5:45 p.m. Eastern Time. The DOE finance office will provide the financial institution with enrollment forms that will permit withdrawal of funds from the ASAP 1031 account at FRB-Richmond. The institution will complete the forms and return them to DOE for further processing.
- b. If the financial institution providing these services is a branch of a parent institution, the drawdown on ASAP 1031 and subsequent transfer of funds from FRB-Richmond must be accomplished in time for the branch to receive same-day credit for the funds requested.

4. COMPENSATION

The institution will be paid by the contractor under the direct payment method.

5. PENALTIES ON EXCESS FUNDS

If the financial institution has a pattern of excess drawdowns and fails to correct the problem after written notice from the Department, the financial institution will be assessed interest on all excess balances at the Federal Funds Rate for the month(s), and the special financial institution account agreement will be terminated. Penalties will be remitted to the cognizant DOE finance office.

6. REPORTING REQUIREMENTS

The financial institution will provide the contractor with a bank statement and an account analysis monthly. The account analysis will include the data necessary for the DOE finance office to determine that the costs of the services are commensurate with the level of compensation being provided to the financial institution, and the average daily demand account balance is being maintained net positive and as close to zero as administratively possible.

ATTACHMENT 6-6**CHECKLIST FOR PERFORMING QUALITY CONTROL REVIEWS**

1. Verify that the payment is subject to the Prompt Payment Act. (Refer to Prompt Payment, 5 CFR 1315.1)
2. Verify that the invoice was date-stamped as received; otherwise, use the date of invoice in determining payment due date.
3. Verify that the invoice is the proper invoice. (See Prompt Payment, 5 CFR 1315.9) If it is not, verify that the invoice was date-stamped when the correction was made and that the vendor was notified within the required timeframe.
4. Verify that the reviewer determined that the payment due date matches the due date entered into the system. (See Prompt Payment, 5 CFR 1315.4(g).)
5. Review documentation to verify that property or services were delivered and accepted.
6. Review Treasury accomplished pay schedule to verify that payment was made by the due date, and when not made by the date, that interest penalties were paid in accordance with the Act. (See Prompt Payment, 5 CFR 1315.10)
7. Verify that the proper interest rate was used in calculating interest penalties. (See FMS website at www.fms.treas.gov.)
8. Verify that any discount taken based on payment within the discount period, that is, the period from the date of the invoice as dated by the contractor to the end of the discount period. (See Prompt Payment. 5 CFR 1315.7)
9. Ensure that interest penalties and economically advantageous purchase discounts lost are charged to the same object class and budget and reporting classification used for the original contract or purchase order.
10. Verify that all early payments approved by the CFO or Field CFO or equivalent are separately accounted for and that approval thereof is in writing.
11. Verify the legitimacy of all discounts not taken because they were not economically advantageous.