



Department of Veterans Affairs

Financial Policy

Volume VIII

Cash Management

Chapter 2

Disbursements

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0201 Overview

This chapter establishes the Department of Veterans Affairs' (VA) financial policies regarding disbursements, including the requirement to use electronic funds transfer (EFT) to the greatest extent practicable. This policy discusses the various disbursement mechanisms to ensure that all disbursements are legal, proper and recorded timely.

Key points covered in this chapter:

- VA will disburse funds by EFT when cost-effective, practicable and consistent with current statutory authority;
- VA will use direct deposit, which is a form of EFT, to ensure funds are disbursed in a timely manner to individuals and vendors; and
- VA will implement internal controls over the disbursement process to ensure funds are managed and disbursed properly.

0202 Revisions

Section	Revision	Office	Reason for Change	Effective Date
Various	Reformatted to new policy format and completed five-year update	OFP (047G)	Reorganized chapter layout	January 2021
Overall	Moved discussion on Collections to Vol VIII, Chapter 6	OFP (047G)	Improve readability	January 2021
0205 Policies	Updated content throughout the section and added Internal Control content to this section	OFP (047G)	Changes in Treasury guidance	January 2021
Appendices	Removed Appendix related to Types of Collections and OFP Cross References ATCCR and moved the remaining Appendix content into the Policy section	OFP (047G)	Reorganized chapter layout	January 2021

0203 Definitions

Automated Clearing House (ACH) – The ACH network is a nationwide EFT system that provides for the inter-bank clearing of electronic credit and debit transactions and for the exchange of payment-related information among participating financial institutions. ACH is the primary system that agencies use for EFT.

Direct Express® Debit Mastercard® – An option for people getting federal benefits who do not have a bank account and are looking for a no- or low-cost alternative to get funds.

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

Direct Deposit – An electronic payment alternative that uses the ACH network. ACH provides VA and its recipients the ability to disburse payments to bank accounts at designated financial institutions. The responsibilities and obligations of various participants in the Federal Government ACH process is defined in 31 C.F.R. Part 210. Direct deposit is also known as direct pay, direct debit, or electronic check.

Disbursements / Federal Payments – An outflow of funds from an agency, including, but not limited to: salary payments; travel reimbursements; benefits; interagency payments; grants; loans; fees; principal, interest, and other payments related to U.S. marketable and nonmarketable securities; overpayment reimbursements; and payments under Federal insurance or guarantee programs for loans.

Disbursement Mechanisms – Any tool or system by which VA transfers money to an outside recipient or to another Federal agency.

Electronic Funds Transfer (EFT) – Electronic transmission of funds to financial institutions.

Fedwire Deposit System (FDS) – Electronic transmission of funds to financial institutions over the Federal Reserve Communications System through a direct line to a Federal Reserve Bank, providing for the immediate availability of funds. Settlement of funds is immediate, final and irrevocable.

Foreign Medical Program (FMP) – A program for Veterans who live or travel overseas.

Foreign Payments – An outflow of funds to foreign countries, salary to foreign service nationals, payments to foreign recipients.

International Treasury Services (ITS) – A comprehensive international payment and collection system maintained by Treasury.

Intra-Governmental Payment and Collection (IPAC) – A standardized inter-agency fund transfer mechanism for Federal Agencies.

Prime Vendor Program – A streamlined acquisition method whereby Prime vendor contractors maintain stock of various contracted items and offer items from multiple contractors under a single order. VA's three national Prime Vendor Programs are Medical/Surgical, Pharmaceutical, and Subsistence.

Secure Payment System (SPS) – A system used by federal government agencies to schedule and certify payments securely.

U.S. Debit Card – A debit card issued by U.S. government federal agencies to companies and individuals to whom they owe money. The prepaid, and reloadable debit card is a solution for payees that do not have bank accounts or who do not want to give their banking information to the agency.

Vendor – Per 5 C.F.R. § 1315.2, a vendor is 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, excluding federal entities).

Vendor Payments – These payments involve the electronic transfer of funds and payment-related information used by the Federal Government for payments to businesses that provide goods and services to Federal agencies and other payment recipients, such as educational institutions.

0204 Roles and Responsibilities

Under Secretaries, Assistant Secretaries, Chief Financial Officers, Fiscal Officers, Chief Accountants, and Other Key Officials are responsible for ensuring compliance with the policies set forth in this chapter.

Principal Agent Cashiers and Alternate Agent Cashiers are responsible for disbursing cash and carrying out other cash operations. Principal Agent Cashiers who are authorized to make payments from funds advanced to them are regarded as a category of disbursing officer.

The Financial Services Center (FSC) has the primary responsibility to make disbursements for electronic payments and performs liaison duties between Treasury and VA's Administration Offices for Treasury State Agreements.

0205 Policies

020501 EFT

- A. In accordance with 31 C.F.R. § 206.4, VA will, when cost-effective, practicable and consistent with current statutory authority, use EFT as the primary disbursement mechanism.
- B. VA will use Treasury's Secure Payment System (SPS) to schedule and certify EFT payments to vendors, including VA's Prime Vendor Programs where applicable.
- C. VA will comply with the Cash Management Improvement Act and its amendments. VA will utilize EFT to transfer funds to state governments to support Federal Financial Assistance Programs. Transfers are processed as soon as funds are due in accordance with 2 C.F.R. § 200.305 and 31 C.F.R. Part 205.

020502 Direct Deposit

- A. VA will use direct deposit, which is a form of EFT, to disburse funds to non-Federal payees. Direct deposit is a safe and cost-effective method for VA to make payments without the need to rely on paper checks.
- B. VA will use direct deposit for all wages, salaries and retirement, unless granted a waiver by Treasury. Entrance enrollment forms for establishing regular payments will be designed to use this approach. Additional financial policies for implementing employee salary payments using direct deposit can be found in Volume XV, Chapter 2A – Payments.
- C. VA will reimburse official Government travel via direct deposit. For more information on VA's financial policies regarding travel, see Volume XIV – Travel.
- D. VA will replenish agent cashier's funds by direct deposit. Agent cashiers will maintain a record of the replenishment request date and the date funds were posted in the bank account.
- E. VA benefit payments will be made via direct deposit, unless the recipient requests as an alternative that payment be made via the Direct Express card.
- F. VA will reimburse beneficiary travel via direct deposit or the U.S. Debit Card, Direct Express® or Debit Mastercard®.
- G. VA in accordance with the Federal Acquisition Regulation (FAR) will include a provision in new contracts and contract renewals that payments be made via direct deposit unless a determination is made that it is not in the best interest of the

Federal Government.

- H. VA's FSC Nationwide Vendor File Division will ensure vendors are aware of direct deposit requirements by sending a Letter to Vendors on Payment Guidance from Treasury and VA Form 10091, VA-FSC Vendor File Request Form. If a Vendor is not able to receive payment through direct deposit, FSC Vendorizing Section may, under limited circumstances, grant an exemption and will maintain documentation supporting the exemption.

020503 U.S. Debit Card, Direct Express® or Debit Mastercard®

- A. VA may use the U.S. Debit Card, Direct Express® or Debit Mastercard® to provide a safer and more convenient alternative to paper checks, when direct deposit is not an option.
- B. VA has the option to automatically deposit federal benefit payments using the Direct Express® card on a monthly basis. Cardholders will be able to access their funds at ATMs or financial institutions nationwide. Veterans may use the card to get cash back and make purchases at retail locations, as well as pay bills and make purchases online.
- C. VA will reimburse beneficiary travel via direct deposit or the debit card.

020504 Fedwire Payments

- A. VA may use the Fedwire Deposit System (FDS) in the event an immediate payment is required.
- B. VA will limit the use of FDS to high-dollar, low-volume payments in excess of \$100,000 that must be received that day or when there is an immediate need for transfer of funds.

020505 Intra-Governmental Payment and Collection (IPAC)

- A. VA will use Intra-Governmental Payment and Collection (IPAC) to disburse funds to other Federal agencies and components.
- B. VA Financial Policy Volume I, Chapter 11 – Intragovernmental Transactions contains guidelines and policy on use of IPAC.

020506 Treasury State Agreements (TSA)

- A. The Financial Accounting Service within FSC will serve as the liaison to Treasury's cash management office.
- B. Treasury will notify FSC's Financial Accounting Service when a VA program will be included in a TSA. Treasury will provide VA a copy of the proposed TSA for review and approval.
- C. VA's Administrative and Staff Offices will notify FSC's Financial Accounting Service immediately via [VAFSCFASProgramOffice@va.gov \(Outlook\)](mailto:VAFSCFASProgramOffice@va.gov), if Treasury directly contacts them regarding a TSA.
- D. FSC's Financial Accounting Service will notify the affected office immediately upon receiving notice of a potential TSA as, VA will in most instances, have only 24 hours to review and comment prior to signing the TSA.
- E. VA Administration and Staff offices must maintain complete TSA data, to include accurate billing and payment records; this information must be forwarded to VAFSCFASProgramOffice@va.gov. FSC's Financial Accounting Service, will use the records to determine whether interest is due to or from the State.

020507 Foreign Disbursements

- A. VA will follow applicable Treasury and Department of State rules for foreign disbursements.
- B. VA will utilize Treasury's International Treasury Services (ITS) for processing international direct deposit payments and issuing foreign currency payments. Treasury's Kansas City Financial Center serves as the primary processing center for all foreign payment transactions.
- C. VA will not issue foreign currency payments to entities on Treasury's Specially Designated Nationals and Blocked Persons List (SDN) Human Readable Lists.
- D. VA will provide monetary benefits payable to eligible Veterans regardless of place of residence or nationality.
- E. VA's Foreign Medical Program (FMP) will assume payment responsibility for necessary hospital care and medical services associated with the treatment of service-connected conditions for Veterans who are residing or traveling abroad. Payment will be based on the exchange rate applicable to the date of service, or in the case of hospitalization, the discharge date.
- F. VA will work with the Department of State through Treasury to process all foreign payments via ITS; however, in some instances certain international payments are unpayable through ITS.gov.

- G. VA will use ITS to make payments to foreign vendors, salary for Foreign Service national employees, and other miscellaneous payment recipients but the Secretary of Treasury has the authority to prohibit or restrict the use of these checks.

020508 Non-EFT Disbursement Mechanisms

- A. VA will primarily use electronic methods for disbursements but may use non-EFT mechanisms if a waiver has been granted in accordance with 31 C.F.R. § 208.4. Some examples of waiver categories include:
- An individual is unable to manage an account at a financial institution or a Direct Express® card due to mental impairment;
 - An individual lives in a remote geographic location lacking the infrastructure to support electronic financial transactions;
 - VA does not expect 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
 - VA'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.

For more detailed information on waivers, refer to Treasury Go Direct® website, and Treasury FS Form 1201W (March 2014), Request for Payment of Federal Benefits by Check.

- B. The Nationwide Vendor File Division within FSC will:
- Notify entities refusing electronic payment that they are in violation of 31 C.F.R. Part 208.8;
 - Provide guidance for vendors requesting EFT waivers; and
 - Serve as a liaison with Treasury for all EFT exemption requests.
- C. Although VA will primarily use electronic methods to disburse funds, VA's agent cashiers, if appropriate, may disburse cash for a wide range of financial transactions. For more information on agent cashier capabilities see VA Financial Policy Volume VIII, Chapter 3 – Agent Cashier Accountability Policy.
- D. VA may use convenience checks as a payment method of last resort only when no reasonable alternative merchant is available who accepts the charge card. Refer to VA Financial Policy Volume VIII, Chapter 3 – Agent Cashier Accountability Policy and Volume XVI, Chapter 1C – Government Convenience Checks.
- E. VA may request Treasury to issue a check drawn on the U.S. Government, these checks are not electronic disbursements and are generally not the most advantageous disbursement method and should therefore be used when no reasonable alternative is available.

020509 Returned Disbursements

- A. The finance activity that receives a notice of a returned disbursement is responsible for its resolution. For example, VBA Finance Center (VBAFC) post-payment division will resolve any returned beneficiary payments disbursed by VBAFC.
- B. FSC will work with the finance activity and the disbursing partner (i.e., Department of State and/or Department of the Treasury) to ensure that a returned disbursement is researched and posted to VA's accounting system within a reasonable time period.

020510 Internal Controls

- A. VA will ensure proper internal controls are in place to appoint or designate employees to become disbursing, certifying, and approving officials. For additional information on these roles, refer to VA's Financial Policy, Volume VIII, Chapter 1A – Invoice Review and Certification.
- B. VA will rotate disbursing, certifying, and approving officials periodically to assist in the prevention and detection of frauds and fraudulent activities.
- C. VA will also enforce separation of duties to mitigate the risk of misuse of public funds or fraud.
- D. VA will perform disbursement reconciliations to ensure transactions are being reported accurately in VA's accounting system.
- E. VA will maintain supporting documentation for all disbursed transactions in accordance with Federal records management requirements contained in National Archives and Records Administration (NARA) regulations and VA Directives applicable for records management to support audits.

0206 Authorities and References

[2 C.F.R. § 200.305, Payment](#)

[5 C.F.R. § 1315.2, Definitions](#)

[18 U.S.C. § 641, Public Money, property, or records](#)

[31 C.F.R. Part 205, Rules and Procedures for Efficient Federal-State Funds Transfer](#)

[31 C.F.R. Part 208, Management of Federal Agency Disbursements](#)

[31 C.F.R. § 208.4, Waivers](#)

[31 C.F.R. Part 210, Federal Government Participation in the Automated Clearing House](#)

[31 U.S.C. § 3321, Disbursing authority in the executive branch](#)

[31 U.S.C. § 3329, Withholding checks to be sent to foreign countries](#)

[31 U.S.C. § 3330, Payment of Department of Veterans Affairs' checks for the benefit of individuals in foreign countries](#)

[31 U.S.C. § 3332, Required Direct Deposit](#)

[38 U.S.C. § 5120, Payment of Benefits; Delivery](#)

[Cash Management Improvement Act of 1990 \(CMIA\)](#)

[Department of the Treasury, Current Value of Funds Rate](#)

[Department of the Treasury, Direct Deposit \(Electronic Funds Transfer\)](#)

[Department of the Treasury, Direct Express[®]](#)

[Department of the Treasury, FS Form 1201W \(March 2014\), Request for Payment of Federal Benefits by Check](#)

[Department of the Treasury Go Direct[®]](#)

[Department of the Treasury, International Treasury Service \(ITS\)](#)

[Department of the Treasury, Intra-Governmental Payment and Collection \(IPAC\)](#)

[Department of the Treasury, Treasury Financial Manual \(TFM\) Volume 1, Part 2, Chapter 4700, Intragovernmental Transaction Applications-Intragovernmental Payment and Collection \(IPAC\) and Government Invoicing \(G-Invoicing\)](#)

[Department of the Treasury, TFM Volume I, Part 4A, Chapter 2000, Overall Disbursing Rules for all Federal Agencies](#)

[Department of the Treasury, TFM Volume I, Part 5, Deposit Regulations](#)

[Department of the Treasury, TFM Volume I, Part 6, Other Fiscal Matters](#)

[Department of the Treasury, U.S. Debit Card](#)

[Fedwire Funds Service](#)

[Government Accountability Office, Standards for Internal Control in the Federal Government \(Green Book\)](#)

[National Archives and Records Administration](#)

[OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control](#)

[Secure Payment System](#)

[Treasury's Specially Designated Nationals and Blocked Persons List \(SDN\) Human Readable Lists](#)

[VA Financial Policy Volume 1, Chapter 5 – Management's Responsibility for Internal Controls](#)

[VA Financial Policy Volume I, Chapter 11 – Intragovernmental Transactions](#)

[VA Financial Policy Volume VII, Chapter 9 – Payment Integrity and Fraud Reduction](#)

[VA Financial Policy Volume VIII, Chapter 1A – Invoice Review and Certification](#)

[VA Financial Policy Volume VIII, Chapter 3 – Agent Cashier Accountability Policy](#)

[VA Financial Policy Volume XIV – Travel](#)

[VA Financial Policy Volume XV, Chapter 2A – Payments](#)

[VA Financial Policy Volume XVI – Charge Card Programs](#)

[VA Financial Policy Volume XVI, Chapter 1C – Government Convenience Checks](#)

[VA Form VA-10091, VA-FSC Vendor File Request Form](#)

0207 Rescissions

VA Financial Policy Volume VIII, Chapter 2 – Disbursements and Collections Requirement, May 2012.

0208 Questions

Questions concerning these financial policies should be directed to the following points of contact:

VHA	VHA Financial Policy (Outlook)
FSC	VAFSC Nationwide Accounting (Outlook)
VBA	VAVBAWAS/CO/FINREP (Outlook)
VBA	VAVBAWAS/CO/OPERATIONS (Outlook)
NCA	NCA Financial Policy Group (Outlook)
All Others	OFP Accounting Policy (Outlook)