# VA Financial Policies and Procedures

## Disbursements and Collections Requirement

**CHAPTER 2**

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This chapter establishes the Department of Veterans Affairs (VA) financial policies and procedures regarding the requirement to use electronic funds transfer (EFT) for disbursements and collections. The Federal Government utilizes electronic technologies for the management of disbursements and collections to increase efficiency and reduce costs.


The Cash Management Improvement Act of 1990 and the Cash Management Improvement Amendments of 1992 mandate that executive agencies use EFT for financial transactions whenever possible. Under 31 C.F.R. Part 206, all funds are to be collected and disbursed by EFT when cost effective, practicable and consistent with current statutory authority. The collection mechanisms described in this chapter are either classified as EFT, including Automated Clearing House (ACH), Pay.gov, Card Acquiring Service (CAS), Paper Check Conversion over the Counter (PCC OTC), and Fedwire, or non-EFT mechanisms, such as cash or checks.

In addition, the Prompt Payment Act under 5 C.F.R. 1315 requires Executive departments and agencies to pay commercial obligations within certain time periods or risk the possibility of incurring interest penalties when payments are not made on time.

The Department of the Treasury’s (Treasury) Financial Management Service (FMS) is currently implementing the Collections and Cash Management Modernization (CCMM) initiative, which is a multi-year effort to simplify and modernize collections and cash management programs. One component of CCMM is a restructuring of FMS' collections programs, which includes consolidating collections programs such that each agency collection channel is served by a single system. One of the most important components of CCMM is consolidating the transaction and deposit reporting that agencies currently receive from numerous collection programs and from a cash concentration system called CA$HLINK II. A new system called the Transaction Reporting System (TRS) will provide agencies with a daily consolidated report of all collections in lieu of the separate reports agencies receive from multiple systems and banks. Lastly, as part of the CCMM initiative, FMS has developed an Extensive Markup Language (XML) schema to facilitate the standardization of financial reporting across the Government, reduce data redundancy, and improve reporting consistency and data quality. Ultimately, CCMM will allow FMS to become more efficient, minimize costs, and improve its ability to meet the needs of agencies in the years to come.
0202 POLICIES

020201 VA will disburse and collect funds by EFT when cost-effective, practicable and consistent with current statutory authority. VA is not required to disburse and collect funds for those cases outlined in Appendix A, Exemptions from EFT Requirement. VA will implement the EFT requirement for its payment and collection activities in accordance with 31 C.F.R. 206. VA will periodically evaluate its EFT mechanisms to ensure they are the most advantageous methods, embedded with adequate internal controls.

020202 VA will determine the best EFT collection and disbursement mechanisms to use for new programs and will obtain approval from Treasury prior to implementation. If VA must propose the use of a collection or disbursement mechanism other than EFT for a classification of transactions, it will provide Treasury with a justification and include a cost-benefit analysis, if necessary, in these cases. Appendix A, Exemptions from EFT Requirement, outlines specific cases already approved by Treasury where VA is not required to use EFT.

A. VA will notify a debtor who owes VA money of his or her obligation and request that the debtor make payment by EFT.

B. VA will use the Intra-Governmental Payment and Collection (IPAC) system to electronically transfer debits and credits between Federal agencies regarding interagency transactions. For detailed information on IPAC, refer to Volume VII, Chapter 5, Financial Reporting - Intragovernmental Activity and Reconciliations.

C. Individuals refusing payment by EFT must be informed that they are not in compliance with the Treasury’s EFT rule at 31 CFR Part 208 (see Appendix B), which requires that all Federal non-tax payments be made electronically. VA may permit payment by check on an interim basis, but must inform the recipient that Treasury will contact them within four months to discuss their options for receiving payments electronically. VA will make EFT a mandatory provision in either new or renewal contractual agreements for collections and disbursements, as authorized. VA will exercise its authority under the Federal Acquisition Regulation (FAR) to require that all contractors are paid by EFT, unless a determination is made that it is not in the best interest of the Federal Government to do so.

D. In accordance with Treasury’s Memorandum, Upcoming FMS Systems Changes and Timelines, effective October 1, 2014, all Federal agencies using Treasury disbursing services will be required to submit payment data in a newly developed standard input format. Using the new Payment Application Modernization (PAM) standard format, VA will provide Treasury Account Symbol/Business Event Type Code (TAS/BETC) information along with payment files, satisfying new Governmentwide Accounting (GWA) reporting requirements.
020203 EFT AND DISBURSEMENT MECHANISMS.

VA will use the required EFT and disbursement mechanisms specific to payment type:

A. Direct Deposit. This is an electronic payment alternative that uses the Automated Clearing House (ACH). VA will primarily use the ACH system, a nationwide payment and collection system for the settlement of electronic debits and credits between financial institutions, to make payments. The ACH clears debits and credits electronically rather than through the physical movement of checks. ACH provides VA and its recipients the ability to disburse payments to bank accounts at designated financial institutions. Payment types include Federal employee salary, vendor, travel advances and reimbursements, recurring benefits, and other miscellaneous expenses. Title 31 C.F.R. 210 defines the responsibilities and obligations of various participants in the Federal Government ACH process.

B. Direct Express Debit Card. The prepaid debit card is issued to recipients of Federal benefits by a Financial Agent pursuant to requirements established by Treasury. It is designed for people who receive Federal benefits such as Social Security and Supplemental Security Income (SSI). VA may use the Direct Express card to provide a safer and more convenient alternative to paper checks. Each month, payments will be automatically deposited on the Direct Express card account on the Federal beneficiary’s designated payment day. Cardholders will be able to access their money at ATMs and financial institutions nationwide. They will be able to use their card to get cash back and make purchases at retail locations, as well as pay bills and make purchases online. In addition, these accounts are Personal Identification Number (PIN)-protected, insured by the Federal Deposit Insurance Corporation, and subject to Federal consumer protection regulations. Use of this mechanism is being piloted to determine if it is feasible and efficient as a possible vehicle for VHA Veteran travel benefit payments. Additionally, anything that is currently paid by check or cash is subject to being examined as a possible conversion to this type of disbursement tool.

C. Electronic Transfer Account (ETA<sup>SM</sup>). For recipients who do not have a bank account, VA may recommend ETA<sup>SM</sup> so that they can have an account to receive payments electronically. ETA<sup>SM</sup> is a low-cost Treasury-designated account made available by certain Federally-insured financial institutions (e.g., bank, credit union, or savings and loan), acting as a Financial Agent in accordance with 31 C.F.R.208.5, to which a Federal benefit, wage, salary or retirement payment may be deposited. VA should direct the recipient to the ETA<sup>SM</sup> website at http://www.fms.treas.gov/eta for a list of providers in their respective area.

D. Vendor Express Program. All vendors must be paid electronically. VA’s preferred payment method for contractors and vendors is the use of the ACH network to transfer money and remittance information to vendors, contractors, grant recipients and other commercial operations. The CCD plus ACH payment format provides payment-related accounting information which is transmitted along with the actual payments, and the
CTX format can be used to pass along remittance for multiple invoices to be included in one payment.

E. Prime Vendor Program. An electronic payment program that automates Prime Vendor (pharmaceutical drugs and supplies) billings and payments, using the same concept as VA’s Credit Card System (CCS). When a purchase is made, prime vendors will bill the credit provider who transmits the transaction electronically to the Austin Financial Services Center CCS and an electronic payment is made to the credit provider. The CCS also formats and generates payment documents which are interfaced with the accounting system.

F. Government Charge Cards.

1. Government Purchase Card, Centrally Bill Account (CBA). VA will use the Government purchase card to the maximum extent practicable for purchases up to the $150,000 simplified acquisition threshold established by FAR 2.101, where appropriate, and the proper delegation of authority has been granted to the cardholder. In addition to the purchase card, VA may use convenience checks that are written against a purchase card account for payment. Refer to Volume XVI, Chapter 1, Government Purchase Cards, for guidelines and procedures on the VA Government purchase cards and convenience checks.

2. Authorized Government Purchase Card. VA will provide these cards for use only to designated employees for official purposes in order to make micro-purchases, currently defined as orders for $3,000 or less. VA will establish adequate internal controls throughout the administration of this program to ensure that only authorized employees receive the card, authorized employees are adequately trained in use of the card, the charge card identification numbers are not available to anyone other than the authorized employee, charges are for official purchases only, purchases made using this card are fairly priced, purchases are received, and bills are reconciled. (For more information regarding Government purchase cards, refer to Volume XVI, Chapter 1 Government Purchase Cards).

3. VA Employee Travelers Charge Card. VA may issue employees a Government Charge Card to charge subsistence and other allowable travel and transportation expenses incurred during official Government travel. Under this program, the individual employee receives his/her own card, charges his/her allowable expenses, receives reimbursement from VA for authorized expenses, and is personally liable to the company issuing the charge card. VA employees with a traveler’s charge card account in a current status may also be given approval to participate in the Automated Teller Machine (ATM) program. Authorized employees complete an enrollment form and receive a PIN. Employees may use their travel charge card to obtain cash travel advances at an ATM. Refer to Volume XVI, Chapter 2, Travel Charge Card, for additional information.
4. Government Travel Charge Card, Centrally Billed Account. The Government Travel Charge Card is an additional method of purchasing passenger transportation services and the preferred method used by a location or office. This is a CBA for use by a location or office. Refer to Volume XVI, Chapter 2, *Travel Charge Card*, for additional information.

G. Fedwire Payments. The Fedwire program provides the capability to electronically transmit 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. VA will limit the use of Fedwire to make payments to cases of 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. The use of the Fedwire transfer should be limited due to the high cost of each transaction.

H. International Treasury Services (ITS.gov) – ITS.gov enables federal agencies to issue foreign currency payments using the ACH network, Wire, Society for Worldwide Interbank Financial Telecommunication (SWIFT), Check, Western Union or Pay upon Proper Identification (PUPID) transactions. Additionally, ITS.gov enables agencies to issue international U.S. Dollar wire transfer payments without a corresponding U.S. financial institution. FMS processes monthly recurring benefit payments, foreign payroll, vendor, and miscellaneous payments.

I. Grant Payment System. VA will make payments to grant recipients through the Department of Health and Human Services, Payment Management System (HHS/PMS). Program offices (e.g., State Home Construction, State Cemetery, and Homeless Providers) will initiate payment using the Office of Financial Business Operations (OFBO), or the National Cemetery Administration (NCA) for state cemeteries, who will process the payment through HHS/PMS. Payments are transferred to the Federal Reserve Bank and disbursed by ACH to the grant recipient. Grant information must be entered separately into VA’s financial accounting system by OFBO or NCA.

J. Payment Card Industry Data Security Standard (PCI DSS). PCI DSS establishes a set of online security tools, featuring Trustwave’s TrustKeeper product designed to guide Level 4 merchants through the validation process.

All federal agencies accepting credit and debit cards are required to maintain full compliance with the PCI DSS. This is in addition to the Office of Management and Budget (OMB) Personally Identifiable Information (PII) guidelines related to accidental or purposeful disclosure of cardholder information.

With the decision to accept cards as a form of payment comes the responsibility to protect your customers’ sensitive card information. The PCI SSC was formed to govern the security of this sensitive cardholder data. As such, the PCI SSC developed the PCI Data Security Standard (PCI DSS), which contains the security requirements merchants must follow in order to help protect themselves against unauthorized intrusions and
account data compromises. The PCI DSS applies to all entities, including federal agencies that process, store, or transmit cardholder data. Further general information can be located by accessing the following link: http://www.fms.treas.gov/cas/pci.html.

020204 NON-EFT MECHANISMS.

VA will use any of the following for non-EFT mechanisms:

A. Cash and Checks. VA will primarily use EFT for disbursements, but may issue checks (e.g., Treasury checks, convenience checks) and other non-EFT mechanisms (e.g., Agent Cashier) in limited circumstances.

B. Agent Cashier. VA’s approved Agent Cashiers may disburse cash for legitimate disbursements on a wide range of financial transactions. VA will authorize these Agent Cashiers as approved disbursing officials in accordance with 31 U.S.C. 3321 to expend public money. Refer to Volume VIII, Chapter 3, Agent Cashier Accountability Policy, for detailed information on these disbursing officials and their disbursement transactions.

C. Treasury Checks. Treasury checks are drawn on the U.S. Government and are issued at VA’s request. These checks are not electronic disbursements and are generally not the most advantageous disbursement method. In lieu of Treasury checks, local facilities are required to use electronic disbursements for all new recipients unless a waiver has been issued, as described in Appendix A, Exemptions from EFT Requirement.

D. Third Party Drafts. Third party drafts are check-like instruments drawn on and paid by an issuing company. Other third party drafts are used in limited instances. Third party drafts may not be used for new payees unless a waiver has been issued, as described in Appendix A, Exemptions from EFT Requirement. The most common third party draft currently used by VA is the convenience check issued against a Government purchase card account. VA may use convenience checks as a payment method for merchants who do not accept purchase cards or for other authorized purposes where purchase cards are not accepted. Refer to Volume XVI, Chapter 1, Government Purchase Cards, for additional information on convenience check requirements and procedures.

020204.01 TRANSFERS BETWEEN FEDERAL AGENCIES.

IPAC. VA will use IPAC as the disbursement mechanism for collecting and disbursing funds to and from other Federal agencies and components. IPAC provides a standardized inter-agency fund transfer mechanism for Federal program agencies, additional business information with individual transactions for reconciliation purposes, and an immediate processing of transactions.
020204.02 TRANSFERS BETWEEN VA AND STATE GOVERNMENTS.

A. General. In accordance with 31 C.F.R. Part 205, VA will transfer funds to a State Government as soon as funds are due. The Cash Management Improvement Act (CMIA) governs the transfer of funds between the Federal Government and the States for major Federal assistance programs listed in the Catalog of Federal Domestic Assistance (CFDA). The three key transfer principles of the legislation are:

1. The Secretary of the Treasury must enter into an agreement with each State that establishes the terms for CMIA implementation of affected programs.

2. The State and VA must minimize the time elapsing between the transfer of funds from the Treasury and the payout of funds for program purposes by a State.

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

B. Federal Programs Affected. The CMIA provides separate transfer regulations for programs covered and those not covered by a Treasury and State Agreement (TSA). Programs that may be covered by a TSA are listed in the CFDA. The State may choose the applicable thresholds established by the Single Audit Act Amendments of 1996 in determining the programs to be covered in their TSAs. Any program that involves transfers between VA and a State government may be included upon justification by the affected state. Potential programs will only be covered if a State or VA requests inclusion.

1. If the program is included in a TSA, the agreement will specify the funding technique, the interest calculation method, and the clearance pattern method.

2. If the program is not included in a TSA, all funds will be transferred on a timely basis.

C. VA Requests for TSA Inclusion. If a State demonstrates an unwillingness or inability to draw timely advances, VA may request that the program be included in a TSA. The VA Chief Financial Officer (CFO), Administration CFO, or staff office CFO will provide a request and supporting documentation to OFP’s Cash and Debt Management Division (047GC1), Office of the Associate Deputy Assistant Secretary for Financial Policy.

D. Notification of Inclusion. The Cash and Debt Management Division maintains ongoing contact with Treasury’s cash management officials. Treasury provides a copy of the TSA and notifies (047GC1) when a VA program will be included in a TSA. The CFO will notify (047GC1) of the staff office designated to handle the TSA record information. The Cash and Debt Management Division will provide a copy of the signed TSA to the designated staff upon receipt.

E. Review of Pending Agreements. TSAs normally cover the period July 1 to June 30 of the following year. VA will normally have an opportunity to review and comment in
June prior to signing the TSA. However, this review period is available for a very short time period, sometimes only 24 hours. Immediately upon receiving notice of a potential TSA, (047GC1) staff will notify the respective designated office.

F. Recordkeeping for Included Programs. Designated offices are responsible for obtaining and maintaining complete TSA record information, to include accurate billing and payment records. Upon request, the designated office will forward the records to (047GC1). The Cash and Debt Management Division, along with Treasury, will use the records to determine whether interest is due to or from the State.

020205 FOREIGN DISBURSEMENTS.

A. Veterans Benefits Payments. VA will provide monetary benefits payable to eligible Veterans regardless of place of residence or nationality. Types of Veterans benefits payments include:

1. Education Benefits. VA may provide a certain amount of educational tuition and mandatory fees for use for direct enrollment at qualifying foreign post secondary institutions or for study abroad programs, if it is part of the U.S. institution's degree requirements.

2. Medical Benefits. 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. These payments will be made by U.S. Treasury checks and will be issued in U.S. currency. Payment will be based on the exchange rate applicable to the date of service, or in the case of hospitalization, the discharge date.

3. Compensation and Pension Benefits. VA will provide compensation benefits to eligible Veterans because of injuries or diseases that happened while on active duty or were made worse by active military service. VA will provide pension benefits to Veterans with limited income who are no longer able to work.

Refer to Appendix C, VA Checks to Beneficiaries in Foreign Countries, for additional information on restrictions.

B. Foreign Vendors, Foreign Service Nationals, and Other Miscellaneous Payment Recipients. VA will follow the applicable Treasury or the Department of State rules for foreign disbursements.

1. VA will utilize International Treasury Services’ ITS.gov for processing international direct deposit payments. Treasury’s Kansas City Financial Center is the primary processor for all foreign payment transactions for FMS on behalf of Federal Program Agencies. However, issuance of checks in U.S. dollars to foreign recipients is not supported by ITS.gov. When a payment cannot be issued using ITS.gov, Treasury FMS will use the Department of State to make the payment.
2. VA will work with the Department of State to process certain international payments, including salary for Foreign Service national employees and vendor payments. VA may use written checks to make payments to foreign vendors, salary for Foreign Service national employees, and other miscellaneous payment recipients, when necessary.

020206 RETURNED DISBURSEMENTS.

A. Disbursements through VA’s Financial Services Center (FSC). The FSC will work with the Finance Activities to ensure that any disbursements returned to VA are resolved and paid out to the appropriate entity.

B. Disbursements, other than through the FSC. Once identified, the respective Finance Activity will work with the disbursing activity (i.e., Department of State and/or Department of the Treasury) to resolve any returned disbursements.

020207 PROMPT PAYMENT. VA will pay invoices in accordance with the Prompt Payment Act under 5 C.F.R. 1315 to ensure late payments that may result in unnecessary interest charges are avoided. VA will also ensure that payments are routinely made by certifying officers to take advantage of any cash discounts, as outlined in the Treasury conversion formula (see TFM Volume I, Part 6, Chapter 8040.40). Discounts will be taken that result in an effective annual interest rate equal to, or greater than, the Current Value of Funds Rate.¹ Refer to Volume VIII, Chapter 2, Invoice Review and Certification, for more detailed information on the determination of payment dates based on the Prompt Payment Act.

020208 COLLECTIONS.

VA will adhere to the Treasury regulations prescribing appropriate collection mechanisms. FMS oversees several mechanisms that VA may use to process Government collections. FMS manages these programs and makes them available for agency use. The collection mechanisms consist of EFT, cash and checks, and other collections management tools. For additional information, see Appendix D.

VA will use any of the following electronic mechanisms to collect funds:

A. EFT MECHANISMS². VA will primarily use EFT collection mechanisms as prescribed in 31 C.F.R. 206.4(a). These mechanisms are also described in Treasury’s Cash Management guidance. VA will collect funds by EFT when cost-effective, practicable and consistent with current statutory authority. VA may also use other collection mechanisms besides EFT for certain transactions, and provide Treasury with proper justification when required.

¹ The Current Value of Funds Rate can be found on Treasury’s website at: http://www.fms.treas.gov/cvfr/index.html
² Several current systems used for collections will be converted to new programs under the CCMM initiative. Refer to http://www.fms.treas.gov/ccmm/outreach.html for more information.
1. Pay.gov. Pay.gov is a secure Government-wide collection portal. The application is Web-based allowing customers to access their accounts from any computer with Internet access. This service is initiated by the end-user when they submit a request over the Internet. In most cases, the end-user will be an individual acting on the end-user’s own behalf or on behalf of another, such as a business. In some instances, the end-user could be a computer (electronic agent), which could be the case for certain businesses that need to submit forms with set data fields on a regular basis. Pay.gov customizes the end-user’s experience so that Web pages have a look and feel desired by the agency, while utilizing Treasury’s system and website. This portal enables end-users to authorize electronic transaction funds transfers over the Internet that will be settled through a number of methods, such as ACH, credit card, or debit card. It also accepts agency forms submitted by end-users over the Internet and presents agency bills to end-users over the Internet. Coordination with the FSC’s 224 Reconciliation Section is required prior to implementing any Pay.gov application reporting transactions for Agency Location Code 36001200. The FSC’s access to detailed information associated with Treasury transactions is required for timely reconciliation of Treasury transactions to VA’s accounting system. For additional information, see Appendix E, Pay.gov.

2. Automated Clearing House (ACH). ACH is a nationwide payment and collection system used to settle electronic debits and credits between financial institutions. The ACH clears debit and credit entries electronically rather than through the physical movement of checks. ACH provides VA and debtors the ability to collect payments from bank accounts at designated financial institutions. Title 31 C.F.R. Part 210 defines the responsibilities and obligations of participants in the Federal ACH process. Additional guidance for the Federal ACH process may be found in the Treasury’s Green Book: A Guide to Federal Government ACH Payments and Collections. This mechanism utilizes the Treasury’s CA$H-LINK II\(^3\) system to manage the collection of U.S. Government funds throughout the world and provide real-time information through Internet access. Specific collections under the ACH system, operated by National Automated Clearing House Association (NACHA) - The Electronic Payments Association - include:

   a. Debit Gateway. The Debit Gateway program processes check and ACH debit transactions. Most transactions are now settled through shared services, as opposed to each collection program separately building and operating its own settlement processes. FMS currently provides Federal agencies with two service options for processing ACH debit transactions. A debit transaction removes value from the Transaction Receiver’s account and credits the Transaction Originator’s account. In a debit transaction, VA (Transaction Originator) “pulls” the collection from the account of the payer (Transaction Receiver). The debit transaction will be authorized by the payer prior to VA initiating the transaction.

\(^3\) Effective fiscal year 2013, a new system called the Transaction Reporting System (TRS) will replace all functions of CA$H-LINK II. TRS will provide agencies with a daily consolidated report of all collections.
(1) Preauthorized Debit (PAD). This program allows for the electronic transfer of funds authorized in advance by the remitter. This program uses the ACH system and allows VA to collect payments automatically. VA may electronically withdraw the amount from the remitter's bank account on a predetermined basis or the remitter may electronically transmit the funds at their discretion. PAD collections may be used for both recurring and single collections. Prior to establishing a PAD application, VA must initiate an agreement with the Treasury and financial institution that will process the ACH entries.

(2) Lockbox Collection Network. Treasury manages a lockbox collection network comprised of financial institutions around the country. A selected bank will serve as VA's entry point into the ACH network and receive the funds on behalf of VA. The bank will receive information from VA, format the transactions and originate the file into the ACH network for settlement. The banks may also receive payment instructions directly from the remitter. The banks will report the deposits received through CA$H-LINK II and transfer funds to Treasury's account for credit to VA and remittance data to VA as requested. An electronic lockbox refers to an account established by a financial institution for the purpose of sending ACH payments to an agency.

b. Credit Gateway. The Credit Gateway program processes wire transactions and ACH credit transactions. A credit transaction removes value from the Transaction Originator's account and credits the Transaction Receiver's account. In a credit transaction, the payer (Transaction Originator) "pushes" funds from their account to VA (Transaction Receiver) for collection. Donations can be processed through Credit Gateway using VA's existing accounts or by establishing a new account. Refer to the Treasury Web site, http://www.fms.treas.gov/creditgateway/index.html for additional guidance.

(1) Remittance Express (REX) Program. The REX program allows the Federal Government to receive ACH collections directly from the private sector. The remitter sends an ACH credit transaction to a unique routing transit number at a Federal Reserve Bank. The transaction information includes program and remitter information to identify both the sender of funds and the purpose of the payment. The Federal Reserve Bank receives the transaction and credits the Remittance Express account. Transaction information is passed into the CA$H-LINK II deposit reporting system. VA will query the CA$H-LINK II system or download information to update receivable systems.

(2) Fedwire Deposit System (FDS). Treasury's Fedwire program provides the capability to electronically transmit 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. Generally, the use of Fedwire will be limited to cases of 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. The use of Fedwire transfers should be limited because of the high cost of each transaction.
(3) **FMS General Lockbox Financial Agents – The Electronic Lockbox for ACH Credit Transactions.** An electronic lockbox refers to an account established by a financial institution for the purpose of receiving ACH payments to an agency. ACH credit electronic lockbox transactions are anticipated to migrate to the Credit Gateway by December 31, 2012.

(4) **Card Acquiring Service (CAS)**. Through CAS, the Government collects obligations via credit or debit card transactions. Card acquiring services are provided at both domestic and international locations. CAS allows Federal agencies, such as VA, to accept MasterCard®, Discover®, VISA® and American Express credit cards. More information can be found in the Treasury Financial Manual (TFM), Volume I, Part 5, Chapter 4700, *Plastic Card Collection Network*.

Treasury Financial Manual (TFM) Bulletin No. 2005-03, Limitations on Plastic Card Collection Transactions, states that agencies must limit their plastic card collections to cashflows that consist only of individual transactions less than or equal to $99,999.99. This mechanism utilizes the Treasury’s CA$H-LINK II system to manage the collection of U.S. Government funds throughout the world and provides real-time information through Internet access. If agencies' cashflows include individual transactions greater than $99,999.99, then agencies should use another electronic collection alternative for those cashflows. Agencies may not split individual transactions greater than $99,999.99 into two or more transactions. Treasury's FMS will instruct the financial agents to reject any individual transactions greater than $99,999.99.

Payment Card Industry Data Security Standard (PCI DSS) is the payment card industry data security requirement for merchants that store, process or transmit cardholder information, and has been endorsed by all the major card brands - Visa Inc., MasterCard Worldwide, Discover Network, American Express and JCB. The PCI DSS is a framework for the secure handling of cardholder data. For additional information, see Appendix F, PCI DSS.

Trustwave offers large merchants unmatched resources and experience in guiding them through the process of PCI DSS compliance - from initial scheduling of their review to final preparation of documentation. For Level 4 merchants, Trustwave offers a tailored approach that provides an automated, Web-based validation process to help merchants become compliant and maintain their compliance with PCI DSS. Since PCI started in 2002, Trustwave has helped thousands of Level 1, 2 and 3 merchants and hundreds of thousands of Level 4 merchants enroll and achieve PCI DSS compliance.

3. **Paper Check Conversion over the Counter (PCC OTC).** **VA will be converting PCC OTC to Treasury’s Over the Counter Channel Application (OTCnet)** by the **end of 2012 as part of the CCMM initiative.** The current PCC OTC converts personal and business paper checks into EFT against the check writer’s account, allowing the

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4 CAS will be incorporated into the Card Gateway program as part of the CCMM initiative.
Government to receive the funds faster, thus reducing float time. The process occurs at the point of sale or in a lockbox environment. The PCC OTC mechanism utilizes CA$HLINK II to manage the collection of U.S. Government funds throughout the world and provide deposit information to VA. For more information, refer to Volume VIII, Chapter 3, Agent Cashier Accountability Policy, Appendix L, Paper Check Conversion over the Counter.

B. CASH AND CHECKS. While FMS encourages and promotes EFT, it recognizes that there are several cash flows for which Federal agencies need cash and checks. Federal agencies may receive cash and checks for various payment receivables. The Government primarily uses four mechanisms to process the cash and check collections. Refer to TFM, Volume I, Part 5, Chapter 2000, Checks and Cash Received in Collections, and TFM, Volume I, Part 6, Chapter 8000, Cash Management, for additional guidance on these types of collections.

1. Federal Reserve Banks (FRB). VA will deposit funds at the nearest commercial bank, Treasury General Account (TGA), as designated and authorized by FMS, or deposit funds at the local FRB. If FMS determines that it would not be cost effective for VA to use a commercial bank, or that a commercial bank is not available, FMS will then authorize VA to make deposits at the nearest FRB. Refer to TFM, Volume I, Part 5, Chapter 4000, Making Deposits, and Chapter 4500, Deposits to Treasury through the Fedwire Deposit System, for more information.

2. Domestic Treasury General Account (DTGA) Depositaries. These are financial institutions that are authorized to receive over-the-counter deposits from Federal agencies located within the 50 States and the District of Columbia. FMS will designate DTGAs at commercial banks, savings and loans, and credit unions, and will establish a depositary based on a request from a Federal agency and an evaluation of the efficiencies offered by such a relationship. To perform services under the DTGA system, the financial institution must:

- Meet the eligibility requirements under Treasury regulations;
- Be able to accept ACH debits;
- Agree to a written Memorandum of Understanding (MOU) with FMS; and
- Be authorized by FMS to accept deposits.

If there is an existing DTGA depositary located near the Federal agency, the agency can be added to that arrangement. There is no minimum monthly deposit amount. If there is no DTGA depositary located near the agency, FMS will work with the agency to designate a specific local financial institution as the DTGA depositary. The minimum monthly deposit required to establish a new DTGA is $100,000. Two or more agencies in the same vicinity may combine deposits to qualify for the $100,000 minimum.
3. **International Treasury General Account (ITGA) Depositaries.** These depositaries can be U.S. or foreign banks authorized to exchange Treasury checks for foreign currency and receive U.S. dollar deposits from Disbursing Officers overseas. To become an ITGA, a depositary must meet eligibility requirements within Treasury regulations that authorize the Secretary of the Treasury to designate depositaries of public monies, as necessary, for transacting Government business in foreign countries. This mechanism utilizes CA$HLINK II to manage the collection of U.S. Government funds throughout the world and provide deposit information to VA through real-time Internet access.

4. **Lockbox.** The lockbox mechanism provides a method for accelerating the deposit of payments mailed to Federal agencies. A lockbox is a post office box established by a financial institution for receipt of payments to an agency. Federal agencies have three types of lockbox services available for their use: retail, wholesale, and electronic. For more information, refer to the Definitions section of this chapter relating to the different types of possible lockboxes. TFM, Volume I, Part 5, Chapter 4600, *Treasury Automated Lockbox Network*, and TFM, Volume V, Part 1, Chapter 3000, *Deposits in Lockbox Accounts at Authorized Domestic Depositaries*, provide additional guidance. All lockbox depositaries will meet the following qualifications at all times:


   b. Be in compliance with existing Treasury regulations and procedures concerning handling of Government deposits.

   c. Not be delinquent on any debts owed to the U.S. Government.

   d. Be able to process lockbox receipts at a facility that is located within 50 miles of the U.S. Postal Service’s first drop off point for mail distribution (Sectional Center Facility or an Area Distribution Center) within the lockbox site city.

   e. Meet all requirements of the Treasury General Lockbox Network and Internal Revenue Service Lockbox Network, as specified in the Designation of Financial Agent, the MOU, the TFM, or as directed by Authorized Treasury Officials or their designees.

C. **OTHER COLLECTION MANAGEMENT TOOLS.** VA may supplement the prescribed Treasury collection mechanisms with other available tools to ensure proper accounting and control of collections. These tools include the CA$HLINK II system, Intra-Governmental Payment and Collection system, Federal funds offsets, and agent cashiers.

   1. **CA$HLINK II System.** The CA$HLINK II system joins Federal agencies, commercial banks, the Federal Reserve Banks, and the Treasury Department’s fund managers together through an electronic network. This system receives deposit information, initiates fund transfers, and concentrates daily deposits made through multiple collection
mechanisms into the Treasury’s account at the Federal Reserve Bank. This system also provides Federal agencies with real-time information (via the Internet) to verify deposits, ACH and Fedwire transfers, and voucher adjustments to reconcile their accounts. The collection data will be available on-line for up to 7 years, allowing users to access the system to research and analyze detail deposits and summary-level cash flows.

As part of the CCMM initiative, CA$HLINK II will be replaced by the TRS, effective for fiscal year 2013. TRS is a collections reporting tool that will supply the latest information on deposits and detail of collections transactions to federal agencies. The system will allow financial transaction information from all collections systems and settlement mechanisms to be exchanged in a single system.

2. IPAC. VA will use IPAC as the collection mechanism for collecting and disbursing funds to and from other Federal agencies and components. IPAC provides a standardized inter-agency fund transfer mechanism for Federal program agencies, additional business information with individual transactions for reconciliation purposes, and an immediate processing of transactions. Refer to TFM, Volume I, Part 6, Chapter 4000, *Intra-Governmental Payment and Collection (IPAC) System*, for additional information. For specific VA information on IPAC transactions, refer to Volume VII, Chapter 5, *Intra-Governmental Activity and Reconciliation*.

3. Federal Funds Offsets. VA may collect funds through offset such as from selected VA benefit payments, Federal employees’ salaries or lump-sum payments, Federal retirement systems, vendor payments, or other miscellaneous Federal payments. VA will attempt to collect debts in lump-sum payments, where possible. However, if an employee, for example, is unable to pay with a lump-sum payment, an installment arrangement will be arranged. In this case, an offset from pay will then be made at officially established pay intervals from the employee’s current pay account. Refer to Volume XII, Chapter 1, *VA Debt Collection Standards*, for additional information on types of Federal Funds Offsets.

4. Agent Cashiers. VA’s Agent Cashiers are authorized to collect and deposit miscellaneous collections from various sources (e.g., cash, checks). For detailed financial policies and procedures on collection and deposit activities, refer to Volume VIII, Chapter 3, *Agent Cashier Accountability Policy*.

020208.01 REPORTING COLLECTIONS.

VA will receive, account for, and report on various types of collections in accordance with Federal generally accepted accounting principles (Federal GAAP), established for Federal agencies. For OFP publication cross-references to the various collections, refer to Appendix D, *Types of Collections and OFP Cross References*. For more information, refer to Volume I, Chapters 2 through 4, regarding the use and maintenance of the U.S. Standard General Ledger (USSGL), and the financial policies and procedures underlying financial management systems.
A. VA receives collections from various sources, both internal and external, including debt payments from Veterans, other beneficiaries, employees, contractors, vendors, and State Governments, and other miscellaneous receipts such as legislative appropriations. These collections may relate to different purposes and are accounted for in accordance with Federal GAAP.

B. VA maintains a revenue source code structure to identify and classify the various types of revenue (collections) for financial management reporting functions with respect to the financial management systems. For example, VA activities that generate cash collections, such as donations, rental income, enhanced-use leasing, recycling and waste reduction programs, or other services, are identified with associated revenue source codes. Refer to Volume I, Chapter 4A, Revenue Source Codes.

0203 AUTHORITY AND REFERENCES

020301 31 U.S.C. 3332, Required Direct Deposit
020302 31 C.F.R. Part 206, Management of Federal Agency Receipts, Disbursements and Operation of the Cash Management Improvements Fund
020303 31 C.F.R. Part 208, Management of Federal Agency Disbursements
020304 38 U.S.C. 5120, Payment of Benefit; Delivery
020305 31 U.S.C. 3329, Withholding checks to be sent to foreign countries
020306 31 U.S.C. Chapter 35, Accounting and Collection
020307 31 U.S.C. 3720, Collection of Payments
020308 31 U.S.C. 3330, Payment of Department of Veterans Affairs checks for the benefit of individuals in foreign countries
020309 31 U.S.C. 3901–3907, Prompt Payment
020310 5 C.F.R. 1315, Prompt Payment
020313 Treasury Financial Manual, Volume V, Domestic Depositories, Part 1
020401 The Assistant Secretary for Management/Chief Financial Officer (CFO) oversees all financial management activities relating to the Department’s programs and operations, as required by the Chief Financial Officers Act of 1990 and 38 U.S.C. 309: Veterans’ Benefits. Specific responsibilities include the direction, management and provision of policy guidance and oversight of VA’s financial management personnel, activities and operations. The CFO establishes financial policy, systems and operating procedures for all VA financial entities and provides guidance on all aspects of financial management.

020402 Under Secretaries, Assistant Secretaries, Chief Financial Officers, Fiscal Officers, Chief Accountants and other key officials are responsible for ensuring compliance with the policies and procedures set forth in this chapter.

020403 The Office of Financial Policy, Cash and Debt Management Division is responsible for developing policies and procedures for cash and debt management in accordance with the Debt Collection Improvement Act of 1996 and other Governmentwide programs and initiatives. Programs and initiatives include, but are not limited to, agent cashier activities, electronic funds transfer (EFT), collection actions and debt collection reporting, and Treasury Offset and Cross-Servicing.

020404 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. Alternate Agent Cashiers are responsible for performing agent cashier functions only during the absence of the Principal Agent Cashier. Cashiers are personally liable for any loss or shortage of funds in their custody unless relieved by proper authority. Like other accountable officers, they are regarded as insurers and are subject to strict liability.
The Financial Services Center (FSC), located in Austin, Texas, is a VA franchise fund (fee-for-service) organization. Under the authority of The Government Management Reform Act of 1994 and The Military Quality of Life and Veterans Affairs Appropriations Act, 2006, Public Law 109-114, the FSC offers a wide range of financial and accounting products and services to both VA and other Government agencies. The FSC has the primary responsibility to make disbursements for payments to vendors.

0205 PROCEDURES

020501 VA will adhere to the regulations promulgated by Treasury and use the proper mechanisms in following the EFT requirement when cost-effective, practicable and consistent with current statutory authority.

A. VA will disclose to each individual who is eligible to receive a Federal benefit, wage, salary or retirement payment and who is not already receiving payment by EFT, the individual's rights and obligations (see Appendix B, Disclosure for EFT). These rights and obligations are prescribed under 31 C.F.R. 208.3, Payment by EFT, 208.4, Waivers, 208.5, Availability of ETA℠, 208.6 Availability of the Direct Express® Card, and 208.8 Recipient responsibilities. Payment by EFT is required unless pursuant to any provision of subsections (a) (1) through (a) (7) of 31 C.F.R. 208.4, Waivers (as outlined in Appendix G, Procedures for EFT Waivers).

B. VA will allow a recipient to elect to have payment deposited by EFT to an account held at the recipient’s financial institution. In addition, VA is not responsible for the waiver process. Treasury is responsible for administering the waiver process and will contact recipients who refuse to receive payment by check. For detail, see Treasury Financial Manual, Volume I, Part 4, Chapter 1500, Treasury’s Electronic Funds Transfer Requirement.

020502 DETERMINING THE EFT MECHANISMS.

1. VA will determine the best collection and disbursement mechanism by first conducting cash management reviews and gathering volume and dollar data relative to the operation of the systems. In implementing the proper EFT system, VA will:

a. Fund any implementation and operational costs above those normally funded by Treasury.

b. Obtain approval from Treasury when converting from one collection mechanism to another.

c. Obtain written approval from Treasury prior to entering into new or renewing existing contractual agreements for agency collection or disbursement systems.

d. Work with Treasury to implement new mechanisms.
2. VA may use mechanisms other than EFT provided they adhere to the proper procedures and have been approved by Treasury. For the different types of exceptions to the EFT requirement, refer to Appendix A, Exemptions From EFT Requirement.

a. Waivers to use a method other than EFT for individual recipients will not be approved, but the Secretary of the Department of Treasury can authorize waivers for classes of individuals or types of payments. Waivers for classes of individuals or types of payments will be coordinated by the FSC. The FSC Vendorizing Section (FOS/0473A) will review, process and submit requests for Electronic Funds Transfer Exemption for vendors. The FSC will act as a liaison with Treasury for all electronic Funds Transfer exemption requests and will coordinate these efforts with the Office of Financial Policy if necessary. The Administrations will provide the FSC with contact information for vendors that request an EFT exemption.

b. VA will be required to provide Treasury with a cost-benefit analysis to justify the use of a non-EFT mechanism. The analysis will include, at a minimum, known or estimated VA personnel costs, costs of procurement, recurring operational costs and equipment, system implementation and maintenance costs, costs to payment recipients and costs to remitters.

020503 DETERMINING THE DISBURSEMENT MECHANISMS.

VA will adopt EFT as the method for making payments in accordance with 31 CFR Part 208. VA will use the required disbursement mechanisms specific to payment type:

1. Salary Payments. All existing employees will receive wages, salaries and retirement payments by EFT, unless granted a waiver by Treasury. Until such time as a waiver is granted, the employee’s salary check will be mailed to their station (c/o Agent Cashier). EFT will be used as the method for paying employees, and entrance enrollment forms for establishing regular payments will be designed to use this approach. Additional financial policies and procedures for implementing employee salary payments can be found in Volume XV - Chapter 6, Payments.

2. Benefit Payments. EFT will be presented to new beneficiaries as the presumed method for receiving benefits. EFT payment methods, such as Direct Deposit, will be adopted and implemented to make EFT accessible to all benefit recipients. All existing beneficiaries will receive benefit payments by either of two forms of EFT, Direct Deposits and/or the Direct Express card.

3. Vendor Payments. VA must make all vendor payments by EFT. There are no waivers available for vendor recipients as a class. VA will pay all vendor payments by Vendor Express or Prime Vendor Program.

4. Miscellaneous Payments. VA will make all miscellaneous payments in electronic form. If a recipient refuses payment by EFT, VA will document the incident(s) and
report it to Treasury by calling 202-874-6619. VA will use ACH as the primary mechanism for the following miscellaneous payments:

a. General Miscellaneous Payments.
   - Federal direct loan programs and loan guarantee programs
   - Federal disaster related payments
   - Education payments
   - Medical payments
   - Federal grants

b. Government Purchase Cards.

5. Official Government Travel. In cases of official Government travel, EFT will be used to make payments for authorized employee travel orders. For more information on VA’s financial policies and procedures regarding travel, see Volume XIV – Travel. EFT mechanisms available for travel include:

   - VA Employee Travelers Charge Card.
   - VA Travelers ATM Program.
   - Government Travel Charge Card, CBA.
   - Fedwire Payments.

6. Agent Cashier’s Funds. VA will replenish Agent Cashier’s funds by EFT and the cashiers will maintain an accurate log of the following dates – date of replenishment request, date of replenishment input, and date posted in the bank.

7. Interagency Transfers. The preferred method of collecting and disbursing funds to and from other Federal agencies and components is interagency transfer through the IPAC system. IPAC electronically transfers debits and credits between agencies.

8. Contractual Agreements. VA will require the collection of funds by the agency to be made via EFT and the disbursement of funds by the agency to be made via EFT as a provision of new contractual agreements or renewal of existing contracts that impact agency collection or payment mechanisms.
020504 DETERMINING THE COLLECTION MECHANISMS.

Refer to Appendix D, Types of Collections and OFP Cross References, for additional information on OFP volume and chapter location of various collection-related activities.

1. VA will properly notify a debtor who owes VA money of the obligation by invoice, bill or letter and request payment. Vendors will be encouraged to pay by EFT whenever possible, practicable and consistent with current statutory authority.

2. VA will use any of the electronic mechanisms to collect funds under Collection Mechanisms.

a. Automated Clearing House (ACH). VA will be converting to Treasury’s new system called the Transaction Reporting System (TRS) which will replace all functions of CA$HLINK II during FY 2012. The current ACH utilizes the Treasury’s CA$H-LINK II system to manage the collection of U.S. Government funds throughout the world and provide real-time information through Internet access. Specific collections under the ACH system, operated by National Automated Clearing House Association (NACHA) - The Electronic Payments Association - include:

- Preauthorized Debit (PAD)
- Lockbox Collection Network
- Remittance Express (REX) Program
- Fedwire Deposit System (FDS)
- The Card Acquiring Service (CAS)
- Paper Check Conversion Over the Counter (PCC OTC)
- Pay.gov
- International Treasury General Account Depositaries (ITGA)

0206 DEFINITIONS

020601 Agency Location Code (ALC). A unique symbol, assigned by FMS for reporting purposes. It can be in the form of 3 digits for Regional Financial Centers, 4 digits for Non-Treasury Disbursing Offices, or 8 digits for reporting entities. In most cases, the first two digits of an 8-digit ALC identify the department or agency, the next two digits identify the bureau, and the last 4 digits identify the specific agency account section within the bureau.
020602 Benefit/Retirement Payments. These payments are made to individuals eligible for financial assistance, supplemental income, civil service and/or military retirement payments. These payments are usually long term and recurring.

020603 CA$H-LINK II. An electronic cash concentration and financial information system used to manage the collection of U.S. Government funds throughout the world and to provide deposit information to Federal agencies. The CA$H-LINK II system joins Federal agencies, commercial banks, Federal Reserve Banks and the Treasury's fund managers together through an electronic network. This system receives deposit information, initiates fund transfers and concentrates daily deposits made through multiple collection mechanisms into the Treasury’s account at the Federal Reserve Bank. CA$H-LINK II system provides Federal agencies with information in real-time to verify deposits, ACH and Fedwire transfers and voucher adjustments in order to reconcile their accounts.

020604 Centrally Billed Account (CBA). A CBA is a charge card/account established by the Charge Card Contractor at the request of the Agency/Organization Program Coordinator, wherein the Government is liable for the payment of the charges made under the account by an authorized user. Under a CBA, the agency/organization pays the contractor directly for all non-disputed transactions.

020605 Collections. An inflow of funds that may be received for the payment of goods and/or services, debt collections, cash and checks from Veterans, returned benefit checks, intra-governmental collections, refunds, rebates, and other miscellaneous receipts.

020606 Collection Mechanism. Any tool or system by which VA receives money from an outside recipient or from another Federal agency.

020607 Credit Transaction. A credit entry removes value from the Transaction Originator’s account and credits the Transaction Receiver’s account.

020608 Debit Transaction. A debit entry removes value from the Transaction Receiver’s account and credits the Transaction Originator’s account.

020609 Debtor. A person or entity that is making a payment in order to settle a debt.

020610 Depositary or Designated Depositary. A bank or other financial institution that has been designated by FMS to receive monies for credit to Treasury.

020611 Designated Financial Agent. A financial institution designated by the Secretary of the Treasury as a depositary and financial agent of the U.S. Government. A designated financial agent of FMS provides financial services to Federal program agencies and the public.
020612 Direct Payment. An electronic transfer of funds authorized in advance by the debtor, permitting a Federal agency to collect payments automatically on a predetermined date. It is sometimes referred to as a preauthorized debit (PAD), which can be both a recurring or single PAD.

020613 Disbursements. An outflow of funds from an agency for the purpose of paying Federal wage, salary and retirement payments, vendor and expense reimbursement payments, benefit payments and miscellaneous payments, including, but not limited to: 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.

020614 Disbursement with EFT. The performance of the following duties by a Financial Agent acting as an agent of the United States:

A. The establishment of an account for the recipient that meets the requirements of the Federal Deposit Insurance Corporation or the National Credit Union Administration Board for deposit or share insurance;

B. The maintenance of such an account;

C. The receipt of Federal payments through the ACH system or other electronic means and crediting of Federal payments to the account; and

D. The provision of access to funds in the account on the terms specified by Treasury.

020615 Disbursement Mechanisms. Any tool or system by which VA transfers money to an outside recipient or to another Federal agency.

020616 Federal Funds Offset. The collection of a debt, in full or partial, from monies a debtor is currently receiving or may receive in the future from the Federal Government. VA will attempt to collect debts in lump sum payments, where possible. However, if a debtor is unable to pay with a lump sum payment, an installment arrangement will be arranged. In this case, an offset from current pay will be made at officially established pay intervals from the employee's current pay account. For more information on debt collection in general, refer to Volume XII, Debt Management.

020617 Federal Payments. An outflow of funds from an agency for the purpose of paying Federal wage, salary and retirement payments, vendor and expense reimbursement payments, benefit payments and miscellaneous payments, including, but not limited to: 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.
020618 Float Time. The period of time that elapses between two collection activities considering different types of floats as follows:

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

B. Collection Float. The average amount of time between the financial institution sending a check to the drawee bank and receiving usable funds.

C. Mail Float. The average amount of time between the debtor mailing the payment and receipt of the payment in the agency or the direct receipt by a financial institution for credit to the U.S. Treasury.

D. Processing Float (Collections). The average amount of time between the initial receipt of the payment in the agency's mailroom and receipt of the related deposit by the depositary.

020619 Foreign Currency. Money of a country other than one's own.

020620 Foreign Medical Program (FMP). A program for Veterans who live or travel overseas. Under the FMP, VA will pay the VA allowable amount for a service-connected disability.

020621 Foreign Payments. An outflow of funds to provide benefits to Veterans and their eligible dependents in foreign countries, salary to foreign service nationals, payments to foreign vendors, and other miscellaneous recipients.

020622 Government On-Line Accounting Link Information Access System II (GOALS II/IAS). This system consists of the three applications that can be accessed via the Internet: (1) FACTS I; (2) Statement of Differences; and (3) Warrants.

A. FACTS I. This application collects proprietary U.S. Standard General Ledger account and related attribute balances in trial balance format, and other supporting and explanatory financial and non-financial data referred to as NOTES. This information is used by Treasury to produce the Financial Report of the U.S. Government.

B. Statement of Differences. This application provides Federal Program Agencies (FPAs) access to reconciliation data and access via the Internet. The data available allows FPAs to identify differences between what has been processed through the collection systems, disbursing systems, and IPAC and what the FPAs have classified on their monthly statements of transactions.

C. Warrants. This application provides FPAs access to appropriation warrant activity processed by Treasury. The data in this application is processed centrally based on legislation and transmitted daily from Treasury’s central accounting system to provide FPAs up-to-date information on warrant transactions recorded in their accounts.
020623 International Treasury Services (ITS). A comprehensive international payment and collection system used for processing international direct deposit payments to benefit recipients and both electronic and check payments to vendor, foreign payroll, and miscellaneous payment recipients. ITS offers a Governmentwide common solution for issuing international payments in established and emerging markets worldwide. For more information on ITS, see the Web site at Electronic Funds Transfer (EFT): International Treasury Services.

020624 Lockbox (Paper). A lockbox is a post office box established by a financial institution for receipt of payments to an agency.

020625 Lockbox (Electronic). An account established by a financial institution for the purpose of receiving ACH payments to an agency.

020626 Miscellaneous Payments. The miscellaneous payments are made for various Federal program-related expenditures, including interagency transfers, loans, grants, medical, emergency and other administrative obligations.

020627 Recipient. An individual, corporation or other public or private entity that is authorized to receive a Federal payment from VA.

020628 Retail Lockbox. A retail lockbox uses optical character recognition (OCR), machine-readable coupon-type payment documents for automated processing. This type of lockbox is best suited for low dollar, high annual item volume payments. High-speed equipment captures specific information from the invoice and the check that it stores in electronic format. The accounting information can be captured and passed via a computer-to-computer link from the lockbox financial agents to the agencies.

020629 Revenue Source Codes. A revenue source code is a unique four-digit code created to define revenue sources within different VA programs. Revenue source codes are embedded within an agency’s revenue system, which tracks the life of revenue from the initial order, processing and output to maintain a complete history of financial activity relating to those receipts.

020630 Salary Payments. Salary payments include compensation paid on a regular basis to employees of the Federal agencies for services, including wages paid on an hourly basis to employees. Also included in this category are awards or settlements paid to employees in excess of the fixed compensation amount and travel reimbursements (see Volume XIV – Travel). Any apportionment, allocation or assignment of employees’ salaries or wages should be classified as salary payments even though the allotment may be paid to an outside entity on behalf of the Federal employee.
020631 Settlement Date. The date on which the participating financial institutions or their correspondents are scheduled to be debited or credited by the Federal Reserve for the exchange of electronic entries through the ACH.

020632 Special Deposit Account. Account established by Treasury to withhold checks to be sent to foreign countries if the Secretary of the Treasury decides that postal, transportation, or banking facilities generally, or local conditions in the foreign country, do not reasonably ensure that the payee (1) will receive the check or warrant; and (2) will be able to negotiate it for full value.

020633 Transaction Reporting System (TRS). Treasury’s collections reporting tool, supplying the latest information on deposits and detail of collections transactions to Federal agencies. The system will allow financial transaction information from all collections systems and settlement mechanisms to be exchanged in a single system. TRS is a key component of the CCMM initiative, a multi-year effort to simplify and modernize FMS and the U.S. Treasury’s collections and cash management programs. TRS is expected to replace all functions of CA$HLINK II effective fiscal year 2012.

020634 Vendor. Any person, organization, or business concern engaged in a profession, trade, or business and any not-for-profit entity, including State and local governments and foreign entities, but excluding Federal entities.

020635 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. These payments are made to contractors, businesses and/or utility companies for goods or services. Generally, the Federal agency will execute a purchase order or contract and the vendor will provide a bill or invoice against the purchase order or contract for goods or services rendered.

020636 Wholesale Lockbox. A wholesale lockbox involves the manual processing of traditional invoice documents and is best suited for high dollar, low annual item volume payments. Once received at the lockbox site, these payment documents are processed using key entry to capture accounting information. The accounting information can be transmitted via a computer-to-computer link or in hard copy from the designated financial agent in the lockbox network to the agency.

0207 RECSIONS

020701 VA Financial Policies and Procedures, Disbursements, Volume VIII, Chapter 1B

020702 VA Financial Policies and Procedures, Collections, Volume VIII, Chapter 1C

020703 Financial Policies and Procedures, Electronic Funds Transfer Requirement, Volume VIII, Chapter 2
0208 QUESTIONS

Questions concerning these financial policies and procedures should be directed as shown below:

VHA VHA CFO Accounting Policy (10A3A) (Outlook)
VBA VAVBAWAS/CO/FINREP (Outlook)
All Others OFP Accounting Policy (Outlook)

0209 REVISIONS

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<tr>
<th>Section</th>
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<tr>
<td>Overall</td>
<td>Rescinded Volume VIII, Chapters 1B, 1C, and 2, merged information into new chapter.</td>
<td>APPS (047GA)</td>
<td>May 2012</td>
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<tr>
<td>0202 Policies and 0203 Authority &amp; References</td>
<td>Inserted and added Treasury’s EFT rule, Direct Express Debit Card, ETASM website, ITS.gov, PCI DSS website link and Pay.gov system.</td>
<td>APPS (047GA)</td>
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<td>0205 Procedures</td>
<td>Added wording with FSC – Vendorizing Section.</td>
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<tr>
<td>Appendices</td>
<td>Added receiving payment by check and requirement to convert to EFT, prohibit sending check to foreign country, applying for EFT waiver, procedures on setting up Pay.gov and Payment Card Industry Data Security Standards (PCI DSS).</td>
<td>APPS (047GA)</td>
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APPENDIX A: EXEMPTIONS FROM EFT REQUIREMENT

In accordance with 31 C.F.R. 208.4, payment by electronic funds transfer is not required in the following cases:

A. Exceptions for new recipients:

1. Automatic waivers that require no further action by the recipient:
   - Individuals who are 90 years of age or older before May 1, 2011, and who are receiving payment by check on March 1, 2013;
   - Circumstances where the Federal agency has not yet implemented the Direct Express® card for their benefit payments. In such cases, payments are not required by EFT unless and until these payments become eligible for deposit to a Direct Express® card account; or
   - Individuals whose Direct Express® card was suspended or closed.
   - Individuals receiving payment by check prior to May 1, 2011, or applied for benefits prior to May 1, 2011 and elected payment by check are not required to convert to EFT until March 1, 2013.

2. Hardship waivers that require the individual to contact Treasury for review/approval. These waivers include circumstances where payment by EFT would impose a hardship because of the individual’s inability to manage an account at a financial institution or a Direct Express® card account:
   - Because of a mental impairment; or
   - Because the individual lives in a remote geographic location lacking the infrastructure to support electronic financial transactions.

B. Agency Invoked Waivers:

1. Where the political, financial or communications infrastructure in a foreign country does not support payment by EFT.

2. Where the payment is to a recipient within an area designated by the President or an authorized agency administrator as a disaster area. This waiver is limited to payments made within 120 days after the disaster is declared.

3. Where either:

   a. A military operation is designated by the Secretary of Defense in which uniformed services undertake military actions against an enemy; or

   b. A call or order to or retention on, active duty of members of the uniformed services is made during a war or national emergency declared by the President or Congress.
4. 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.

5. Where the agency 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.

6. Where an agency'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.
APPENDIX B: DISCLOSURE FOR EFT


B. If an individual is currently receiving their Federal payment by check or they have just become eligible to begin receiving a Federal payment, they have four choices:

1. Receive payment by Direct Deposit through the financial institution of their choice. The Government makes payments electronically through a program called Direct Deposit. Direct Deposit is a safe, convenient and reliable way to receive a Federal payment through a financial institution. (A financial institution can be a bank, credit union, savings bank or thrift.) Many financial institutions offer basic, low-cost accounts in addition to full-service checking or savings accounts.

2. Receive payment through a basic, low-cost account called an ETA™. If an individual receives a Federal benefit, wage, salary or retirement payment, they are eligible to open an ETA™. This account is available for a low monthly fee at many financial institutions. Like Direct Deposit, the ETA™ (which stands for electronic transfer account) is a safe, convenient and reliable way to receive a Federal payment through a financial institution. Individuals should call the customer service number below or visit Treasury’s Web site (http://www.eta-find.gov/index.cfm) to find out which financial institutions in their area offer the ETA™.

3. Receive payment by Direct Express® Card. Unlike other prepaid debit cards, this card offers cardholders free access to their money. There is no sign-up fee, and no bank account or credit check is required to enroll. Cardholders can make purchases, pay bills and get cash at thousands of ATMs and retail locations. Individuals should call the customer service number below or visit Treasury’s Web site (http://www.fms.treas.gov/directexpresscard/index.html) for details.

4. Temporarily receive a check. If receiving payment electronically would cause a hardship, individuals may be permitted to receive their payment by check for an interim period. The U.S. Department of Treasury will contact individuals within 4 months to discuss options for receiving payments in the future, including how to apply for a waiver from the EFT requirement.

C. If individuals would like more information on Direct Deposit, the ETA™ or hardship waivers, they should contact the Department of Veterans Affairs at (VA Benefits: 1-800-827-1000).
APPENDIX C: VA CHECKS TO BENEFICIARIES IN FOREIGN COUNTRIES

A. In accordance with 31 U.S.C. 3330, VA may request checks for the benefit of individuals in foreign countries to be issued through the Treasury. A check is deemed to be issued for sending to a foreign country and subject to this section, if it is:

- Drawn on public money;
- For benefits under laws carried out by the Secretary of VA; and
- To be sent to a person in the United States or a territory or possession of the United States, and the person is legally responsible for the care of an individual in a foreign country.

B. VA may be restricted from issuing checks if the Secretary of the Treasury, as authorized by 31 U.S.C. 3329, prohibits a check or warrant drawn on public money from being sent to a foreign country from the United States, or from a territory or possession of the United States, when the Secretary of the Treasury decides that postal, transportation, or banking facilities generally, or local conditions in the foreign country, do not reasonably ensure that the payee will receive the check or warrant, and will be able to negotiate it for full value.

C. When VA issues checks, VA will notify Treasury of the checks issued. The Secretary of VA, however, may exempt the issuance of a check if it would reduce, discontinue, or deny benefits for the care of a dependent of an individual in a foreign country.

D. When the amount of checks (representing payments to an individual under laws administered by the Secretary of VA) transferred under section 3329 (b)(4) of Title 31 equals $1,000, the amounts of additional checks (except checks under contracts of insurance) payable to the individual under those laws will be deposited into the Treasury as miscellaneous receipts.

E. VA may pay a deceased beneficiary payment claim only if it is filed with the VA by the end of the first year after the date of the death of the individual entitled to payment, and completed by submitting the necessary evidence by the 6th month after the date the Secretary of VA requests the evidence. Payment will include only amounts due at the time of death under ratings or decisions existing at the time of the death.
APPENDIX D: TYPES OF COLLECTIONS AND OFP CROSS REFERENCES

This appendix contains an inventory of the different types of collections with the appropriate reference to the associated financial policies and procedures in the current OFP Publications Library (refer to Authority and References 020322).

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APPENDIX E: PAY.GOV

VA uses the FMS Pay.gov system for more than 40 programs under VA’s Administrations. Programs using the FMS Pay.gov system include the VA Medical Care Copayment, VA Medical Alert Identification, and Claim Overpayment/Refund to VA. Veteran Medical Alert Identification Equipment purchases (a collection tool) is a more recent program to use the system.

VA uses the FMS Pay.Gov system to provide more efficient online processing of Veteran Medical Alert Identification Equipment (e.g., medical identification bracelet), purchases at the Southern Oregon Rehabilitation location. VA was contacted by this location to assist in finding a more effective way of processing payments for the medical identification equipment purchase by Veterans, tracking purchases, controlling privacy information and ease of processing. For agency control purposes, FMS has devised online forms. To institute a new Pay.gov application for a VA program, the following general procedures can be followed. There will be further procedures to adhere to, but they will be specific to the program.

1. Agency meets with the FMS Agency Liaison to discuss the requirements of the agency and to gain an understanding of the services provided by the agency.

2. The agency, assisted by the FMS Agency Liaison, completes the Agency Configuration Template. Upon completion, the Agency Configuration Template (ACT) is reviewed by the Agency Liaisons at FRB-Cleveland and authorized. The agency will then sign the ACT as an agreement of what will be developed and implemented for them.

3. Pay.gov programming team develops the agency application(s). The agency may also need to do development depending upon the interface chosen.

4. Application goes into testing where the agency can run simulated transactions.

5. Upon completion of testing and agency authorization, the application goes into production.

Program offices should submit an information request to FMS. A Pay.gov team member will contact them regarding further steps on the implementation process. Requests should be submitted via email to emoney@fms.treas.gov and include the following information:

- Name
- Agency name
- Agency address
- Telephone number
• Brief description of the agency application (i.e., collection, payment, fee, bill)

Pay.gov will be used as one of the mechanisms to make donations once the application is developed. For additional information, refer to Treasury’s website – https://www.fms.treas.gov/pay.gov.
APPENDIX F: PAYMENT CARD INDUSTRY DATA SECURITY STANDARDS (PCI DSS)

Compliance of Payment Card Industry Data Security Standards is required by any entity (including merchants) that stores, processes, or transmits cardholder data. The requirements apply to all systems, networks, and applications that come in contact with cardholder data, as well as any connected systems, regardless of acceptance channel (e.g., retail (brick-and-mortar), mail/telephone order, eCommerce), transaction volume or communication method. VA will use PCI DSS for both collections (credit cards) and disbursements. PCI DSS will also apply to Pay.gov applications, VCS, and Agent Cashier operations.

Full compliance with the PCI Data Security Standard is considered by many in the industry as the best way to protect systems from unauthorized intrusion. Merchants who suffer security breaches and/or an account data compromise may be subject to the following actions:

- Forensic investigation
- Fines from the card associations
- Reissuing costs from Issuing Banks including Issuer fraud loss and Issuer fraud monitoring
- Litigation
- Brand and reputation damage
- Government-levied fines

Failure to maintain compliance with the PCI DSS puts VA at risk of significant fines, fees, penalties or losing the ability to process card payments, as may be prescribed by the applicable card associations. Furthermore, a suspected or known compromise of VA card processing systems can result in serious damage to VA’s reputation and/or potential litigation brought by impacted cardholders and issuing banks who suffer losses as a result of compromised information.

Further information on compliance, as well as steps towards becoming compliant, can be found at https://pci.trustwave.com/action.php

The PCI DSS is comprised of 12 general requirements designed to:

- Build and maintain a secure network;
- Protect cardholder data;
- Maintain a vulnerability management program;
- Implement strong access control measures;
- Regularly monitor and test networks; and
- Maintain an information security policy.
The 12 general requirements along with detailed information on each requirement can be located at [https://www.pcisecuritystandards.org/documents/navigating_dss_v20.pdf](https://www.pcisecuritystandards.org/documents/navigating_dss_v20.pdf).

A very critical aspect of the standard is the non-retention of sensitive authentication data subsequent to transaction authorization. The card brands refer to this data as Prohibited Data, which includes: the full content of any track on the back of a card’s magnetic stripe; CVV2/CVC2/CAV2/CID (the three of four digit code printed on the back of the card); or PIN or encrypted PIN blocks. Storage of any one of the above items subsequent to transaction authorization is a direct violation of the card association rules.

If storing full card numbers in this portal, then the portal is subject to PCI Validation. If there are external facing IP’s to that system, they will need to be scanned. The user will need to include that system when answering all questions related to PCI. Pay particular attention to the requirements around storing and encrypting data at rest. Acquiring truncated card data from these parties is suggested. The truncated card data is not considered card data any longer and can help put these systems out of scope for compliance. Merchants need to determine the real business reason for retaining full card numbers and weigh the costs and risks associated with storing it. Generally speaking, the best approach is to only store card information if it is absolutely critical to the business to do so.

Procedures below will cover (1) Merchant Levels, (2) Requirements for Compliance, (3) PCI Assist, (4) Training, and (5) PCI Data Security Standard Requirements.

(1) Merchant Levels

Federal agencies currently fall into one of four merchant levels established by the card associations based on transaction volume calculated over a 12-month period. The merchant level determines the method of compliance validation that is required by the card associations. Merchant levels can be located at [http://www.trustwave.com/pci-dss-merchants.php](http://www.trustwave.com/pci-dss-merchants.php).

(2) Requirements for Compliance

The PCI requirements apply to all Federal agencies’ systems that store, process, or transmit cardholder data. Currently, VA’s cardholder dataflow includes only paper media. Electronic storage of cardholder data is not conducted or permitted. Due to the limited nature of the in-scope environment, this document is intended to meet the PCI requirements as defined in Self-Assessment Questionnaire (SAQ) C, ver. 1.2, October, 2008. Should VA implement additional acceptance channels, begin storing, processing, or transmitting cardholder data in electronic format, or otherwise become ineligible to validate compliance under SAQ C, it will be the responsibility of VA to determine the appropriate compliance criteria and implement additional policies and controls as needed.
Federal agencies must maintain ongoing compliance with the PCI DSS and must continually evaluate their systems and processes to ensure their business is fully protected. FMS and Vantiv, formerly Fifth Third Processing Solutions, LLP, will notify agencies that meet the thresholds for Levels 1, 2 and 3, and will provide specific guidance on validation requirements and associated timeframes for compliance. Level evaluations and notifications will occur on a quarterly basis. Most Federal agencies should consider themselves to be a Level 4, unless otherwise notified. VA has been categorized as a Level 3 merchant due to an FMS adjustment in their Merchant Master chain. VA will perform between 20,000 - 1 million Visa or MasterCard e-commerce transactions per year. For Level 3 merchants, PCI DSS validation includes a SAQ and vulnerability scanning through the VA’s on-demand portal, TrustKeeper. In addition, Trustwave assigns a security consultant to work with a retailer after the initial questionnaire and scan are completed.

The initial steps to assist Level 3 agencies in achieving PCI compliance consist of two key tasks:

1 - Complete an annual PCI Self-Assessment Questionnaire. The current version of the Self-Assessment Questionnaire can be found on the PCI Security Standards Council website at https://www.pcisecuritystandards.org/saq/instructions_dss.shtml. Agencies will need to complete the appropriate questionnaire for the agency. No accreditation of Internal Audit Staff is required.

2 - Conduct quarterly network vulnerability scans by an Approved Scanning Vendor (ASV). A listing of Approved Scanning Vendors who are authorized to perform the network vulnerability scans on the agency’s behalf is available at http://www.pcisecuritystandards.org/gsa_asv/find_one.shtml. Network vulnerability scans are required for all agencies with external-facing Internet Protocol (IP) addresses in contact with the cardholder data environment. Contact an ASV directly to enter into a contract with this provider. Service fees will be paid directly to the chosen ASV. The ASV will scan results confirming PCI compliance by September 30th each year.

Further information on PCI DSS compliance requirements can be obtained through this link. https://www.trustwave.com/pci-dss-compliance-reqs.php

(3) PCI Assist

Vantiv, in conjunction with FMS Card Acquiring Service, has partnered with Trustwave®, an industry leader in information security and compliance, to help agencies simplify the process with PCI Assist. PCI Assist provides a set of online data security tools specifically designed to guide Level 4 merchants through the PCI DSS validation process.

PCI Assist includes wizard functionality that will direct agencies to the Self-Assessment Questionnaire for the agency’s specific card data environment. The questionnaire will
help determine where the agency is compliant and where it is not compliant with PCI DSS requirements. PCI Assist also includes a network vulnerability scanning tool to help identify weaknesses in an agency’s external network, if scanning is required for compliance validation.

FMS is offering PCI Assist to Federal agencies at no charge. VA will be strongly encouraged to use PCI Assist to evaluate its systems and processes to ensure card data is fully protected. Although it is designed to facilitate Federal agency compliance efforts, Treasury does not guarantee that the use of PCI Assist will ensure compliance with the PCI DSS. Federal agencies are under no obligation to use PCI Assist and may choose to obtain PCI compliance tools or services from other providers at their own expense.

Federal agencies may log in to PCI Assist at: https://pci.trustwave.com/fms.

Please contact CardAcquiringService@fms.treas.gov if you require your agency set-up information in order to use PCI Assist.

(4) Training

VA will be encouraged to listen to a prerecorded training session to provide additional education on PCI Compliance and using PCI Assist to validate its compliance. FMS strongly encourages Federal agency representatives to listen to the training session and start working through the compliance validation process as soon as possible. https://trustwave.webex.com/trustwave/lsr.php?AT=pb&SP=EC&rID=61553197&rKey=3267ed712548a633

Please check back for details about future live webinar sessions that will be offered in early 2012.

For a current listing of PCI educational Webinars for Vantiv merchants, visit www.trustwave.com/53webinars.php. This link also provides information on other upcoming or past educational Webinars that are available to agencies to learn more about PCI DSS.

Vantiv has arranged for Trustwave to offer these Webinars as a service for Vantiv customers, including Treasury agencies. Trustwave also independently offers other PCI compliance services which Treasury has not reviewed or endorsed.

PCI security for merchants and payment card processors is the vital result of applying the information security best practices in the Payment Card Industry Data Security Standard (PCI DSS). The standard includes 12 requirements for any business that stores, processes or transmits payment cardholder data. These requirements specify the framework for a secure payments environment; for purposes of PCI compliance, their essence is three steps: Assess, RemEDIATE and Report.
• To **Assess** is to take an inventory of an agency’s IT assets and business processes for payment card processing and analyze them for vulnerabilities that could expose cardholder data.

• To **Remediate** is the process of fixing those vulnerabilities.

• To **Report** entails compiling records required by PCI DSS to validate remediation and submitting compliance reports to the acquiring bank and global payment brands with whom an agency does business. Carrying out these three steps is an ongoing process for continuous compliance with the PCI DSS requirements. These steps also enable vigilant assurance of payment card data safety.

(5) **PCI Data Security Standard Requirements**

PCI DSS version 2.0 is the global data security standard that any business of any size must adhere to in order to accept payment cards, and to store, process, and/or transmit cardholder data. It presents common-sense steps that mirror best security practices.

There are four (4) levels of merchants that can participate in the PCI DSS security program. Table A on this link provides a precise table describing the four levels, what is required to participate in each level and compliance rules. Steps on assessing and security and setting up compliance may be found on this website.


Tables B and C on this link in the previous paragraph provide information relating to VISA and MASTERCARD service provider levels and validation actions.
APPENDIX G: PROCEDURES FOR EFT WAIVERS (PLACE HOLDER)

FSC - Vendorizing Section (FOS/0473A) is responsible for reviewing, processing and submitting requests for Electronic Funds Transfer (EFT) Exemption for vendors. FSC's Vendorizing Section (FOS/0473A) will prepare procedures for EFT waivers.