



# United States Department of the Interior

OFFICE OF THE SECRETARY  
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## FINANCIAL MANAGEMENT MEMORANDUM 2010-013 (Vol. II.E)

To: Bureau Assistant Directors for Administration  
Bureau Chief Financial Officers

From: Don Geiger *WAG FOR*  
Acting Director, Office of Financial Management

Subject: Annual Imprest Fund Reporting

The Debt Collection Improvement Act of 1996 (DCIA) required agencies to convert from paper-based payment methods to electronic funds transfer (EFT) methods by January 1, 1999, unless certain waiver conditions were satisfied. While most bureaus have eliminated their imprest funds, a few bureaus continue to have imprest funds in operation, as of the last reporting period.

Accountable officers are required to ensure that imprest funds commensurate with actual needs and meet the requirements specified in the U.S. Treasury's Manual of Procedures and Instructions for Cashiers (Cashier's Manual at [www.fms.treas.gov/imprest](http://www.fms.treas.gov/imprest)) at least every six months. Furthermore, DOI Cash Management Handbook, Chapter 7, Cash Held Outside Treasury, Subchapter 7.3 requires that any Bureau/Office that currently has an imprest fund must:

- Certify in writing that the imprest fund meets one of the waivers specified in the attached Imprest Fund Policy Directive, and maintain this certification in the Bureau/Office's records for inspection and audit.
- Perform administrative reviews and certify to the Office of Financial Management (PFM) that the reviews have been conducted.

Bureaus/Offices that currently have an imprest fund must submit the required certification and an updated imprest fund inventory to PFM by July 2, 2010. Please provide a negative response if your bureau does not have an imprest fund. For your convenience, attached is the format necessary for the inventory and a description of acceptable waiver conditions.

Should you have any questions or require additional information regarding this request, please contact Michael Anthony on (202) 208-6824.

Attachments

cc: Financial Statement Guidance Team  
Finance Officers Partnership

Cancelled FMM:

No. 2009-075 (II.E.), June 04, 2009



# POLICY DIRECTIVE

## PREAMBLE -- IMPREST FUNDS

### Summary

This Policy Directive requires that Federal agencies eliminate agency imprest funds, except for waived payments described below, by October 1, 2001.<sup>1</sup>

The Financial Management Service (FMS) is eliminating Treasury Financial Manual (TFM) Part 4, Section 3000, Imprest Fund Cash Held at Personal Risk by Disbursing Officers and Cashiers, and is replacing that TFM chapter with this Policy Directive. Section 3040.70 of the TFM covering Third Party Drafts will remain in effect until publication of a Treasury Policy Directive on the use of Third Party Drafts and other draft instruments.

This Policy Directive affects two FMS operating manuals, the TFM and the Manual of Procedures and Instructions for Cashiers (Cashiers Manual).<sup>2</sup> The relevant policy sections of the TFM and the Cashiers Manual have been replaced by this Policy Directive. The operational guidance contained in the TFM will be merged into the Cashiers Manual.

### Background

Treasury is requiring agencies to eliminate agency imprest funds because they are labor intensive, require relatively more internal controls than non-cash payment mechanisms, and the government does not earn interest on money held in these accounts.

The National Performance Review, *Report on the Elimination of Imprest Funds in the Federal Government Through the Use of Electronic Commerce* (hereinafter "Report") concluded that due to today's electronic technology advances, most imprest funds in the Federal Government could be closed.<sup>3</sup> Further, the Report stated that doing so would save the government millions of dollars in operating costs by increasing operational efficiency and improving government service. The Report indicated that it is feasible and appropriate for government agencies to replace their imprest funds with a form of electronic funds transfer (EFT) or type of third party paper.<sup>4</sup>

The Debt Collection Improvement Act of 1996 (DCIA) requires most Federal payments to be made electronically as of January 2, 1999, except for tax refunds, subject to the authority of the Secretary of the Treasury to grant waivers. On September 25, 1998, Treasury published a final rule (EFT rule) implementing the requirements of the DCIA.<sup>5</sup> The EFT rule established the circumstances under which waivers from EFT are available and set forth the responsibilities of Federal agencies and payment recipients under the regulation, among other requirements.

### Research and Analysis

FMS surveyed the Federal agencies and bureaus that make the majority of Federal payments on their use of imprest funds. In addition, FMS held several meetings of the EFT interagency policy workgroup to discuss broad agency imprest fund issues, and relied on the final

# POLICY DIRECTIVE

recommendations of the imprest fund subgroup of the EFT workgroup.

The research indicated that many agencies continue to use imprest funds to make a variety of payments to all classes of payment recipients, such as employees, vendors, beneficiaries, and other individual payment recipients. Agencies reported that they also use imprest funds to satisfy mission-specific payment needs where payment by EFT or check is not possible. For example, mission-specific payments include emergency and payments to agency beneficiaries, and payments to individuals to whom the agency must provide untraceable payments--usually for national security or law enforcement actions. Agencies reported that small dollar payments are another area of significant imprest fund use.

In contrast, several agencies with diverse missions have eliminated or nearly eliminated their use of imprest funds. For example, a large benefit agency has eliminated most of their imprest funds by using a combination of EFT payments and third party draft payments.<sup>6</sup> This agency uses third party drafts to make most emergency and administrative payments that cannot be effectively made by EFT. The agency has guaranteed the acceptance of their third party drafts by making agreements with financial institutions near each of their offices. Another agency has nearly eliminated their imprest funds by using a combination of EFT and convenience checks.<sup>7</sup>

## Section-by-Section Analysis

The availability of waivers, described in (a) - (f) below, should be determined by the agency responsible for making the payment. There is no requirement in the Policy Directive that Treasury approve the applicability of such waivers.

For all payments waived from the requirement that imprest funds not be used, EFT is the preferred payment mechanism. Agencies using cash for these payments should continue seeking electronic or other cost effective means to make their payments.

*(a) A payment by EFT is waived in accordance with the provisions of 31 CFR 208, Management of Federal Agency Disbursements, at §208.4 Waivers; and,*

Imprest funds may only be used when the EFT requirement has been waived. Therefore, an imprest fund payment must meet the requirement of (a) **and** one other waiver described in (b) through (f).

*(b) Payments involve national security interests, military operations, or national disasters;*

Several Department of Justice (Justice) bureaus commented that without this exemption, agency activities in these areas could be threatened or compromised.

*(c) Payments are made in furtherance of a law enforcement action;*

In addition to Justice and the Environmental Protection Agency, the EFT workgroup and the imprest fund subgroup commented that an exemption should be made to the imprest fund policy for

# POLICY DIRECTIVE

payments made in furtherance of a law enforcement. Specifically, this exemption is provided for payment circumstances in which an agency must avoid leaving any trail that may jeopardize a particular operation or result in endangering the safety of an individual.

(d) *The amount owed is less than \$25;*

The EFT workgroup and the imprest fund subgroup recommended that the Policy Directive accommodate small dollar cash payments. Treasury agrees that occasionally agencies will need to make small cash payments to individuals with whom an agency has a mission related relationship and to vendors that do not accept payment by EFT or check. Agencies may not split a payment greater than \$25 into two or more smaller payments in order to meet this exemption.

(e) *The political, financial, or communications infrastructure of a foreign country does not support payment by a non-cash mechanism; or*

The Departments of Justice and State commented that they are often required to do business in foreign countries that do not have the political, financial, or communications infrastructure to support any other payment mechanism other than cash;

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

The majority of agencies, the EFT workgroup and the imprest fund subgroup agreed that agencies should have some discretion as to whether emergency or mission critical payments should be made by cash if non-cash methods were not feasible or possible.

This exemption is intended to provide some flexibility to agencies in determining conditions under which a form of payment other than cash would “seriously injure” the government. FMS intends for agencies to invoke the “serious injury” exemption only under those circumstances that the agency has determined would negatively impact individual agency program objectives.

## For Further Information Contact:

Matthew Friend, Financial Program Specialist, at (202)874-7032; Charlotte Glinski, Financial Program Specialist, at (202) 874-8645; Sally Phillips, Senior Financial Program Specialist, at (202) 874-7106; or Cynthia L. Johnson, Director, Cash Management Policy and Planning Division, at (202) 874-6590. Inquiries may also be directed by electronic mail to [imprest.inquiry@fms.treas.gov](mailto:imprest.inquiry@fms.treas.gov) or by filling out an inquiry form available at [www.fms.treas.gov/imprest](http://www.fms.treas.gov/imprest).

The Imprest Fund Policy Directive and other supporting documents are available on the Internet at [www.fms.treas.gov/imprest](http://www.fms.treas.gov/imprest).



# POLICY DIRECTIVE

## IMPREST FUND POLICY STATEMENT

### POLICY

*All Federal agencies must eliminate agency Imprest Funds by October 1, 2001, except where provided under this directive.*

### AUTHORITY

Statutes: 31 USC §§ 3321-3333

Regulations: 31 CFR 208, Management of Federal Agency Disbursements; Final Rule

### SCOPE

This Policy Directive applies to all Federal payments and, except where waived below, requires such payments to be made using non-cash methods, preferably electronic funds transfer.

### DEFINITION

Imprest Fund: A fixed-cash or petty-cash fund in the form of currency or coin that has been advanced as Funds Held Outside of Treasury. Federal agencies are required to report their imprest funds in General Ledger Account 1120 - Imprest Funds, on their annual financial statements.

### WAIVERS

Imprest funds may only be used when:

- (a) A payment by EFT is waived in accordance with the provisions of 31 CFR 208, Management of Federal Agency Disbursements, at §208.4 Waivers, *and*,
- (b) Payments involve national security interests, military operations, or national disasters;
- (c) Payments are made in furtherance of a law enforcement action;

# POLICY DIRECTIVE

- (d) The amount owed is less than \$25;
- (e) The political, financial, or communications infrastructure of a foreign country does not support payment by a non-cash mechanism; or
- (f) Payments are made in emergencies, or in mission critical circumstances, that are of such an unusual and compelling urgency that the Government would otherwise be seriously injured, unless payment is made by cash.

Signed by Commissioner Richard L. Gregg,  
November 9, 1999

# POLICY DIRECTIVE

## ENDNOTES

1. An imprest fund is a fixed-cash or petty-cash fund in the form of currency or coin that has been advanced as Funds Held Outside of Treasury. The imprest fund cash is charged to a specific appropriation account by a Government agency official to an authorized cashier for cash payment or other cash requirement as specifically authorized. The fund may be of a revolving type, replenished to the fixed amount as spent or used, or may be of a stationary nature such as a change-making fund.

2. Treasury Financial Manual, *Imprest Fund Cash Held at Personal Risk by Disbursing Officers and Cashiers*, Department of the Treasury, Financial Management Service, 4-3000, p.1, (April 1995); *Manual of Procedures and Instructions for Cashiers*, Department of the Treasury, Financial Management Service, (June 1993).

3. From Red Tape to Results: Creating A Government That Works Better And Costs Less, *The Report on the Elimination of Imprest Funds In the Federal Government Through the Use of Electronic Commerce*, Department of the Treasury, Financial Management Service, p.1, (January 1996).

4. Third party paper instruments encompass third party drafts and credit card convenience checks. Both third party drafts and credit card convenience checks are considered third party paper because they are indistinguishable in how they are accepted as payment and processed by financial institutions.

5. Management of Federal Agency Disbursements; Final Rule, 31 CFR 208, (1998).

6. Third party drafts are check-like payment instruments used by a Federal agency, drawn against and paid by an outside-the-government service provider that may be a financial institution. After the drafts, which have been furnished by the service provider, are issued by the agency and presented at the service provider's financial institution, the service provider bills the agency for the amount of the drafts plus the service fees.

7. Convenience checks are check-like payment instruments, which are an integrated part of the purchase card program. Purchase card contractors are required to supply agencies with convenience checks that are drawn on and paid by the financial institution. Unlike third party drafts, convenience checks are billed to a specific purchase card account instead of one general account that is managed by agency or bureau. Convenience checks are subject to specific use limits under the GSA purchase card contract. See GSA SmartPay, Master Contract, CC.11, p. 211-212 (December 12, 1998).

**ANNUAL IMPREST FUND REPORTING**

Imprest Fund Title or Description	Principal Cashier and Class (e.g. A, B, or D)	Location (City & State)	Authorized Amount	Number of Replenishments in past year	Date of Last Review	Planned Phase-out Date	Type of Waivers Expected to Occur *

\* To maintain an imprest fund after January 1, 1999, please identify the waiver conditions (by letter corresponding to A, B, C, etc. below) which you expect to occur to warrant maintaining an imprest at a particular location and in a particular amount:

- A) A payment by EFT is waived in accordance with the provisions of 31 CFR 208, Management of Federal Agency Disbursements, at Section 208.4 Waivers; and one other waiver described in (B) through (F).
- B) Payments that involve national security interests, military operations, or national disasters;
- C) Payments made in furtherance of a law enforcement action;
- D) The amount owed is less than \$25;
- E) The political, financial, or communications infrastructure of a foreign country does not support payment by any other non-cash mechanism; or
- F) Payments made in emergencies, or in mission critical circumstances, that are of such an unusual and compelling urgency that the government would otherwise be seriously injured, unless payment is made by cash.