

# The Green Book

Mini Deck

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## Federal Government ACH



- Title 31 Code of Federal Regulations Part 210 (31 CFR 210)
  - Federal regulation for "Federal Government Participation in the ACH"
  - In 1999 adopted the NACHA Operating Rules
    - Exempts certain rules
- Green Book
  - Procedure manual for financial institutions
  - [https://www.fiscal.treasury.gov/fsreports/ref/greenBook/greenbook\\_home.htm](https://www.fiscal.treasury.gov/fsreports/ref/greenBook/greenbook_home.htm)

## Federal Government ACH

- Collecting and disbursing agent for agencies of the Federal Government
  - Financial Management Service (FMS)
    - SSA, RRB, Office of Personnel Management, VA, Health Care Financing Administration, etc.
  - Department of Defense (DoD)
- Payments include
  - Federal salary and travel reimbursement, benefit, and vendor payments, including service providers and grant or program recipients

## Federal Government ACH

- Federal Reserve Banks are the fiscal agents for the U.S. Department of the Treasury
  - Federal Reserve functions as the ACH Operator
- RDFI role
  - Establishes contractual relationship
    - When processing automated enrollments
    - When receiving government ACH payments
  - Obligated to comply with 31 CFR 210

## FOMF

- Financial Organization Master File
- Department of Treasury's master list of financial institutions receiving Federal Government ACH payments
- Used to transmit payments, reclamation notices and trace inquiries
- Maintained by Federal Reserve Banks

## Consumer Enrollment

- Direct Deposit of government payments (e.g., Social Security benefits and tax refunds)
- Enrollment methods
  - Paper (SF 1199A or 1200)
  - Telephone
  - Automated Enrollment Entry (ENR)
  - [www.GoDirect.org](http://www.GoDirect.org)



## Consumer Enrollment

- Account requirements
  - Federal government benefit payment enrollments **MUST** be established for an account that is in the name of the recipient with the following exceptions:
    - Representative payee selected
    - Investment account
    - Waiver granted by Treasury
  - RDFI could be held liable for noncompliance if they are involved in the enrollment process
    - Paper, ENR, or [www.GoDirect.org](http://www.GoDirect.org)



## Corporate Enrollment

- Direct Deposit of vendor payments
  - Vendor Express
- Can use paper enrollment (SF 3881)
  - RDFI must validate corporate account holder and financial institution information
  - RDFI must have authorized official sign the form
- ACH formats used: CCD or CTX

## Prenotifications

- Optional use by government agencies
  - Social Security originates prenotifications for all new Direct Deposit enrollments
- RDFI must, at a minimum, verify account number

## Misdirected Payments

- Federal payment directed to account number other than that owned by entitled payee
- Payment may be
  - Unpostable
  - Directed to a valid account owned by someone other than the entitled payee
- RDFI to promptly notify agency when it becomes aware of this situation

## Consumer Claims Nonreceipt

- Recipient notifies RDFI
- RDFI verifies receipt/return of entry or notifies recipient to contact government agency
- Agency notifies FMS
- FMS investigates
  - Manual nonreceipt process
  - Telephone nonreceipt process (vendor and salary payments)
  - Tele-TRACE (SSA, SSI, and VA payments)
- RDFI must respond to trace request

## Government NOCs

- May only be used to correct banking information contained in a recurring benefit payment
- May not be used to change financial institutions or for name changes
- Six NOC codes authorized
- Refused NOCs
  - Only the Social Security Administration, Office of Personnel Management, and Railroad Retirement Board have the capability to send

## Return of Government Payments

- An entry must be returned if:
  - Enrollment is terminated
  - Beneficiary/representative payee has passed away or become legally incapacitated
  - Death Notification Entry (DNE) or other death notification received from a federal agency
  - Account is closed
  - Payment cannot be posted

## Effect of Returning a Payment

- May Automatically suspends Direct Deposit
  - May stop further payments from the federal agency
- Entries returned in error may require a new enrollment form from the recipient



## Dishonored Returns

- Four fields must be identical to the original payment data or it will be dishonored:
  - Trace Number
  - Effective Entry Date
  - Amount of payment
  - Individual ID Number

## IRS Refunds

- Post or Return
- No NOCs allowed
- Consumer receives a Check if item Returned
- Liability if posted to Wrong Account
  - If RDFI altered entry RDFI Liable
  - If Taxpayer or Preparer made error they are liable
  - If IRS made error they are liable
- IRS will not assist in Taxpayer or Preparer errors
- Post or Return, do not alter

## Government ACH Collections

- Preauthorized debits
  - Payments such as licensing fees, grant repayments and loan payments
  - Recurring or single entry
- Remitter required to complete the Authorization Agreement for Preauthorized Payments form (SF 5510)
- Remitter's account is debited and federal agency's account is credited

## EFTPS

- Electronic Federal Tax Payment System
  - Directed by the IRS and FMS
- Methods of payment
  - EFTPS Direct (ACH debit)
  - EFTPS through a financial institution (ACH credit)
  - Same-day payment through Fedwire®
- Businesses with \$2,500 or less in quarterly tax liabilities are exempted

## Treasury Direct

- Method by which Treasury marketable securities, bills, notes and bonds are maintained in book-entry form
- Payments to investors by direct deposit
  - Principal, interest and original issue refunds
- Enrollment in Direct Deposit is automatic
  - Establish new Treasury Direct account
  - Purchase a security

