

4 FAH-2 H-600 U.S. DISBURSING OFFICER ACCOUNTS

4 FAH-2 H-610 U.S. GOVERNMENT BANK ACCOUNTS

(CT:DOH-27; 06-22-2012)
(Office of Origin: RM/FPRA/FP)

4 FAH-2 H-611 INTRODUCTION

(TL:DOH-1; 06-13-2001)

This subchapter prescribes the procedures for selection of U.S. government depositories abroad and maintenance of those bank accounts.

4 FAH-2 H-612 TYPES OF ACCOUNTS

4 FAH-2 H-612.1 Local Currency

(CT:DOH-5; 01-03-2005)

- a. **U.S. disbursing officer (USDO) checking account**—This is the most common local currency bank account. It is maintained in the city where the embassy or consulate is located and used for the USDO operating expenses. Balances in the USDO bank account must be maintained as close to zero as possible (1 TFM 4-9050—compensating balances are not allowed to reduce bank fees). The USDO should only have savings accounts if the funds are restricted under the X7000 program, or it is a condition according to host country banking laws to have checking accounts.
- b. **Sweep**
 - (1) This is an account established to temporarily hold collections made by the bank (i.e. Machine Readable Visa (MRV) fees) until the bank transfers the funds to the USDO operating account. The bank usually “sweeps” the account daily or weekly and sends the account balance to the USDO operating account bank via a funds transfer.

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The funds transfer fee is billed to the embassy or consulate and paid using account 20-(FY digit) 6763, Gains and Deficiencies on Exchange Transactions, Treasury.

- (2) The embassy will solicit bids for this service, in coordination with the Bureau of Consular Affairs (CA) through post's consular officer, by sending a letter to all U.S. owned, as well as leading local banks, advising the banks that the embassy is soliciting banking (collection) services. The letter should contain particulars about the solicited services, such as the average number of collections or visa applications per year and whether other services, such as an appointment system, are requested. The letter should explain that the bank's response will be evaluated in comparison with responses from other local banks. The letter will request the bank be prepared to enter into a written agreement regarding the services the bank will provide. The responses will be evaluated by both the consular officer and either the FMO or the management officer with the criteria being the interest of the mission and the visa applicants. The approval of CA must be secured by the consular officer before the execution of the agreement by either the FMO or management officer. The collection fee charged by the bank will be charged to post's MRV allotment.
- (3) These collections are not considered USDO or post funds until they are deposited into the USDO operating account. Post personnel should not sign account opening forms for these accounts unless the bank refuses to perform the collection service without the forms. Should the bank require an U.S. embassy official to sign the account opening forms for the sweep (or concentration) account, the embassy financial management officer (FMO) or management officer should sign the forms with the understanding that they cannot withdraw funds from the account, nor can they be held liable for any losses of funds in the account. The agreement with the bank must specifically state that the U.S. government accepts no fiscal liability for funds held in the account prior to transfer to the USDO operating account. The memorandum of understanding (MOU) between the post and bank must be signed or approved by RM/GFS/S/DO.

c. Cashier

- (1) Under certain circumstances, a cashier may be authorized by the USDO to open a cashier local currency bank account. Most cashier accounts are used primarily to receive replenishment electronic funds transfers (EFT) from the USDO or to make small EFT payments to local vendors. Some may be authorized to write checks.

- (2) Posts must request authorization for cashier bank accounts from the USDO by cable. The request must provide strong justification for the account, and document compliance with internal controls. See 4 FAH-2 H-821 for procedures on requesting approval for cashier bank accounts.
- d. **Direct debit account (prime pay)**—An account that is established to pay utility and telephone bills using a direct debit bank account. Payments are made prior to receipt and certification of an invoice by RM/GFS or by post. The prime pay program provides an alternative method for paying bills in countries where payment is expected within an unusually short period of time. In these situations, use of a prime pay bank account has shown to be more efficient and less costly in terms of time, staffing, and late fees.

4 FAH-2 H-612.2 U.S. Dollar

(CT:DOH-5; 01-03-2005)

- a. Neither the Department of State nor the Treasury Department encourages holding U.S. dollars in banks abroad due to the internal control problems and increased risk. However, there are instances where a U.S. dollar account is necessary due to conditions in the host country. For example, the local currency is not viable and the U.S. dollar is the accepted currency for business transactions.
- b. If post believes that a U.S. dollar account is needed, the FMO or Management Officer should contact the USDO. If the USDO agrees that the U.S. dollar account is necessary, the USDO will coordinate the request with RM/GFS/S/DO. If RM/GFS/S/DO concurs, the request will be presented to the U.S. Treasury. The Bank Bid Questionnaire for U.S. dollars should be obtained from RM/GFS/S/DO.
- c. Treasury requires the bank to put up collateral before it will approve a U.S. dollar account. Treasury will consider waiving this collateral requirement if the bank account is maintained at a zero balance. If the balance will not be kept at zero, the local bank must provide collateral and place it on deposit with the Federal Reserve Bank (FRB) of New York. RM/GFS/S/DO will work with each post or bank individually to place the U.S. government securities with the Federal Reserve Bank of New York.
 - (1) The amount of collateral required is dependent on the highest dollar amount (not the average) which moves through the account, i.e. if the amount on a given day is \$50,000 and on another day it is \$100,000, the collateral pledged should cover the \$100,000. Acceptable collateral would be U.S. Treasury bills, notes, and bonds.

- (2) As part of Treasury’s general policy to collateralize U.S. dollar accounts with commercial financial institutions, and due to the conditions reported for certain posts, Treasury will authorize an exception to the collateral requirements based on the assurances that this is the best procedure given the conditions in the country and the bank’s refusal to collateralize the account. Treasury requires the Department to closely oversee these U.S. dollar accounts without collateral and ensure that the accounts are being maintained at a zero balance to protect the U.S. government from exposure to risk. Recovery of any loss would be considered the Department of State’s responsibility.

d. Cashier accounts

- (1) Under certain circumstances, a cashier may be authorized to open a cashier U.S. dollar bank account. The bank must meet the Treasury collateral requirements prescribed by Treasury and explained in 4 FAH-2 H-612.2 c.
- (2) Posts must request authorization for cashier bank accounts from the USDO by cable. The request must provide strong justification for the account and document compliance with internal controls. If the USDO agrees that the U.S. dollar account is necessary, the USDO will coordinate the request with RM/GFS/S/DO. If RM/GFS/S/DO concurs, the request will be presented to the U.S. Treasury.
- (3) The bank bid questionnaire for U.S. dollars accounts should be obtained from RM/GFS/S/DO. See 4 FAH-2 H-821 for procedures on requesting approval for cashier bank accounts.

4 FAH-2 H-613 APPROVAL OF A U.S. DEPOSITARY

(CT:DOH-5; 01-03-2005)

- a. The USDO must formally request approval and designation from Treasury to open a local currency or U.S. dollar (USD) or cashier operating account with a financial institution.
- b. To change the existing bank, the post and USDO must rebid the requirements. Instructions on rebidding are contained in the bank questionnaire package, which should be obtained from RM/GFS/S/DO. The post evaluates the bank bids, identifies its preference, and forwards all the completed bank questionnaires to the USDO. The USDO reviews the questionnaires to determine which bank offers the best terms. The USDO then forwards the preferences to RM/GFS/S/DO. RM/GFS/S/DO

confers with the U.S. Treasury to approve the selected bank. RM/GFS/S/DO will notify the USDO when the U.S. Treasury approves the bank.

- c. Upon Treasury's approval of the new bank, the USDO should open the new bank account as soon as possible. The USDO must inform RM/GFS/S/DO of the effective date of the new bank account.
- d. Immediately after opening the new account, the USDO must start procedures for final reconciliation and closure of the old bank account. When the bank account is closed, the USDO must inform RM/GFS/S/DO, which will forward the information to Treasury. If the USDO is unable to reconcile and close the old account within 12 months of the opening of the new account, he or she must advise RM/GFS/S/DO of the reasons why it cannot be closed. RM/GFS/S/DO will provide further assistance.

4 FAH-2 H-614 CRITERIA FOR OPENING A BANK ACCOUNT

(CT:DOH-5; 01-03-2005)

- a. A review of the arrangement with the designated depository should be performed every three years or immediately if any of the following conditions for considering change are met.
 - (1) The embassy or the USDO is not satisfied with the services being provided, or feels the fee structure is no longer competitive.
 - (2) The embassy receives an unsolicited request for the embassy bank account from a bank and that bank offers a more beneficial banking arrangement than currently received, or reflects a higher level of U.S. ownership than the present depository.
 - (3) When unstable conditions in the country could affect current banking arrangements.
- b. 1 TFM-4-9030 requires that operating account balances or forfeiture of potential interest earnings on the account will not be used to subsidize banking services that would otherwise be funded through the appropriation process, e. g. cashier services.
- c. The level of the account balances will be determined solely by the disbursing requirements, therefore, minimum or compensating balances are not allowed. Account balances cannot be set to produce extra bank income to support special services requested by the embassy. If the bank proposes, or the embassy requests, special services, and/or minimum account balances are proposed by the bank, the evaluation process must include a finding that the balances are consistent only with

disbursing requirements. However, a bank may be willing to provide banking services based on the average daily balance the USDO maintains to cover the float of issued checks. In this case, strong consideration will be given in the selection of the bank to service the embassy. Should the embassy wish banking services in addition to what the bank is willing to provide based on the average daily balance the USDO maintains to cover the float of issued checks, the embassy may request separate and unrelated proposals from local banks to provide those additional banking services on a fee basis. The fee will have to be charged to the embassy program allotment.

- d. Various factors will be evaluated in the selection of a new bank. These factors are described in the recapitulation grid in the bank bid questionnaire package obtained from RM/GFS/S/DO.

4 FAH-2 H-615 SOLICITATION, REVIEW, AND DESIGNATION PROCEDURES

(CT:DOH-5; 01-03-2005)

- a. Introduction—When the review determines that a bank should be considered for a change, the bank will be identified as a priority bank for rebid. The primary emphasis must be placed on the USDO and Treasury concerns and not on services performed for the post.

In all requests, it is of paramount importance that the agency exercise due diligence when recommending a bank for designation as a depository. The agency must ensure the bank is a valid, financially secure, dependable, and reliable financial institution to avoid and ensure U.S. Government funds are protected.

- b. Soliciting Bids

- (1) When it has been determined that a bank solicitation will be initiated, the USDO will send the embassy a questionnaire that may be further developed and refined to reflect the embassy's particular needs. Soft copies (files) of the WORD and EXCEL documents for this questionnaire may be obtained from RM/GFS/S/DO. Bank bid packages are available for a USDO local currency bank account as well as a U.S. dollar bank account.
- (2) The embassy will send a letter, with the questionnaire attached, to all U.S. owned, as well as leading local banks, advising the banks that the embassy is soliciting banking services. The letter and questionnaire should contain particulars about the account, such as the average balance estimated to be maintained, how it will be funded, the number of checks written each month, any special

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banking services required (with reference to the restriction on minimum balances), etc. The letter should explain that the questionnaire will be evaluated on the basis of the bank's response in comparison with responses from other local banks. The letter will request the bank be prepared to enter into a written agreement regarding the services the bank will provide. If the bank will not enter into a written agreement, the embassy must document why not and what services the embassy understands will be provided by the banks. If special services are requested, such as providing accommodation exchange on embassy premises, the letter should contain a disclaimer statement similar to the following:

- (a) The embassy will not make good any dishonored checks that have been accepted and negotiated by the bank. The embassy will provide the best information available, or attempt to obtain the information, on the current whereabouts of the makers of such checks, consistent with applicable laws and regulations; and
 - (b) Although the embassy exercises diligence in maintaining security of property on embassy premises, the U.S. Government (USG) does not accept liability for loss or damage to bank personal property kept on the embassy premises for the purpose of providing these services.
- (3) The embassy must establish a deadline for responses, which should take into consideration the urgency of the need. If there is no immediate need to change banks, a 30-day deadline is recommended.
 - (4) The embassy may wish to advise the banks that the maintenance of the disbursing officer's operating account may lead also to the eventual transfer of unofficial account(s) to the bank, if any exist at the post. The embassy may wish to provide necessary background information on the unofficial account(s), such as the number of account(s), average balances in the account(s), etc. Should the embassy elect to provide this information, it should be made clear to the banks that the post has no control over the account(s), and that the unofficial account(s) may or may not move with the embassy account. The bank should also be made aware that these accounts are not in anyway linked to the USDO's official account and that the bank may not charge the USDO's account for uncollectible items originally credited to or drawn on other unofficial accounts.
 - (5) The embassy will consolidate the responses to the questionnaires and send the original responses to the servicing USDO for review.

Along with the responses, the embassy should also prepare and forward to the USDO a memorandum that provides any additional information helpful in making a selection. Preferences should be stated with explanations. Special services required should be discussed, including reasons and a statement that proposed balances are consistent with disbursing requirements and should not result in forfeiture of interest or extra income to the bank to support the services.

c. Reviewing Bids

- (1) The USDO will forward the following to RM/GFS/S/DO:
 - (a) Analysis of bank bids and scorecard, along with the embassy's memorandum containing its choice and the justification for the selection. The USDO should ensure that all bank bids (and eventual agreements) are in English; and
 - (b) A memorandum from the USDO to RM/GFS/S/DO, stating concurrence or nonconcurrence with the post recommendation, with additional USDO comments as appropriate.
- (2) Upon receipt of the bid package from the USDO, RM/GFS/S/DO will review the bank bids to determine the most beneficial bid. RM/GFS/S/DO will then forward the request to Treasury to designate the selected banking institution (designated depository), including in the request a statement that the proposed depository and the account meet the criteria of 1 TFM 4-9030.

d. Designating New Bank

- (1) Treasury will prepare a letter designating the selected banking institution as a depository of USG funds. The Treasury will send the letter to RM/GFS/S/DO, which in turn will send the original letter and one copy to the embassy, and to the USDO.
- (2) The embassy will present the original designation letter to the bank. Post obtains the necessary forms from the bank to open an account and sends the forms to the USDO.
- (3) The USDO completes the bank forms and returns the forms to the post. The USDO will sign signature cards; normally the USDO will make an imprint of their signature die on the bank's signature card.
- (4) The USDO will obtain new bank checks after determining if the bank will accept a USDO universal check or if a special size and formatted check is required.

4 FAH-2 H-616 RETENTION OF BANKING FILES

(CT:DOH-5; 01-03-2005)

- a. Bank Bids—the USDO will accumulate all completed questionnaires received from the competing banks in one folder. Other communications to be included in the folder are:
 - (1) The completed, returned questionnaires (bids);
 - (2) A cost-benefit analysis of each bid;
 - (3) A comparative analysis of USDO requirements; i.e. EFT, automated bank statements, overdraft protection, electronic inquiry capabilities, etc.; and
 - (4) Formal agreement with the winning bank.
- b. Bank Statements—establish a folder for each month. File the bank account statement (if a paper copy is received), financial system reports, and correspondence in the monthly folders. Retain the folders for three years; then move to a long-term storage facility as prescribed in the appropriate files management directives.
- c. Bank Action Items—the USDO will maintain bank action item files, which will contain correspondence pertaining to any item listed on the schedules for Form FS-440, Statement of Depository and Report of Checks Drawn, which are more than 90 days old. The necessity to keep the schedules clear of items over 30 days old cannot be over-emphasized. The immediate identification of differences and clearing of those differences is essential to keeping a reconciled account.
- d. Unreconciled Items—any unreconciled items on any of the schedules for 120 days will be reported to RM/GFS/S/ODO with copies of all applicable correspondence pertaining to clearing the items. RM/GFS/S/ODO will review the documentation and provide guidance on clearing the item.

4 FAH-2 H-617 THROUGH H-619 UNASSIGNED