Federal Financial Management NEWS
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FMS seeks members for EFT workgroups

The Financial Management Service (FMS) is currently offering assistance to payee groups that have had difficulties converting to electronic payments.

The Debt Collection Improvement Act of 1996 requires federal agencies to use electronic funds transfer (EFT) for payments to the federal government, unless issued a waiver by the Secretary of the Treasury. Approximately 80 percent of federal agencies already accept payments electronically; a few, however, are still not utilizing EFT. The payee groups identified by FMS all have special circumstances that will need to be resolved before they will be able to accept EFT payments.

In order to determine the best steps to resolve the issues, FMS has begun to form workgroups specializing in the needs of telecommunications vendors, utility vendors, medical service providers, state and local governments, colleges and universities, international payments, and courts.

FMS intends to use the workgroups to bring together agency representatives who are involved in the payment process, as well as FMS representatives, to

- examine the needs of their recipients;
- identify and examine the possible solutions; and
- implement pilots to test the chosen solutions.

The state and local government group and the medical payments group have already held initial meetings. The meetings focused on better identifying the payees and their associated impediments to EFT payments. During the state and local government meeting, FMS determined that payments must include specific information so that the treasurer's office is able to deliver the money quickly and correctly. FMS also found that local authorities should require that extensive or original documentation accompany EFT payments.

The medical payments group decided that its main issue is the Explanation of Benefits (EOB) form that is required to be submitted along with each payment, and must be in a specific format when submitted electronically.

The groups are seeking representatives from agencies that have experience with these types of payees, and with conversion to EFT. Contact the team member listed for more information.

FMS Agency Assistance Team Members:

- ✓ **Telecommunications Vendors** – Marilyn Barnes (202) 874-6574
- ✓ **Utility Vendors** – Ann Cook (202) 874-6896
- ✓ **Medical Service Providers** – Bill Eubanks (202) 874-6694
- ✓ **State and Local Governments** – Karen Price (202) 874-6704
- ✓ **Colleges and Universities** – Tim Walters (202) 874-7135
- ✓ **International Payments** – Bruce Riedl (202) 874-8906
- ✓ **Courts** – Matt Lorelli (202) 874-6591

DoD delays DTS launch

The Department of Defense (DoD) has delayed the initial deployment of its Defense Travel System (DTS). The system was scheduled to be launched on December 18, 2000, but due to problems incurred during the testing phase, DoD cancelled the release.

The automated travel system is designed to let users electronically create travel authorizations, vouchers, orders, and pre-audit documents, and to print out appropriate travel forms. DoD released an advance version of the tool last spring, and plans to issue the final version sometime this year. *See the* Federal Financial Management News*, June 15, 2000, page 1.*

According to Maj. Brent A. Calderwood, DTS spokesperson at DoD, "[The department] had great expectations that the first operational test of the Defense Travel System would be a total success. We've had successes; including processing over 350 trips through the entire end-to-end system during the two-month test period. This is extremely good news," he commented.

DTS personnel, however, have also identified a number of problems, Calderwood noted. "Response time – how quickly the system responds to the users – has been an issue, as well as the need to tighten up training," he explained. "There's also the perception on the part of users that the system is too complex."

DoD is analyzing the data from the test and hopes to complete analysis sometime this month. "At that time we will be in a position to draw better conclusions about the best next steps for DTS," said Calderwood.

DoD has not set a new start date for deployment of the Defense Travel System.

Air Force issues financial management training goals

The Air Force has published new professional development guidelines for financial management personnel. The guidelines aim to prepare the financial management workforce to meet the challenges caused by government downsizing and increased retirement.

While the Air Force recognizes that the members of its financial management workforce are one of its most valuable resources, the department is challenged to provide better cost and financial information. Towards that end, the guidelines cover

Events Calendar

CFO Council Financial Systems Committee Meeting

When: January 22, 2001

Where: Washington, DC

Contact: 202.208.4701

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Federal Financial Management News covers news and events in federal financial management. It is not intended to substitute for legal or other professional advice. The editor welcomes readers' comments and suggestions.

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Appropriations Status

Agriculture, Rural Development, Food and Drug Administration, and Related Agencies (H.R. 4661/S. 2536): Signed into law (P.L. 106-387) on October 28.

Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies (H.R. 4690): Signed into law (P.L. 106-553) on December 26.

Energy, Water, and Development (H.R. 5843): Signed into law (P.L. 106-377) on October 27.

Foreign Operations (S. 2522): Signed into law (P.L. 106-429) on November 6.

Department of Interior and Related Agencies (H.R. 4578): Signed into law (P.L. 106-291) on October 11.

Department of Labor, Health and Human Services (H.R. 4577/S. 2553): Signed into law as part of the Consolidated Appropriations Act (P.L. 106-554) on December 26.

Legislative Branch (H.R. 4516/S. 2603): Signed into law as part of the Consolidated Appropriations Act (P.L. 106-554) on December 26.

Military Construction (H.R. 4425/S. 2521): Signed into law (P.L. 106-246) on July 13.

National Security/Department of Defense (H.R. 4576/S. 2593): Signed into law (P.L. 106-259) on August 9.

Department of Transportation (H.R. 4475/ S. 2720): Signed into law (P.L. 106-346) on October 23.

Department of Treasury and General Government (H.R. 4871/S. 2900): Signed into law as part of the Consolidated Appropriations Act (P.L. 106-554) on December 26.

Department of Veterans Affairs and Housing and Urban Development, and Independent Agencies (H.R. 4635): Signed into law (P.L. 106-377) on October 27.

- continuing professional education;
- general education;
- professional and military education;
- breadth and depth of experience; and
- certification.

The department has issued the publication as a tool to ensure that key personnel have the professional and technical training needed to be successful. The guidelines can also be used as a roadmap to appropriate training for new employees.

Financial management personnel of the Air Force contributed to the document, identifying professional training guidelines for positions within each of 3 seniority levels. The Air Force intends to review the guidelines yearly, making revisions as needed.

The Air Force reminds current and potential employees that the guidelines are not intended to be used as a screening device to prevent someone from applying for a particular position. The department holds that job performance is the first hiring consideration, yet meeting the guidelines will be considered in appointments to squadron command, program control chiefs, and financial managers at AFMC Product Centers.

A complete copy of the guidelines is available at *www.saffm.hq.af.mil/.*

Forum helps agencies face financial system challenges

Late last month, the Joint Financial Management Improvement Program (JFMIP) held a forum to guide agencies on replacing their core financial management systems. The forum provided agencies the opportunity to pose questions to both JFMIP and the Office of Management and Budget (OMB) on the challenges they face with implementation of the required systems.

Representatives offered the following advice to financial management personnel:

Q: At the agency level, our financial projects always take a back seat to information technology projects. Is OMB doing anything to help level the playing

field so that our projects have a chance to receive funding?

OMB: *Yes. Every agency faces this challenge. Try to get agency financial management plans incorporated into information technology plans, which are then incorporated into capital investment plans. Getting financial system needs into the overall planning process is important.*

Q: It has been mentioned that agencies need to be more creative in selling the need for new financial systems; however, when agencies do this OMB responds with wanting to see cost savings. Agencies have a hard time projecting and documenting such savings, since the benefits of the new financial system are obvious, but hard to quantify.

OMB: *There are other cost savings, such as lack of information, which can be quantified.*

Q: How do you ensure that vendors provide clients with the certified version of software?

JFMIP: *We have considered this. We had a major vendor fail the software test the first time. As a result, we advise agencies to:*

- *make it a contractual arrangement - the software is essentially the same software as has been certified;*
- *as one of the first steps in your selection process, have the vendor set up the software in your environment and run some test steps - you can use test steps from the JFMIP qualification test materials or use your own; and*
- *ask the vendor to demonstrate the software by using the JFMIP qualification test to check compliance.*

Q: Is software that has been customized to meet agency-specific requirements still certified?

JFMIP: *No. Once code has been changed, JFMIP cannot certify its compliance. If you need software changes, reconsider whether you can instead adapt agency processes to work with the existing system.*

Q: Does JFMIP have plans to certify other types of financial systems, such as travel or payroll?

JFMIP: *Our charter allows it. In order to undertake such a significant investment, we need the community to agree that a standard test in a subsidiary area would substantially reduce cost and risk among many agencies. Also, agencies would have to support the cost. We have the potential to test subsidiary systems, but it is not something on our immediate horizon.*

Sky Lesher, Deputy CFO at the Department of Interior and Chair of the CFO Council Systems Committee, noted that agencies will have to change their financial systems each year to coincide with the needs of the federal government, and that agencies should recognize that the systems require a continual investment of resources.

Decisions

Employees must pay some of their tax bill

Rule: *Agencies are not required to reimburse employees the exact amount of their increased federal and state taxes as a result of receiving travel reimbursements.*

GSBCA 15375-TRAV

Frequently, employees on long-term temporary duty assignment receive a substantial amount of reimbursement for travel expenses. Such payments can increase an employee's taxable income. While agencies are permitted to offset the increase in taxable income travel reimbursement may cause, this offset is not dollar for dollar, as is demonstrated by the following case.

Brian Farley, an employee of the Social Security Administration (SSA) in Madison, MS, was authorized for long-term assignment in Jackson, MS. Farley's reimbursement for travel expenses was subject to 1998 and 1999 income taxes. As a result, he was eligible to file a claim for the additional state, federal, and local income taxes he paid since his travel reimbursement was treated as taxable income.

SSA calculated Farley's income tax reimbursement allowance (ITRA) for 1998 and 1999 using the 15 percent marginal federal income tax rate for earned income and the 5 percent marginal state tax rate for earned income in tax tables published in appendixes A-C in the Federal Travel Regulation (FTR).

SSA concluded that it owed Farley a total gross payment of $7,456.78. Most of the total represented Farley's ITRA allowance ($6,071.04). The remaining money was the tax liability on the ITRA payment — $1,699.89 for federal taxes and $303.55 for state taxes. SSA calculated these payments on a

federal tax rate of 28 percent and a state tax rate of 5 percent. The agency issued Farley a net payment of $7,456.77 after it deducted Federal Insurance Contributions Act (FICA) taxes.

Farley filed a claim with the General Services Board of Contract Appeals (GSBCA). He argued that SSA had erred in calculating his payments.

SSA reviewed its calculations and determined it had mistakenly withheld excessive FICA taxes. Consequently, it issued Farley another payment of $153.27. Farley again filed a claim with GSBCA. He argued that SSA should not have used the tax tables in determining his ITRA payment. He noted that the reimbursement he received was not equal to all the income taxes his travel reimbursement generated. He provided evidence that his actual federal income tax liability for 1998 was $230.95 greater than the ITRA payment he received. Similarly, his actual tax for 1999 was $1,510.25 greater than the payment issued by SSA. Moreover, SSA should have increased his federal tax allowance by $487.54 and state tax allowance by $87.06. In total, his allowable reimbursement was "short" $2,315.80.

The Board rejected Farley's appeal. It emphasized that section 5707 of Title 5 of the U.S. Code authorizes agencies to reimburse employees for federal, state, and local taxes incurred by an employee for "any travel or transportation reimbursement made." Section 5706 of the same Title also provides that reimbursement must include an amount equal to all income taxes for which the employee would be liable due to the reimbursement for the taxes generated by travel payments.

The General Services Administration (GSA) has established tables and regulations governing these payments in section 301-11.524(a) of the FTR. According to GSBCA, the use of tax tables avoids a potentially controversial and administratively burdensome procedure of requiring the employee to furnish extensive documentation to support his/her claim for tax reimbursement. The prescribed procedures are not intended to accommodate an employee's unique circumstances or to reimburse the employee's actual tax liability. Rather, the goal is to reimburse the employee for *substantially* all of his/her tax liability.

In previous decisions, the Board emphasized that it has ruled that such a policy does not conflict with the requirements of Title 5. *See GSBCA 15073-RELO, In the Matter of Michael R. Planitz.*

In the Matter of Brian J. Farley, December 4, 2000. 🗁

Employees must pay for mixing personal with official travel

Rule: *Travelers may not be reimbursed amounts in excess of what their agency would have paid had they not combined personal with official travel.*

Government employees may combine personal with official travel. However, as is demonstrated by the following case, reimbursement is limited to the cost an agency would have paid had the employee traveled directly from their permanent duty station to the temporary duty location.

Thomas Laughlin, an employee of the Department of Commerce (DOC) in Washington, DC, was authorized to travel to Norway for a conference on June 19-21. Laughlin had already made plans to travel to England with his family on June 21 and had purchased non-refundable, discount airline tickets for the trip.

After several discussions with his agency, Laughlin arranged to travel from Washington to Norway on June 17, from Norway to England on June 22, and from England back to Washington on July 7.

Laughlin had to pay a $178.80 penalty to change his departure date from Washington on the discount tickets he had purchased. Laughlin requested DOC to reimburse the expense. DOC refused. It explained that the cost of a round-trip ticket between Washington and Norway for the dates in question would have been $1,326 if Laughlin had flown direct. Any costs exceeding that amount were not the responsibility of the agency.

Laughlin appealed to the General Services Board of Contract Appeals (GSBCA).

The Board rejected the appeal. It noted that employees may combine personal with official travel. However, reimbursement will be limited to the cost of traveling the most direct route between the temporary duty location and the employee's permanent duty station. The added expense of taking a more circuitous route must be borne by the employee.

Here, DOC would have paid $1,326 if Laughlin had traveled from Washington to Norway and back without stopping in England with his family. As a result, that is the maximum amount Laughlin could be reimbursed. Although the cost of his discount airline tickets plus the penalty for changing the departure date exceeded that total, Laughlin could not pass the additional cost on to his agency.

In the Matter of Thomas L. Laughlin, December 6, 2000. 🗁

Employees must offer hard evidence of mistake or fraud to avoid charges

Rule: *Mere suspicion by employees that a shipping company erred in calculating the total weight of their household goods is not sufficient to avoid paying fees for exceeding the maximum weight limitation.*

GSBCA 15294-RELO

Employees are responsible for paying any extra costs for shipping and storing their household goods in excess of 18,000 pounds. If an employee believes he/she has been wrongfully charged a fee for excess poundage as a result of an error by the moving company, the employee must submit sufficient evidence of the mistake to avoid payment, as is demonstrated by the following case.

Ira Peets, an employee of the Internal Revenue Service (IRS), was transferred to Greece to fulfill the terms of a technical assistance agreement between the agency and the Greek Ministry of Finance. In August 1996, Bailey's Moving, an agent for Allied Van Lines (Allied), packed Peets' household goods and moved them to a holding facility. One of the company's employees advised Peets that if his household goods weighed in excess of 18,000 pounds, someone would let him know. Peets never heard from the company.

In mid-December 1996, Peets' household goods were moved from the holding facility to Colonial Storage. In February 1997, Allied submitted a voucher to the IRS for moving and storing 11,400 pounds of goods. That same month, Colonial Storage submitted a bill to the IRS for storing 21,873 pounds of goods.

The IRS approved both bills. The agency, however, contacted Colonial Storage to resolve the discrepancy between the weight shown on its bill and the total poundage listed on Allied's voucher.

According to Colonial Storage's records, there were an extra 4 boxes of marble floor tile in addition to the materials listed on Allied's voucher, which included:

- a sofa;
- tables;
- chairs;
- lamps;
- 2 televisions;
- a piano;
- a dresser;
- beds;
- rugs;
- books;
- kitchenware;
- pictures;
- light fixtures; and
- miscellaneous household items.

The 4 additional boxes of marble tiles weighed a total of 9,398 pounds – the exact difference between the weight listed on Allied's voucher and that contained in Colonial Storage's bill.

The IRS attempted to contact Bailey's Moving Company to determine if its employees packed and

Tom's Corner

Q: Have the rules changed about payment of penalties when one federal agency is late in paying the bill of another federal agency?

A: There is no general authority, as far as I know.

The Debt Collection Improvement Act has specified that interagency claims are not subject to normal debt collection procedures. The District of Columbia government, however, could be charged fees for late payments on the grounds that DC is a separate legal entity from the federal government, per B-201003, September 29, 1981.

The Prompt Payment Act does not provide authority. It only includes business concerns, and there is no indication that a federal agency would be included.

A case that illustrates the general rule is B-260532, May 9, 1995, in which the General Accounting Office (GAO) said that there is no legal authority for the Government Printing Office to charge other federal agencies any late payment penalties. And in a related decision, GAO said that while a law required federal agencies to pay money to the Treasury in order to reimburse the DC government for services, Treasury really had no authority to enforce such payments. *See B-285919, July 19, 2000.*

There would have to be rather specific legal authority to require the payment of late fees. I've heard rumors that such fees are not allowed, but have not actually seen any specific references. Readers are invited to send in any examples, and they'll be printed in a future column. They may be sent by email to *Publications@managementconcepts.com.*

shipped the boxes of floor tiles. Unfortunately, the company was no longer in business.

Since it could not resolve the discrepancy, the IRS sent Peets 2 bills for moving and storing his goods. The first was totaled $632.46, and the second totaled $3,666.78 for excess weight of 3,873 pounds.

Peets appealed to the General Services Board of Contract Appeals (GSBCA). He argued that if he had been notified that his goods exceeded the 18,000 pound limit, he would have taken steps to store the goods by other means. Since he was not contacted by his agency or anyone from the moving company, he should not be penalized for a mistake of which he had no knowledge.

The Board disagreed. It noted that employees are responsible for the costs of shipping and storing their goods in excess of the 18,000 pound statutory limit unless they can prove by clear and substantial evidence that there was an error or fraud.

Here, simply because Peets was not contacted by Bailey's Moving Company even though he was advised he would be if his goods exceeded the maximum weight limit was not sufficient evidence to establish that a mistake had been made or fraud committed.

The Board emphasized that if Allied's weight calculation was incorrect, then the remainder of Peets' goods, minus the floor tiles, weighed only 2,002 pounds. Given the inventory of those items, the Board was highly skeptical that could be true. Rather, the more likely scenario was that Bailey's Moving Company miscalculated the initial weight determination. As a result, Allied's should have charged more.

While Peets believed it was Colonial Storage rather than Allied which made the error, he offered no evidence to substantiate his suspicion. The Board emphasized that his suspicion was not sufficient evidence to avoid paying the excess poundage fees.

As a final note, the Board recognized that in previous decisions, it has determined that employees should be advised if their goods exceed the maximum weight limitation; however, agencies are not required to provide such notification.

In the Matter of Ira C. Peets, July 26, 2000. 🗁

Employees need authorization to tow their cars to a new station

Rules: *Agencies cannot reimburse employees for transporting their cars to a new permanent work station unless an agency specifically authorizes the expense.*

Employee Corner

Q: May agencies offer employees conditional voluntary separation incentive payments?

A: Yes. *See* Federick W. Coutts, et al. v. United States*, No. 98-181C, Federal Court of Claims (June 30, 2000).*

In the case, the National Highway Traffic Safety Administration (NHTSA) and many other Department of Transportation (DOT) operating administrations offered their employees payments for voluntarily separating from government service ("buyouts"). The buyouts were contingent upon DOT's restructuring plan. Employees were advised that payment offers could be rescinded if in the final reorganization the employees' positions were not eliminated.

Several employees accepted and signed buyout application forms and submitted them to NHTSA. All of the applications were conditionally approved by NHTSA's Acting Associate Administrator. The approval letter reiterated that the buyouts were conditional upon DOT's restructuring.

Shortly after issuing the approval letters, NHTSA canceled the employees' buyouts. It informed the employees that DOT no longer planned a major reorganization, and therefore, their services were still required.

The employees filed suit against NHTSA in the Federal Court of Claims. They argued that the administration did not have the authority to condition their buyout on DOT's reorganization efforts. In addition, it did not have the right to cancel them. The buyout application and NHTSA's acceptance of it constituted a valid contract which the administration could not unilaterally avoid.

The Federal Court of Claims disagreed. It noted that the buyouts were offered under the Federal Workforce Restructuring Act (P.L. 103-226). While the statute authorizes agencies to offer employees voluntary separation payments, it does not require agencies to make them. As a result, buyout payments are at the discretion of individual agencies and may be canceled or honored in accordance with an agency's interests.

Here, NHTSA predicated the buyouts on a plan of restructuring, realizing that its mission might be impaired by the separations if the restructuring did not occur. When the reorganization plan was not implemented, the buyouts had to be canceled because the employees' services were needed to carry out the mission of the administration.

GSBCA 15123-RELO

Agencies may reimburse employees the cost of transporting their cars to new permanent duty stations. Approving an employee to use his car to transport his household goods, however, does not authorize him/her to be reimbursed for towing the car to the new location, as is demonstrated by the following General Services Board of Contract Appeals (GSBCA) decision.

Norman Lahr, a civilian employee of the Department of Defense (DoD), was transferred from San Diego, CA to a new permanent duty station (PDS) in White Sands, NM. The agency authorized him to transport his goods via a trailer. Reimbursement was limited to the "cost of shipment by Packing and Crating contract." The agency estimated the total cost of moving the goods at $959.92.

Lahr's original plan was to rent a small trailer which he would tow with his car. Shortly before leaving San Diego, however, he discovered that the head-gasket in his car was in need of replacement. As a result, he decided to rent a small truck as well as a trailer to tow both his household goods and car. Lahr asked an official in the personnel office in White Sands if he was authorized to rent a truck. The official advised him that that the truck was an acceptable cost, but reimbursement would be capped at the estimated cost contained in his travel authorization.

On arriving in White Sands, Lahr submitted a voucher for the cost of the truck and trailer. The claim totaled $862.50 - $740 for the truck and trailer, including the cost of insurance, and $122.50 for gasoline.

DoD refused to reimburse him the total amount. It limited payment to the cost of renting the trailer - $383.04. Lahr appealed to the GSBCA. He argued that he had been advised he would be reimbursed up to the estimated amount in his travel authorization.

The Board rejected his claim. It emphasized that incorrect advice cannot be the basis of reimbursement if the Joint Travel Regulations (JTR) provide otherwise. In the instant case, the regulation clearly prohibited additional reimbursement.

Section C2102-D of the JTR prohibits agencies from reimbursing the cost of insurance for rented vehicles. Also, Section C11000 provides that employees may only be reimbursed for transporting a privately owned vehicle (POV) if their agency specifically authorizes the expense. Here, Lahr's orders did not authorize him to ship his POV, but rather to use it as the means to ship his goods.

Finally, the Board emphasized that he was not entitled to reimbursement for the cost of gasoline. Had Lahr driven his own car, he would not have been entitled to this cost. Therefore, he did not become eligible for reimbursement simply because he rented a truck.

In the Matter of Norman Lahr, June 29, 2000. 🗁