

United State Department of Agriculture
Agricultural Marketing Service

Directive

2210.2

5/1/98

INVESTMENT OF PUBLIC FUNDS

- I.
PURPOSE This Directive states the policy and responsibilities for investment of public funds maintained by the Agricultural Marketing Service (AMS).
- II.
REPLACEMENT This Directive replaces AMS Directive 433.1, Investment of Public Funds, dated 11/30/92.
HIGHLIGHTS
- III.
AUTHORITIES A. Title 31, Code of Federal Regulations (CFR), Parts 202-226, "Money and Finance: Treasury."
B. Volume I, Treasury Financial Manual 6-9000, "Securing Government Deposits in Federal Agency Accounts."
- IV.
DEFINITIONS
OF TERMS A. Agency - Any Department, Agency, or instrumentality of the U.S. Government.
B. Designated Depository - A financial institution designated by the Department of Treasury as a depository and financial agent of the Federal Government and selected by an agency to hold public funds.
C. Federal Reserve Bank of the District - The Federal Reserve bank or branch of the district in the geographic area in which the agency's designated depository is located.

Distribution: ML-30, ML-33

Originating Office: C&A

D. Government Deposits - Public money, including, but not limited to, revenue and funds of the United States and deposit funds subject to the control or regulation of the United States or any of its officers, agents, or employees.

E. Recognized Insurance Coverage - The insurance provided by the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund, and the insurance organizations specifically approved by the Secretary of the Treasury under Title 31, CFR, Part 226.

IV.

POLICY It is AMS policy to:

A. Exercise prudent cash management of funds collected through fees for services, assessments from handlers and producers to finance research and promotion efforts, and assessments collected to administer marketing agreements and orders. This also applies to payments received by producer settlement funds and interest or other charges collected on overdue accounts.

B. Require that a formal agreement or Memorandum of Understanding be signed between the parties before funds are deposited with a financial institution. This agreement is to state the responsibilities of both the custodial agency and the financial institution, and must conform to the policies and guidelines established by the U.S. Treasury with respect to deposits of, and collateral for, public funds.

C. Require complete safety of invested funds. In this regard, AMS adheres to U.S. Department of the Treasury Regulations, Title 31, CFR, Parts 202-226.

V.

RESPONSI-

BILITIES A. In AMS, public funds are maintained by the Budget Office, the Research and Promotion Boards, Milk Market Administrators, and the Fruit and Vegetable Marketing Order Administrative Committees. They are the fund custodians for AMS. When investing funds held in public trust, fund custodians must follow these guidelines:

1. **Investments.** All investments must be short-term, risk-free, interest-bearing instruments.

a. **Short-Term.** All investments must have a maturity period of 1 year or less to ensure availability and rapid conversion of the principal to cash.

b. **Risk-Free.** All investments must be federally insured or fully collateralized with Federal Government securities.

2. **Insurance Coverage.** All investments must be fully secured. Accounts are to be established at financial institutions having FDIC insurance. Accounts at individual institutions should total, in the aggregate, less than \$100,000 to ensure full insurance for both principal and interest.

3. **Collateralization.** All investments exceeding \$100,000 with FDIC-insured institutions must be fully collateralized.

a. Before sending funds to an institution for investment, eligible collateral must be pledged to an account under the control of the investing custodian.

b. Only those securities specified in U.S. Department of the Treasury Regulations, Title 31, CFR, Part 202, are acceptable collateral. They include collateral issued, fully insured or guaranteed by U.S. Government Agencies or U.S. Government sponsored corporations. No declining balance securities, regardless of issue, are acceptable.

c. Collateral must be pledged at face value. Financial institutions must provide the investor with periodic inventories of pledged collateral, showing both face and market value.

d. Collateral must be pledged and separately segregated in the name of the investor (i.e., AMS-Budget Office, Board, Milk Market Administrator, or Administrative Committee), to prevent double pledging.

e. Collateral not held by the Federal Reserve Board must be held by a financial institution authorized by Treasury as a Federal Depositary, having FDIC insurance, and approved by the Federal Reserve Board

f. AMS investment records should be kept for 6 years and 3 months, as required by the AMS Records Management Program.

B. The Compliance Office, Compliance and Analysis, will conduct at least two reviews of the investment decision process for the AMS, FMD, investment program per year. Investment authorities outside the AMS, FMD, investment program will continue to be reviewed as outlined in their investment authority.

C. All employees authorized to conduct business with any financial institution participating in the AMS investment program must sign a disclosure statement indicating any personal relationships with those financial institutions. In addition, they will be required to complete an annual Confidential Financial Disclosure Report, SF--450.

VI.

INQUIRIES Direct inquiries to AMS, Compliance and Analysis,
Budget Office.