

CHAPTER TWO: Managing Collections

COLLECTIONS ARE THE INFLOW of funds. The Secretary of the U.S. Treasury has the authority to designate a financial institution as a depository and financial agent of the U.S. Government. The Secretary of the U.S. Treasury has delegated to FMS the authority to select designated depositories to support governmentwide collection services (31 CFR Part 202, Depositories and Financial Agents of the Federal Government).

Federal agencies collect funds for a number of reasons, such as taxes, goods and services rendered, privileges granted, and overpayments made. The Federal Government collects primarily from three groups: contractors and corporations, the public, and employees. The people who submit payments are known as “remitters.” Remitters to the Government prefer to deal with Federal agencies in the same manner in which they deal with any business – whether it is a gas station, a grocery store, or an insurance company. They want good products, good service, and a convenient way to pay their bills.

Section 1 - *Participants*

Contractors and Corporations

Contractors and corporations are the most cash management conscious of all the remitters. They are well aware that any remittance change a Federal agency makes means that funds move more quickly out of their accounts and into the agency’s account. Contractors and corporations are also concerned about the transfer of information. They may have several outstanding bills that must be attached to payments. This makes accounts receivable information very important.

Collections from contractors and other corporate remitters include fees for licenses and insurance premiums, taxes, fines, payments for products and services, and the repayments of overpayments and double payments.

The Public

Collections are also received from the general public. Examples of collections from the public include taxes, user fees, sales of publications and other products, and loan repayments.

Employees

Federal employees are the third group from whom the Government collects funds. These collections are from parking fees, overpayments of salary and travel, and other similar situations. Good management procedures such as reducing travel advances and using alternative travel disbursement mechanisms will eliminate or reduce overpayments and the subsequent need to collect such funds.

Section 2 - *Collection Mechanisms*

The Financial Management Service (FMS) oversees several mechanisms that agencies use to process Government collections. FMS manages these programs and makes them available for agency use. This section breaks down the mechanisms into two parts: (1) electronic funds transfer (EFT) and (2) cash and checks.

Electronic Funds Transfer

FMS encourages all Federal agencies to use electronic funds transfer (EFT) mechanisms for collections whenever cost effective and feasible. This section focuses on the EFT collection mechanisms that are available for the agency's use, including the Automated Clearing House (ACH), Pay.gov, the Plastic Card Network, Paper Check Conversion, and the Fedwire Deposit System. (See Chapter Three, Section Two for EFT disbursement mechanisms.)

► Automated Clearing House

The ACH system is a processing and delivery facility that provides for the distribution and settlement of electronic financial transactions. Debits and credits are cleared electronically, rather than through the physical movement of checks or cash.

There are two types of entries (i.e., credit and debit entries) that pass through the ACH system. A credit entry takes value from the Originator's account and credits the Receiver's account. A debit entry removes value from the Receiver's account and credits the Originator's account. While all transactions flow from the Originator to the Receiver, the funds flow in either direction, depending on the type of transaction.

Receiving Depository Financial Institution (RDFI) Service Options (ACH Credit)

Prior to receiving ACH credit items, an agency must initiate an agreement with FMS and the Receiving Depository Financial Institution (RDFI). FMS provides Federal agencies with two RDFI service options for processing ACH credit transactions: (1) Remittance Express and (2) FMS general lockbox financial agents. A description of the service options follows:

Remittance Express

The Remittance Express (REX) program was introduced in June 1995. REX is designed to allow the Federal Government to receive ACH credits directly into the Treasury General Account from the private sector for payments to a Federal agency.

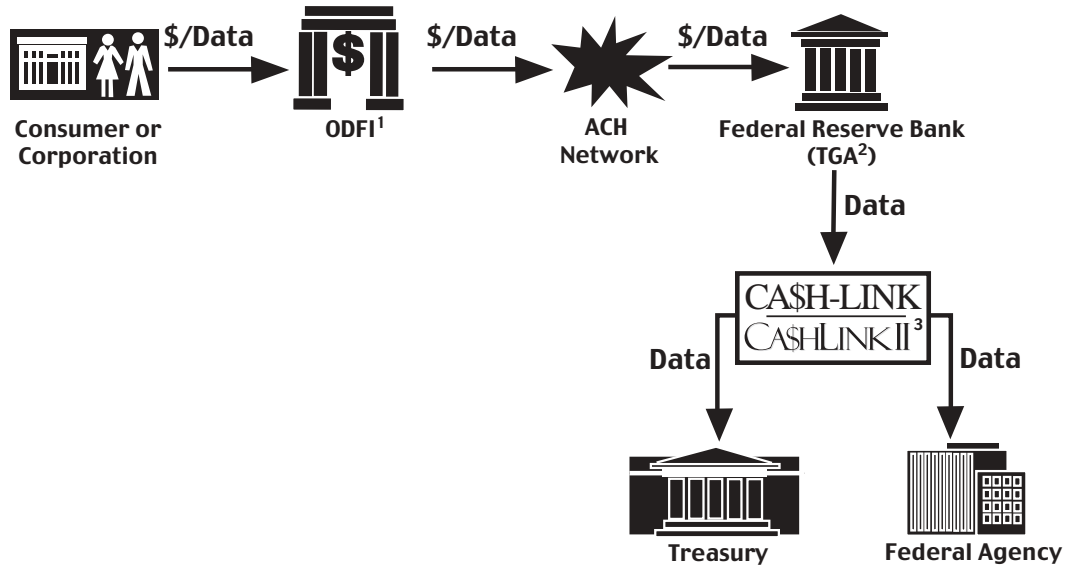
To receive payments via REX, the Federal agency enters into a Memorandum of Understanding (MOU), completes, and signs the ACH Account Set-Up Form with FMS. This form authorizes the establishment of the ACH account. The form is then sent to CASH-LINK operations for entry into the CASH-LINK REX table.

The detail information from the ACH files can be viewed in CASH-LINK and can be downloaded for posting to the agency's remitter files.

The Remittance Express Process:

- The Federal agency advises the consumer or corporation of the obligation due the Government, either by invoice, bill, letter, or other means. The agency also supplies the consumer or corporation with the appropriate information to include in the transaction.
- The consumer or corporation provides the instruction to its financial institution (FI) on the correct ACH format to use [i.e., Cash Concentration or Disbursement Plus Addendum (CCD+) or the Corporate Trade Exchange (CTX)] and the information to include, and authorizes an ACH credit transaction to the Federal Reserve Bank (FRB). (For specific ACH format information, see the NACHA ACH Rules.)
- The FRB receives the transaction and credits the Treasury's account.
- Transaction information is submitted to the Treasury and the agency via CASH-LINK/CASHLINK II. The transaction information includes both detailed payment information and summary deposit ticket (SF 215) information. The agency can download the information to update its accounts receivable system.

Figure 1 — The Remittance Express Process



¹ ODFI — Originating Depository Financial Institution

² TGA — Treasury's General Account

³ When operational, the Web-based CASHLINK II system will replace the current CASH-LINK system.

Remittance Express Benefits

- Provides a safe, effective way to remit payments.
- Solidifies the strategic partnership between the remitter and the Federal agency.
- Allows for the tracing of payments.
- Reduces paper handling.
- Promotes financial confidentiality.
- Avoids costly wire transfer fees.

FMS' General Lockbox Financial Agents – The Electronic Lockbox for ACH Credit Transactions

The lockbox mechanism provides a method for accelerating the deposit of payments mailed to Federal agencies. A lockbox is a post office box established by a financial institution (FI) for receipt of payments to an agency. Lockboxes provide an excellent system for paper-based collections.

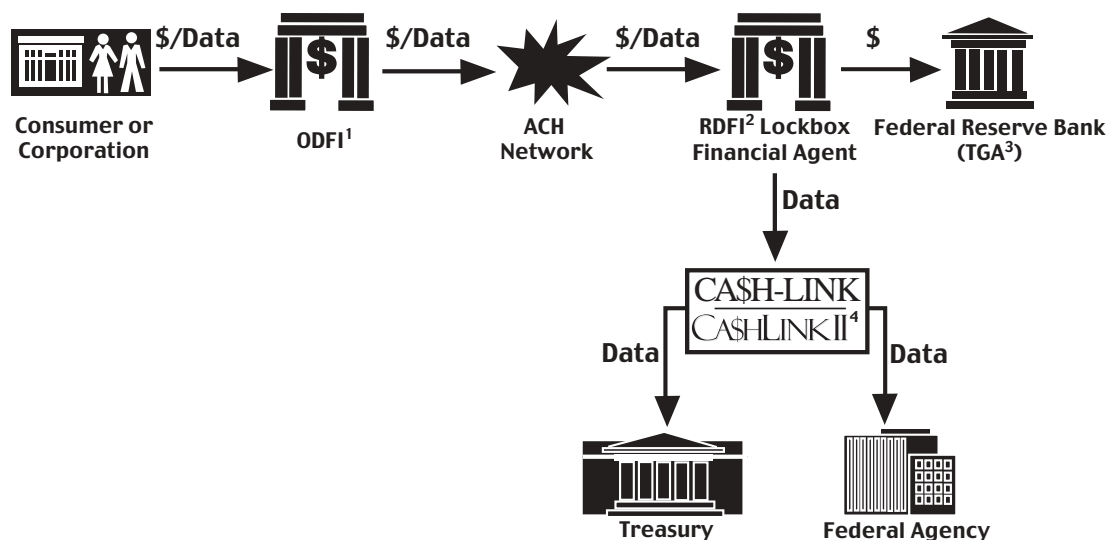
Federal agencies have three types of lockbox services available for their use: retail, wholesale, and electronic. This section focuses on the electronic lockbox. An electronic lockbox accommodates both paper remittances and electronic transactions. The retail and wholesale lockboxes are described on pages 37 and 38.

The financial agents in the General Lockbox Network are designated by FMS to maintain accounts for Federal agencies for the purpose of collecting and transferring funds to the Treasury's account at FRBNY.

The Electronic Lockbox Process for ACH Credit Transactions:

- The Federal agency advises the consumer or corporation of the obligation due the Government and provides the consumer or corporation with the appropriate information to include in the transaction.
- The consumer or corporation provides the detailed payment instructions to its FI to authorize the ACH credit transaction to the designated financial agent (FA) in FMS' network.
- The designated FA collects and deposits the funds for credit to the Treasury's account at the Federal Reserve Bank of New York.
- The designated FA forwards the deposit data to the Treasury and the agency via CASH-LINK/CASHLINK II.

Figure 2 — The Electronic Lockbox Process (ACH Credit)



¹ ODFI — Originating Depository Financial Institution
² RDFI — Receiving Depository Financial Institution
³ TGA — Treasury's General Account
⁴ When operational, the Web-based CASHLINK II system will replace the current CASH-LINK system.

Electronic Lockbox Benefits

Customer Benefits

- Provides the most convenient, reliable, and least expensive way to pay monthly bills.
- Saves time by not having to write checks, thereby saving the cost of checks and postage.
- Eliminates payments from getting lost in the mail and late payment charges.

Agency/Government Benefits

- Eliminates paper-check handling.
- Reduces operating costs.
- Improves funds availability.
- Offers excellent cash-flow forecasting.
- Eliminates lost or stolen checks.

Originating Depository Financial Institution (ODFI) Service Options (ACH Debit)

FMS provides Federal agencies with two ODFI service options for processing ACH debit transactions: (1) FMS' general lockbox financial agents and (2) FMS' Kansas City Financial Center (KFC).

FMS' General Lockbox Financial Agents – The Electronic Lockbox for ACH Debit Transactions

There are two types of preauthorized debit (PAD) applications that the Federal agency may use: (1) recurring and (2) customer-initiated entries.

1. **Recurring PADs/Direct Payments.** Recurring PADs/Direct Payments are authorized by the remitter in writing, in advance, to occur at regular intervals. For the life of the agreement with the remitter, only one authorization is needed unless the terms of the agreement change. Recurring PADs/Direct Payments permit Federal agencies to collect payments automatically on a predetermined date from remitters. Since the agency initiates the transaction, it can predict when payments will be received and the amount of funds to be collected on a given day. Recurring PADs/Direct Payments can be used to collect license fees, loan payments, grant repayments, etc.

2. **Customer-Initiated Entries (CIEs).** The agency bills the remitter for the amount of the obligation due the Government. Once a financial agent (FA) has been designated in the General Lockbox Network for the agency's use, the remitter calls the FA (via a voice response system), identifies himself/herself through a unique customer number, and enters security codes, the payment amount, and date. On the date the remitter specifies, the amount will be debited from the remitter's bank account and credited to the Treasury's account. The funds are properly credited to the agency location code of the appropriate agency. The agency can view the deposit information on CASH-LINK/CASHLINK II on the following business day. The deposit data is forwarded to the agency in the format the agency prefers. CIEs afford remitters the opportunity to maintain control over their funds by initiating the payment.

The Electronic Lockbox Process for ACH Debit Transactions:

- The remitter must enroll with the agency and/or the designated lockbox FA.
- The remitter's account is automatically debited on the settlement date (i.e., recurring PAD) or the remitter calls a designated FA in the lockbox network and requests a specific amount to be debited from the remitter's account on the settlement date (i.e., customer-initiated entry).
- The designated FA automatically collects and deposits all funds for credit to the Treasury's account at the Federal Reserve Bank of New York.
- The designated FA forwards the deposit data to the Treasury and the agency via CASH-LINK/CASHLINK II.

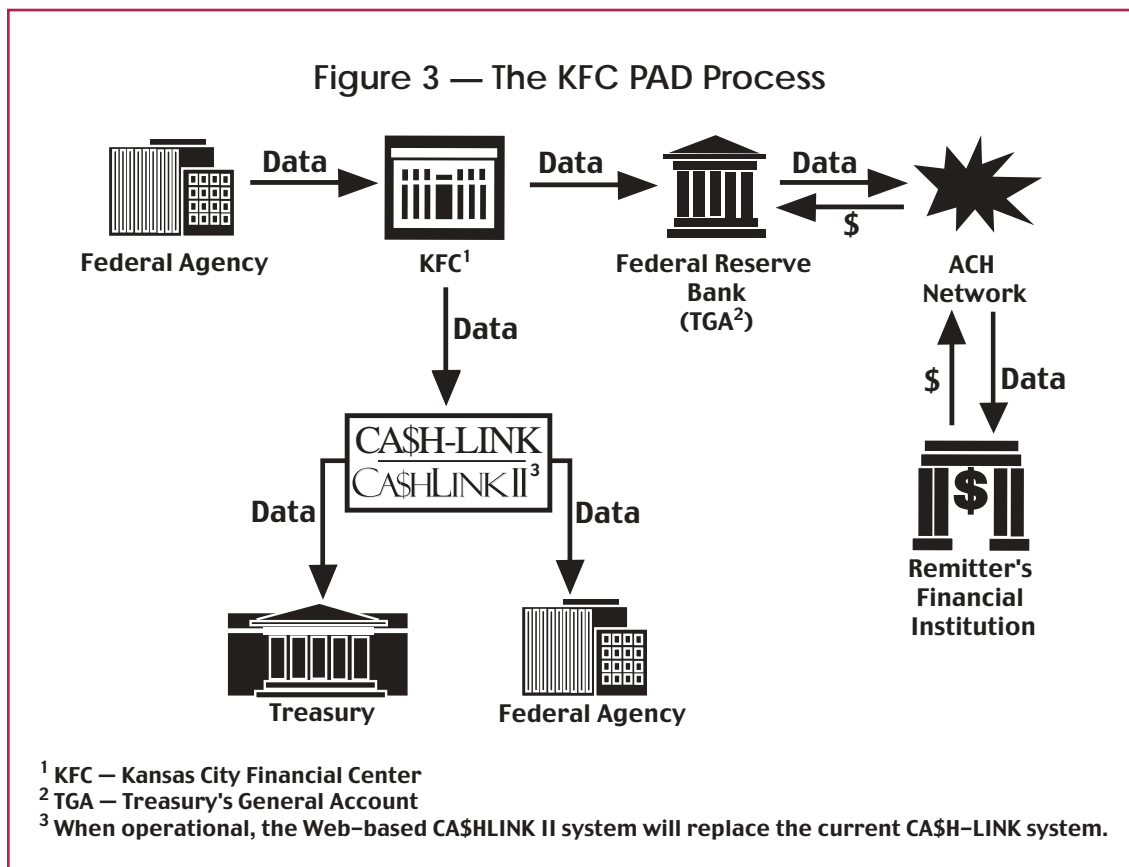
Financial Management Service Kansas City Financial Center (FMS KFC)

FMS KFC can serve as an ODFI for recurring and nonrecurring collections using the PAD program. The PAD process begins at least 1 day before the settlement date.

The Kansas City Financial Center PAD Process:

- The agency enrolls remitters in the PAD program.
- One business day prior to settlement, the agency transmits a file of collection entries to KFC.
- KFC reformats the file into the National Automated Clearing House Association (NACHA) format.
- KFC transmits the file to the Kansas City Federal Reserve Bank (KCFRB) for processing.

- KCFRB distributes the collection entries through the ACH system to the remitter's financial institution.
- On the settlement date, the remitter's financial institution posts the debit to the remitter's account.
- The remitter's financial institution transmits the funds via the ACH network to the KCFRB. The KCFRB credits the Treasury's account.
- KFC reports the deposit data to the Treasury and the agency via CA\$H-LINK/CA\$HLINK II.



FMS' Kansas City Financial Center offers four levels of PAD service:

1. Mainframe - The agency maintains the database of remitters (basic service) on its mainframe system. The business day prior to settlement, the agency transmits the collection file to KFC. On the settlement date, KFC reports account totals to the agency via CASH-LINK/CASHLINK II.
2. Personal Computer - The agency maintains the database of remitters using an off-the-shelf personal computer software package that is supplied by KFC. The software is used to generate and transmit a collection file to KFC, as well as provide detail collection reports to the agency. On the settlement date, KFC reports account totals to the agency via CASH-LINK/CASHLINK II.
3. KFC maintains PAD database - KFC maintains all aspects of the agency's remitter database. The agency provides KFC with the collection information. KFC generates the collection file and provides the agency with detail collection reports. On the settlement date, KFC reports account totals to the agency via CASH-LINK/CASHLINK II.
4. Customized service - KFC creates a customized PAD service to meet the agency's needs.

With all four levels of service, an agency can review its daily activity via CASH-LINK/CASHLINK II.

► Pay.gov

Pay.gov is a governmentwide transaction portal managed by the Financial Management Service (FMS) that offers a suite of electronic financial services to assist agencies. Pay.gov has four functional objectives or cornerstones:

1. **Collections.** Pay.gov facilitates various electronic collection methods. Through Pay.gov, end-users are able to authorize collections using ACH debit entries, credit card collections, and digital cash. (Digital cash requires a card to be installed within the end-user's computer.) In addition, Pay.gov allows collections to be authorized off-line through paper checks, ACH credit authorizations, and Fedwire, in which case FMS marries the reporting information from off-line collections with an on-line form or bill.
2. **Forms acceptance and direct billing.** Pay.gov offers the service of converting an agency's forms into electronic documents that may be submitted by the public to Pay.gov. Pay.gov also offers the service of electronically presenting the bills that an agency sends to end-users. In most instances, the electronic form or bill mirrors the agency's paper form, but an alternative approach is possible as circumstances warrant. The electronic forms invoke error checking and other business rules to ensure that end-users properly complete the forms. FMS will work with agencies to securely obtain information from agencies as needed to pre-populate information on forms and to display bills. Workflow solutions ensure that Pay.gov can handle complex forms with multiple parts or requiring multiple levels of approval. Inboxes allow for end-users to view saved, completed, or pending forms and bills.
3. **Access control.** Pay.gov provides access control to agencies to ensure that end-users may perform only authorized transactions. These services involve authenticating the end-user as necessary, using several authentication components. One, referred to as "ad hoc authentication," relies upon shared knowledge provided at the time of transaction, which will be verified by Pay.gov. The second is a system that uses usernames and passwords issued by Pay.gov. The third uses authentication services from third parties, such as other agencies. This includes, potentially, the General Services Administration's Access Certificates for Electronic Services or digital certificates issued by the Postal Service. Once the authentication process is complete, FMS establishes whether an end-user is authorized to perform a particular action concerning a protected resource by invoking a role-based system. This system determines whether the action sought by the end-user is one that the end-user's roles allow. Agencies have the ability to determine the roles needed to access their resources, as well as control other access parameters.

4. **Reporting.** Pay.gov provides agencies with a unified reporting mechanism by which agencies are able to obtain detailed information about forms, bills, and collections processed by Pay.gov. Pay.gov consolidates this information with other collection system information to provide a single reporting stream to agencies. Pay.gov integrates these reports into an agency's system to the extent and in the format desired by the agency. Pay.gov also makes reports available to end-users and the public.

The services of Pay.gov are modular; i.e., each of the services can be invoked separately of the others, sometimes from an agency's own Web site. For instance, Pay.gov allows an agency to use only the collection services of Pay.gov, as might be the case if the agency wants to accept electronically its forms on its own Web site. As another example, Pay.gov allows an agency to use only the access control services of Pay.gov, as might be the case if the agency wants to provide access to personal information on its own Web site.

The central focus of Pay.gov is on collection services. The other functions of Pay.gov support this key service. By converting agency forms that are accompanied by collection authorizations, Pay.gov will help ensure that agencies can reconcile collections to particular forms. The same can be said of converting an agency's bills for presentment through Pay.gov. The automated processing of forms and bills also should reduce accounting errors. As noted above, the access control service is a necessity for collections. Reporting flows from the collection function as well.

The Pay.gov Process:

- Pay.gov's services are invoked when an end-user submits a request over the Internet. In most cases, the end-user will be an individual acting on the end-user's own behalf or on behalf of another, such as a business. In some instances, the end-user could be a computer (electronic agent), which could be the case for certain businesses that need to submit forms with set data fields on a regular basis.
- An agency may allow the end-user to go directly to Pay.gov or it may require that Pay.gov grant access to the agency's pages only to end-users who have first visited the agency's site and selected a link to Pay.gov. In addition, the agency may do some processing for an end-user on its own site but might invoke additional processing by Pay.gov to complete the transaction, as might be the case if the agency is processing forms on its own site but is using the collection function of Pay.gov.
- Pay.gov customizes the end-user's experience so that Web pages have a look and feel desired by the agency, while disclosing that the end-user is no longer on the agency's own site. The Web address for most pages with agency content begins with "pay" but otherwise reflects the address of the agency's own Web site. Thus,

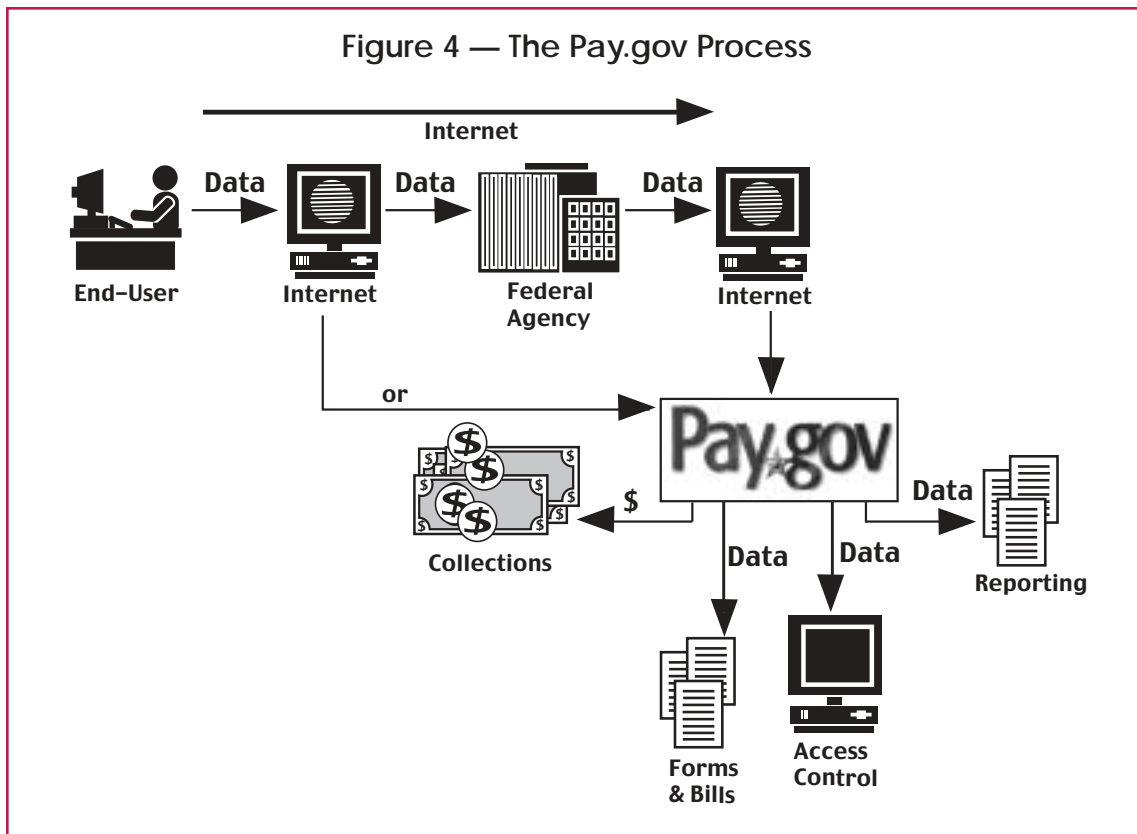
a form of the Bureau of Alcohol, Tobacco and Firearms (ATF) is hosted at: **pay.atf.treas.gov**, which reflects the ATF's own Web site at: **http://www.atf.treas.gov**.

As noted above, it is possible for an agency to use each Pay.gov service on a stand-alone basis; however, all four services are interrelated.

1. The **collection service** is invoked in conjunction with Pay.gov's forms acceptance and direct billing service or separately by an agency. For instance, the agency may ask Pay.gov to host one of its forms, in which case Pay.gov will invoke the collection service when the end-user completes the form. Alternatively, if the agency hosts the form, it may invoke the collection service itself.
2. The **forms acceptance and direct billing service** is invoked when an end-user desires to electronically complete an agency's form or view an agency's bill. The form or bill must be hosted on Pay.gov for this service to apply.
3. The **access control service** is invoked by other Pay.gov services or by agencies. For instance, access control is required to complete a form or view a bill hosted by Pay.gov, to authorize a collection on Pay.gov or to view certain reports on Pay.gov.
4. The **reporting function** takes information about forms, bills, and collections processed through Pay.gov and makes this information available to agencies through information communicated to agency systems or made available for Web viewing.

For instance, an end-user representing a cigarette manufacturer may need to complete an excise tax form for the Bureau of Alcohol, Tobacco and Firearms. The end-user can do so by accessing the form on Pay.gov. Before allowing the end-user to access the form, the forms acceptance service invokes the access control service, which asks for a Pay.gov username and password from the end-user. Upon determining that the end-user has authorization to access the form, the access control service returns a reply to the forms acceptance service, which uses information from the access control service to pre-populate certain fields on the form and allows the end-user to complete the form. The end-user can save the form if the end-user so desires, then return later and submit the form. Once the form has been completed, the end-user may authorize a collection using an ACH debit or a Fedwire entry. The information about the completed transaction is sent to the agency that day, as well as made available to the agency, to FMS, and the end-user for viewing through a Web interface.

Figure 4 — The Pay.gov Process



Pay.gov Benefits

- Offers electronic collection methods that facilitate the ability of agencies to conduct transactions on-line.
- Provides assistance to agencies in converting forms into documents that can be accepted electronically and provides a means by which agency bills may be presented electronically for collection purposes.
- Provides access control services to facilitate forms acceptance, direct billing, and collections.
- Provides reports to agencies about the automated transactions and assists agencies in integrating the reports into their systems.

Pay.gov will assist agencies in complying with the Government Paperwork Elimination Act (GPEA). GPEA requires Federal agencies, by October 21, 2003, to allow individuals or entities that deal with the agencies the option to submit information or transact with the agency electronically, when practicable, and to maintain records electronically, when practicable. The Act specifically states that electronic records and their related electronic signatures are not to be denied legal effect, validity, or enforceability merely because they are in electronic form, and encourages Federal Government use of a range of electronic signature alternatives.

► Plastic Card Network

The Plastic Card Network (PCN) is a governmentwide network that allows Federal agencies to accept VISA, MasterCard, American Express, Diners Club, and Discover/Novus credit cards, and some debit cards for collecting funds due the Federal Government. Plastic cards can be used to collect payments from the public and Government entities for a variety of reasons, including, but not limited to, the following: sales of materials, services, fees, fines, debts, Customs duties, and taxes.

FMS designated two financial agents (FAs) to process plastic card collections for Federal agencies. They provide uniform nationwide credit and debit card services for agencies. Credit and debit cards may be used for collections received over-the-counter, by mail, by phone, or over the Internet.

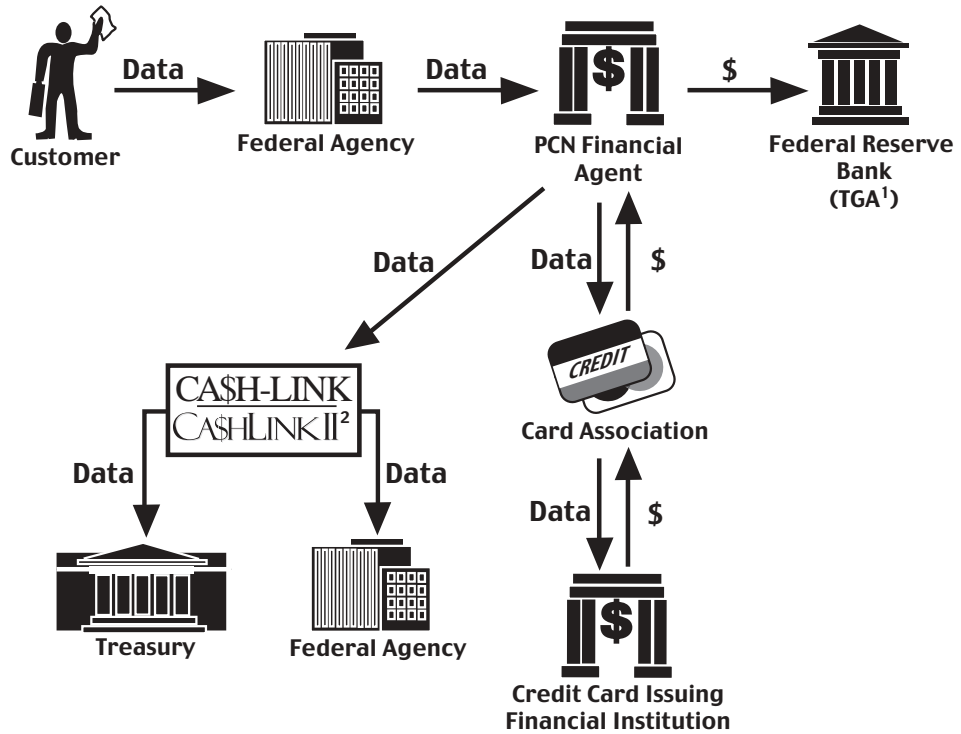
The Internet Credit Card Collections (ICCC) program allows Federal agencies to accept plastic cards over the Internet as a method of collection for offered services and products. In a typical scenario, once a customer chooses to pay with a credit card on an agency's Web site, he or she is shown a form for completing the transaction. In most cases, since this form resides on a secure Treasury server, the customer is transferred to a Treasury Web site with the exact look and feel of the agency's Web site. The customer is returned to the agency's Web site upon successful completion of the transaction (processing of the credit card). Most customers do not realize that they have left the agency's Web site during the actual credit card purchase process.

Services provided to agencies and paid for by FMS include authorization and settlement, chargeback assistance, training, activity reports, and deposit reporting through FMS' CASH-LINK/CASHLINK II system. Costs to agencies include equipment, customized reports, and telephone lines.

The Plastic Card Network Process:

- The Federal agency accepts plastic cards from the public and Government entities. The designated FAs process the transactions electronically.
- The designated FAs authorize and settle transactions.
- The designated FAs transfer funds to the Treasury's account at the Federal Reserve Bank of New York.
- The designated FAs report depository data to the Treasury and the agency via CASH-LINK/CASHLINK II.
- The designated FAs send the PCN account activity statements to the agencies.

Figure 5 — The Plastic Card Network (PCN) Process



¹ TGA — Treasury's General Account

² When operational, the Web-based CA\$H-LINK II system will replace the current CA\$H-LINK system.

Plastic Card Network Benefits

Customer Benefits

- Provides convenience.
- Gives instant buying potential.
- Provides timely approval.
- Has worldwide acceptability.

Agency/Government Benefits

- Eliminates bad checks.
- Reduces holdings of cash.
- Increases sales productivity.
- Provides next-day access to deposit information via CASH-LINK/CA\$HLINK II.
- Provides a no-default collection mechanism for potential bad debts.
- Provides a vehicle to collect funds via the Internet.

► Paper Check Conversion at the Point-of-Sale

The purpose of Paper Check Conversion (PCC) is to convert personal paper checks into electronic funds transfer (EFT) debit transactions against the check writer's account. Since the process is electronic and eliminates the need to transport paper, the collection process is more efficient.

PCC uses five technologies to create electronic transactions and records:

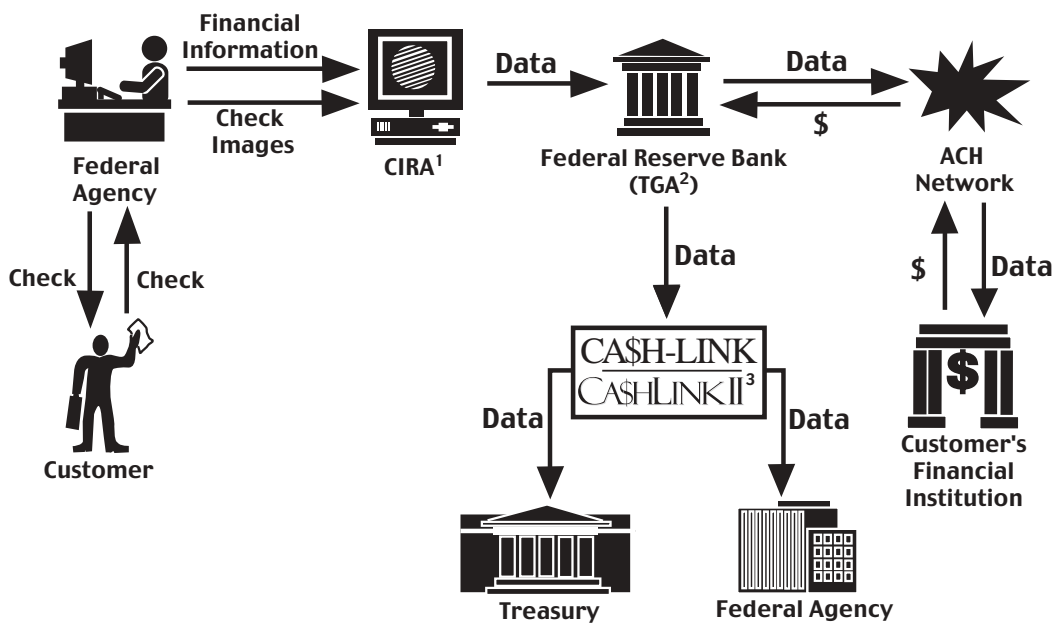
1. **Imaging** Captures a complete electronic image of the check and allows for the retention of a facsimile, without retaining any paper.
2. **Verification** Verifies that the account upon which the check is written is not closed, or that the check writer does not have a history of writing bad checks.
3. **Conversion** Converts paper checks to electronic debit transactions for processing through the Automated Clearing House network. Checks converted to electronic debits are collected much faster.
4. **Representation** Resubmits failed electronic debit transactions up to two times. The representations will be able to be timed to occur on specific days of the month (i.e., 1st and 15th).
5. **Reporting** Occurs by emailing CASH-LINK/CASHLINK II activity statements to areas responsible for the financial operations of that site/agency.

The Paper Check Conversion Process:

- The agency accepts the check from the customer; feeds the check through the check scanner; enters the amount of the check and other relevant information into the Point-of-Sale software application; stamps the check "VOID"; and returns the check to the customer. By presenting his/her completed, signed check to the cashier, the customer authorizes the conversion of his/her check into an electronic debit in the amount of the check. A notice containing this authorization language is posted at the point-of-sale.
- At the end of the day, all of the financial information and images collected at the Point-of-Sale are sent to the Central Image and Research Archive (CIRA – <https://www.cira.gov>).
- CIRA houses the images and corresponding financial information for research purposes, and forwards the financial information to the Federal Reserve Bank of Cleveland.

- FRB-Cleveland uses the financial information received from CIRA to create an ACH debit to the check writer's account and a corresponding credit to the agency's account.
- FRB-Cleveland makes the appropriate CASH-LINK/CASHLINK II entries for the agency deposits.
- FRB-Cleveland electronically delivers each agency's specific Deposit Ticket (SF 215) and Debit Voucher (SF 5515), if applicable.

Figure 6 — The Paper Check Conversion Process



¹ CIRA — Central Image Research Archive

² TGA — Treasury's General Account

³ When operational, the Web-based CASHLINK II system will replace the current CASH-LINK system.

Paper Check Conversion Benefits

The true value of PCC is realized by a combination of factors that allow funds and information to be processed in a streamlined manner, which greatly reduces indirect costs, while increasing accountability and security.

Generally, PCC will:

- Reduce the workload by removing paper from the process;
- Improve returns processing of electronic transactions;
- Improve exception handling;
- Speed the deposit and collection process;
- Automate the preparation of Deposit Tickets (SF 215) and Debit Vouchers (SF 5515);
- Resubmit failed checks twice for insufficient funds;
- Reduce the number of dishonored checks accepted;
- Provide a complete electronic record of converted checks;
- Provide an audit trail for each check;
- Allow enhanced reporting and access to information;
- Facilitate access to stored checks.

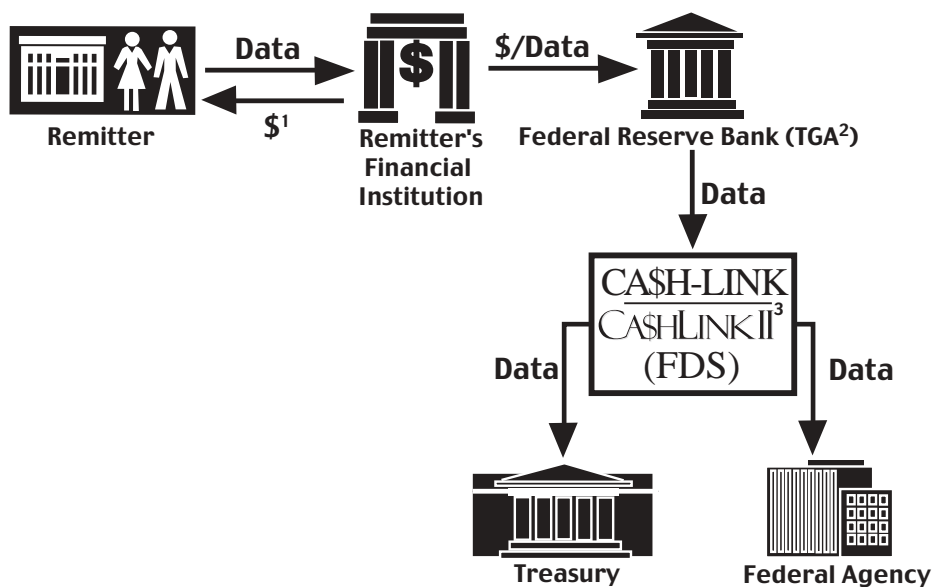
► Fedwire Deposit System

The Fedwire Deposit System (FDS) is an information link for wire transfer collections to the Treasury's General Account at the Federal Reserve Bank of New York (FRBNY). The FDS is used when collections are \$100,000 or more or when there is an immediate need for crediting funds.

The Fedwire Deposit System Process:

- Remitters sending large payments to a Federal agency instruct their financial institution (FI) to wire funds to the FRBNY by providing the agency's accounting data and other detail information.
- The FRBNY receives the Fedwire message, credits the Treasury's account, charges the remitter's FI, and transmits the information to the agency and the Treasury via CASH-LINK/CASHLINK II.

Figure 7 — The Fedwire Deposit System (FDS) Process



¹ The remitter may authorize funds to be released from his/her account.

² TGA — Treasury's General Account

³ When operational, the Web-based CASHLINK II system will replace the current CASH-LINK system.

Fedwire Deposit System Benefits

Customer Benefits

- Allows remitter to delay the transfer of funds until the due date.

Agency/Government Benefits

- Reduces paperwork and related administrative costs.
- Improves reporting and audit control.
- Eliminates mail, processing, and collection float.
- Provides historical deposit data on-line for up to 45 days via a personal computer.

Cash and Checks

While FMS encourages and promotes EFT, it recognizes that there are several cash flows for which agencies need cash and checks. Federal agencies receive cash and checks for various payment receivables. The Government uses four mechanisms to process these collections: (1) Federal Reserve Banks, (2) Treasury General Account Depositories (Domestic), (3) International Treasury General Account Depositories, and (4) Lockbox.

► Deposits at Federal Reserve Banks

Depositors of public monies, namely Federal agencies, will deposit funds at the nearest commercial bank (i.e., Treasury General Account (TGA)) as designated and authorized by FMS or deposit funds at their local Federal Reserve Bank (FRB). If FMS determines that it is not cost effective for an agency to use a commercial bank, or that a commercial bank is not available, FMS will authorize the agency to make deposits at the nearest FRB.

Once FMS has designated an FRB, the agency must contact the FRB (I TFM 5-2000, Appendix 4) for a CASHLINK Identification Number (CIN) (I TFM 5-2000, Appendix 3), and for any other preliminary instructions. The CIN is derived from the agency location code (ALC) and is used by the FRB to identify agency transactions.

Federal agencies may mail deposits to the FRB or have the deposits delivered via courier or armored car service. The FRB will not accept walk-in deposits or cash deposits of any kind. All cash receipts must be converted into a cashier's check or money order and mailed or delivered via courier or armored car service to the FRB. For deposits of seized or mutilated currency, contact the Program Assistance Division (Appendix C).

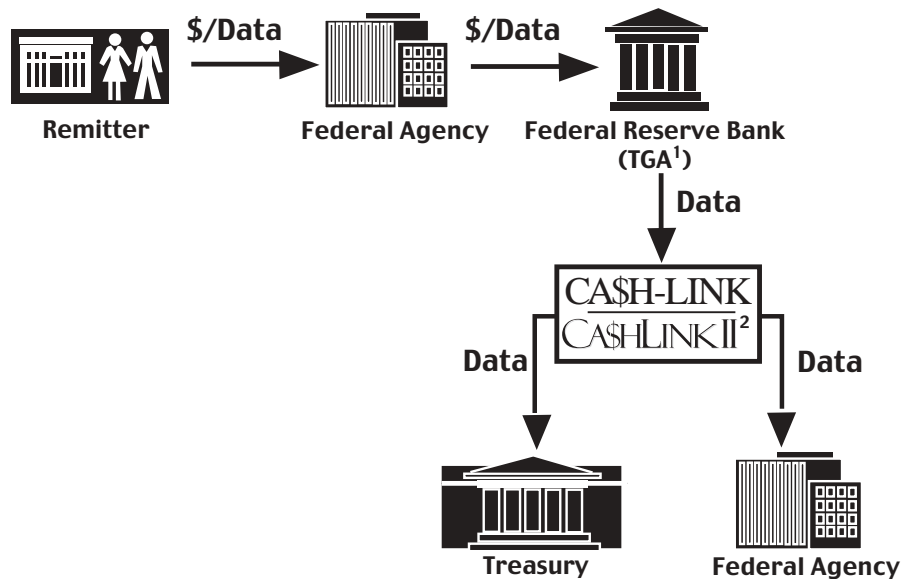
When deposits are delivered to the FRB, via courier or armored car service, an FRB cashier will not be available to confirm the deposits by signing and dating the SF 215 (Deposit Ticket) at the point of delivery. After the checks have been deposited and reconciled, the FRB will confirm the deposit and forward the signed SF 215 to the depositing agency.

Without exception, **all** Treasury checks must be deposited with the nearest FRB. If an agency is currently making deposits at a commercial bank (i.e., TGA), the Treasury checks must be separated out. Depositors will record commercial checks and Treasury checks each on separate SF 215s when depositing at an FRB. The FRBs will credit Treasury's General Account on the date of deposit, if the items are received by 2:00 p.m. local time that day.

The Process for Federal Reserve Bank Deposits:

- Federal agencies receive cash, checks, and other negotiable instruments at numerous office locations around the country.
- The agency processes the deposits received, prepares the SF 215, and submits the deposit (checks and money orders only) to the FRB via mail, courier, or armored car service.
- The FRB posts the funds to the Treasury's account at FRBNY, and passes the detailed deposit information to the Treasury and the agency via CASH-LINK/CA\$HLINK II.

Figure 8 — The Process for Federal Reserve Bank Deposits



¹ TGA — Treasury's General Account

² When operational, the Web-based CA\$HLINK II system will replace the current CASH-LINK system.

➤ Treasury General Account Depositories (Domestic)

Treasury General Account (TGA) depositories are financial institutions (FIs) authorized to receive over-the-counter deposits from Federal agencies located within the 50 States and the District of Columbia (domestic depositories). The Financial Management Service (FMS) designates TGAs at commercial banks, savings and loans, and credit unions.

FMS establishes a depository based on a request from a Federal agency and an evaluation of the efficiencies offered by such a relationship. A financial institution interested in accepting TGA deposits may market its services to Federal agencies in its area. To perform services under the TGA system, the financial institution must:

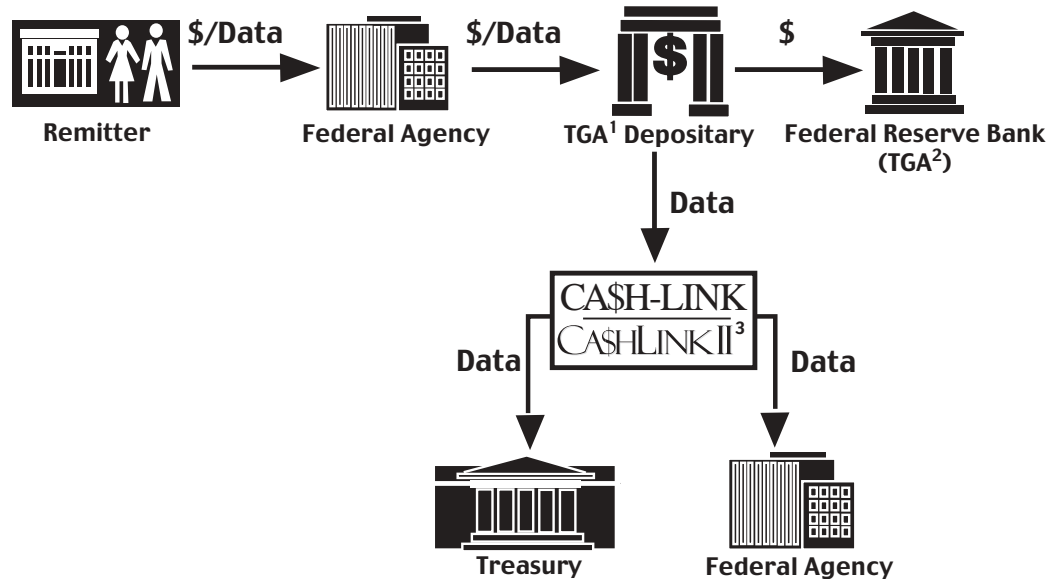
- meet the eligibility requirements under Treasury regulations;
- be able to accept Automated Clearing House (ACH) debits;
- agree to a written Memorandum of Understanding with FMS; and
- be authorized by FMS to accept deposits.

If there is an existing TGA depository located near the agency, the agency can be added to that arrangement. There is no minimum monthly deposit amount. If there is no TGA depository located near the agency, FMS will work with the agency to designate a specific local FI as its TGA depository. The minimum monthly deposit required to establish a new TGA is \$100,000. Two or more agencies in the same vicinity may combine deposits to qualify for the \$100,000 minimum.

The TGA Process:

- Federal agencies receive cash, checks, and other negotiable instruments at numerous office locations around the country.
- The agencies prepare the deposits along with the SF 215 (Deposit Ticket) and take them to the TGA depository.
- The TGA depository processes the deposit and transfers the funds to the Treasury's account at the Federal Reserve Bank.
- The TGA depository submits the deposit data to the Treasury and the agency via CASH-LINK/CASHLINK II.

Figure 9 — The TGA Process



¹ TGA — Treasury General Account

² TGA — Treasury's General Account at Federal Reserve Bank of New York

³ When operational, the Web-based CASHLINK II system will replace the current CASH-LINK system.

TGA Benefits

- Accelerates the collection and availability of funds to the Treasury.
- Provides agencies with a convenient local depository for collections received in field offices.
- Truncates paper movement.
- Provides an electronic reporting of deposit information via CASH-LINK/CASHLINK II.
- Requires minimal effort to implement.

➤ International Treasury General Account Depositories

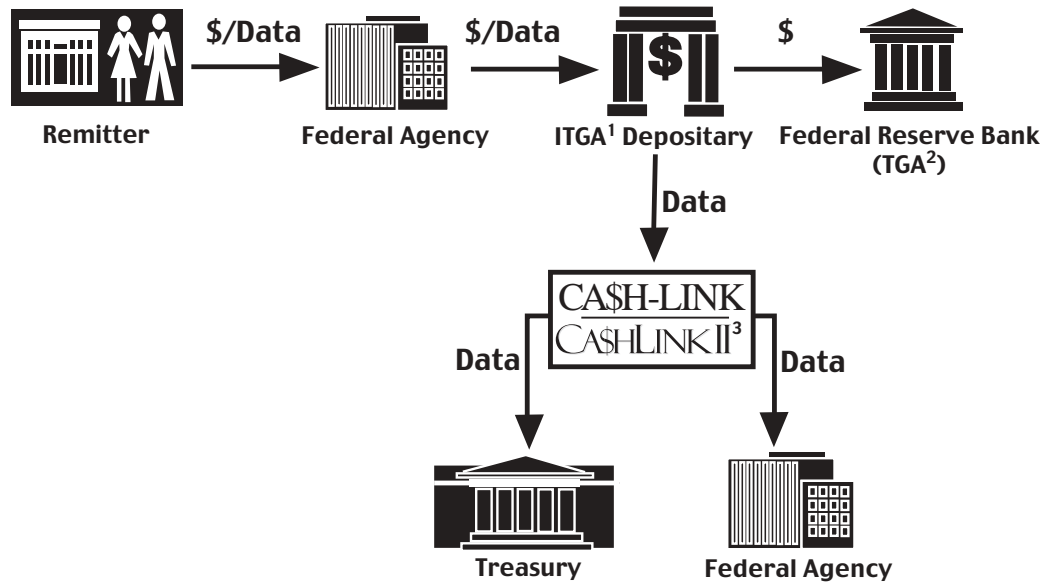
International Treasury General Account (ITGA) depositories can be U.S. or foreign banks authorized to exchange Treasury checks for foreign currency and receive U.S. dollar deposits from Disbursing Officers overseas. The Departments of State and Defense are two of the largest users of ITGAs. To become an ITGA, a depository must meet eligibility requirements within Treasury regulations that authorize the Secretary of the Treasury to designate depositories of public monies as necessary for transacting Government business in foreign countries.

FMS designates and revokes all ITGA bank arrangements; reimburses commercial banks for depository services provided outside the continental United States; and reviews and monitors these bank arrangements. FMS has special arrangements with designated financial agents to collect foreign currency and checks received in the United States for exchange to U.S. dollars.

The ITGA Collection Process: (Deposit of U.S. Dollars)

- Federal agencies receive cash, checks, and other negotiable instruments at numerous office locations around the world.
- The agencies prepare the deposits along with the SF 215 (Deposit Ticket) and take them to the ITGA depository.
- The ITGA depository processes the deposit and transfers the funds to the Treasury's account at the Federal Reserve Bank.
- The ITGA depository submits the deposit data to the Treasury and the agency via CASH-LINK/CASHLINK II.

Figure 10 — The ITGA Collection Process



¹ITGA — International Treasury General Account

²TGA — Treasury's General Account

³When operational, the Web-based CASHLINK II system will replace the current CASH-LINK system.

ITGA Benefits

- Accelerates the collection and availability of funds to the Treasury.
- Consolidates deposit information.
- Provides interest savings.

Restorations

The Disbursing Officers issue U.S. Treasury checks to purchase foreign currency to fund their local currency checking accounts. The ITGAs clear these checks back to the Treasury's account at FRBNY. To avoid settlement charges, FMS restores the funds immediately (via a wire transfer) for the Treasury checks exchanged by the ITGAs.

Foreign Currency Accounts Overseas

FMS approves foreign currency bank accounts for Federal agencies located worldwide. Local currency accounts are maintained in approximately 200 countries by the Department of State and the Department of Defense. Foreign currencies are deposited in these accounts and used for agency operating expenses. These operating accounts are used to pay salaries, vendors, and other administrative costs.

► Lockbox

A lockbox is a post office box established by a financial institution for receipt of payments to an agency. Federal agencies have three types of lockbox services available for their use: retail, wholesale, and electronic. Retail and wholesale lockboxes are described in this section. The electronic lockbox is described on pages 13-16.

Retail Lockbox

A retail lockbox uses optical character recognition (OCR), machine-readable coupon-type payment documents for automated processing. This type of lockbox is best suited for low dollar, high annual item volume payments. High-speed equipment captures specific information from the invoice and the check that it stores in electronic form on tapes or disks. The accounting information can be captured and passed via a computer-to-computer link from the lockbox financial agents to the agencies.

Scannable Documents and Digital Imaging. Imaging is the creation of digitized images of remittance documents that can be displayed, enlarged, tagged, annotated, routed, duplicated, stored, and indexed.

The financial agents (FAs) in FMS' lockbox network can provide images of the following:

- Checks,
- Envelopes,
- Invoices,
- Remittance Advices, and
- Correspondence.

Benefits of Imaging

Access Information Immediately

- Access hours after making deposits via the Internet.
- Locate specific payments with the search feature.
- View intra-day images of remittances.
- Access multiple days of payment history.
- Archive with CD-ROM.

Improves Customer Service

- Retrieve remittance documents instantly.
- Read checks, invoices, postmarks accurately.
- Reduce research time.
- Respond to customers while on the phone.

Insures File Integrity

- Eliminate lost or misfiled documents.
- Guarantee access to each department/person for viewing.
- Work without removing or damaging original documents.
- Archive history safely to CD-ROM.

Reduces Storage Requirement

- Multiple days accessible via the Internet.
- One CD holds 1,500 transactions of archived historical data.
- No more long-term/offsite storage needs.

Resolves Exceptions Faster

- Eliminate waiting for delivery of paper.
- Post sooner and begin exception processing.
- Toggle between accounts receivable system and browser.

Wholesale Lockbox

A wholesale lockbox involves the manual processing of traditional invoice documents and is best suited for high dollar, low annual item volume payments. Once received at the lockbox site, these payment documents are processed using key entry to capture accounting information. The accounting information can be transmitted via a computer-to-computer link or in hard copy from the designated FA in the lockbox network to the agency.

Lockbox Networks

FMS manages two separate lockbox networks: the Internal Revenue Service (IRS) Lockbox Network (for taxes only) and the General Lockbox Network.

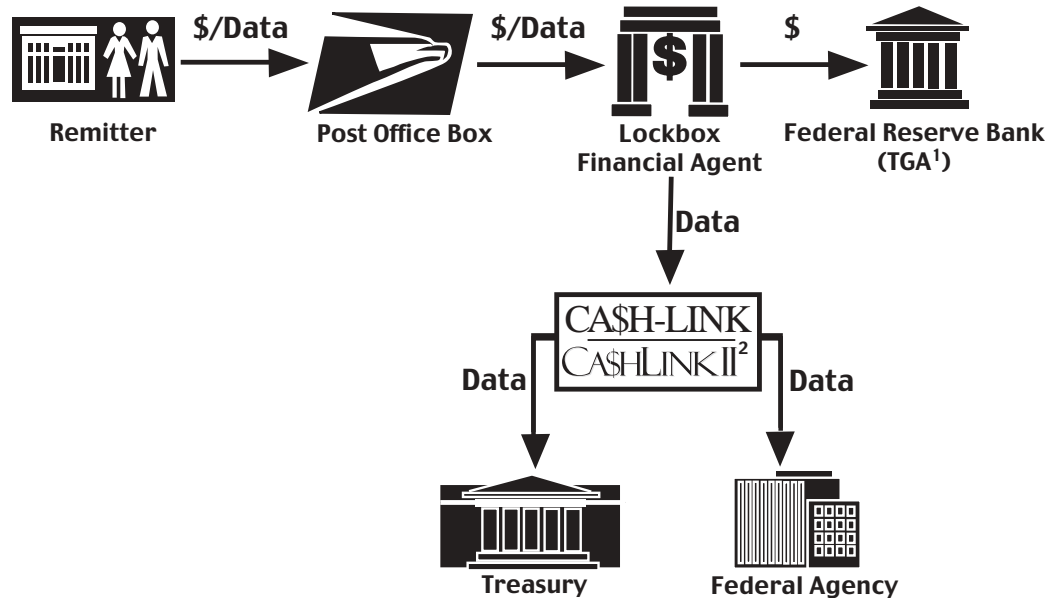
IRS Lockbox: FMS has designated a network of commercial banks across the United States that serve as collection points for various IRS taxes, primarily individual taxes. IRS lockboxes include both retail deposits and wholesale deposits. The lockbox FAs process the tax receipts and transmit information to the IRS. The depository also sends the IRS the original tax forms that accompanied the tax payments.

General Lockbox Network: FMS has designated a network of commercial banks to serve as lockbox collection points for other Federal agencies. These collections include fees, dues, loan payments, and purchases.

The Lockbox Process:

- The Federal agency provides the remitter with a change of address for payments to a post office box provided by the designated lockbox FA.
- The remitter submits the payment to the post office box.
- The designated lockbox FA picks up the mail several times a day from the post office box.
- Lockbox bank personnel open the mail and process it according to the agency's instructions. Check remittances are cleared through the banking channels in accelerated batches.
- A record of the payment is forwarded to the Federal agency. Agencies have the option of receiving a copy of the payment checks and/or invoice. The network FA forwards correspondence received with the payment to the agency.
- Each day, the network FA enters, verifies, and reports total deposit information into the CASH-LINK/CASHLINK II system via personal computer, mainframe, or touch-tone telephone. The network FA reports the deposit data to the Treasury and the agency via CASH-LINK/CASHLINK II.
- On the following business day, the funds are transferred by wire or Automated Clearing House (ACH) to the Treasury's account at the Federal Reserve Bank of New York (FRBNY).

Figure 11 — The Lockbox Process



¹TGA — Treasury's General Account

²When operational, the Web-based CASHLINK II system will replace the current CASH-LINK system.

Lockbox Benefits

Agency/Government Benefits

- Eliminates internal processing.
- Reduces mail float.
- Reduces agency staff time spent on payment processing.
- Provides FMS with improved information on funds availability, which provides improved investment and borrowing decisions.
- Accelerates availability of funds.
- May reduce additional staffing during peak periods.
- May improve internal controls through the use of automated reports.

Section 3 - *Other Collection Management Tools*

CASH-LINK/CA\$HLINK II

The CASH-LINK system is an electronic cash concentration and information system used to manage the collection of U.S. Government funds throughout the world and provides deposit information to Federal agencies. The CASH-LINK system joins Federal agencies, commercial banks, the Federal Reserve Banks, and the Treasury Department's fund managers together through an electronic network. This system receives deposit information, initiates fund transfers, and concentrates daily deposits made through multiple collection mechanisms into the Treasury's account at the Federal Reserve Bank.

When operational, the Web-based CASHLINK II system will replace the current CASH-LINK system. CASHLINK II will provide Federal agencies with real-time information (via the Internet) to verify deposits, ACH and Fedwire transfers, and voucher adjustments to reconcile their accounts. The collection data will be available on-line for up to 7 years, allowing users to access the system to research and analyze detail deposits and summary-level cash flows. In addition, CASHLINK II will assist FMS in managing depository services provided by financial institutions and will assist the Treasury in monitoring the cash position of the U.S. Government.

CASH TRACK

CASH TRACK is a system that processes cash position management data from the Federal Reserve Banks, Internal Revenue Service (IRS), Bureau of the Public Debt, CASH-LINK, and other miscellaneous sources. CASH TRACK assists in gathering information concerning Government expenditures and receipts, provides automated analysis to assist the Treasury in maintaining the appropriate level of funds in the Treasury's General Account and Treasury Tax and Loan accounts, interfaces with several automated reporting systems to provide up-to-date information for processing, and operates in a user-friendly Windows environment.

Benefits of the CASH TRACK system include:

- A central data repository;
- Improved daily Treasury statement reporting;
- Enhanced editing, adjustment, and reporting capabilities;
- Automated reconciliation and validation of data;
- Warehousing of large-dollar notification data;
- Automated Treasury Tax and Loan and CASH-LINK daily balance wire interfaces.