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# Treasury Financial Manual

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Transmittal Letter No. 8

Volume V

## To: Domestic Depositories

### 1. Purpose

This transmittal letter releases TFM Volume V, Chapter 1-3000: Deposits in Lockbox Accounts at Authorized Domestic Depositories. This chapter formalizes a significant number of changes in processing Federal receipts and reporting those deposits. It represents the Department of the Treasury's cash management policy relating to the receipt, processing, depositing, and reporting of Federal collections.

### 2. Background

TFM Volume V, Chapter 1-3000 embodies a number of significant changes in lockbox deposits, including the following areas:

- Security requirements for all Lockbox Depositories;
- Submitting waivers;
- Bank Management Reporting requirements;
- Certification of a Statement of Income and Expenses Related to Financial Agent Services on a monthly basis;
- Compensation policies including new formulas for the derivation of the Treasury Average Daily Collected Balance;
- Funds transfer instructions;
- Deletion of instructions for calculating Federal Deposit Insurance Corporation fees;

AND

- Deletion of instructions for exception processing of large dollar checks and Treasury checks.

### 3. Upcoming Changes

The Financial Management Service will update TFM Volume V within 6 to 9 months to include procedures related to the following areas:

- Deposit Compensation Securities as a compensation option;
- Permanent and Indefinite Appropriation (pending passage of legislation);

AND

- Procedures related to CASH-LINK II.

**4. Page Changes**

**Remove**

Table of Contents for Volume V

**Insert**

Table of Contents for Volume V

V TFM 1-3000

**5. Effective Date**

Immediately.

**6. Inquiries**

Direct questions concerning this transmittal letter to:

Account Analysis Team Leader  
Financial Services Division  
Financial Management Service  
U.S. Department of the Treasury  
401 14<sup>th</sup> Street, SW., Fifth Floor  
Washington, DC 20227  
Telephone: 202-874-6900  
Fax: 202-874-7321



Date: December 9, 2003

Richard L. Gregg  
Commissioner

## PART 1 — CHAPTER 3000

# DEPOSITS IN LOCKBOX ACCOUNTS AT AUTHORIZED DOMESTIC DEPOSITARIES

This chapter establishes procedures that designated depositaries authorized to act as financial agents for U.S. Government agencies follow to perform services known as “lockbox services.”

## Section 3010—Scope and Applicability

This chapter applies to designated depositaries (hereinafter referred to as “Lockbox Depositaries”) located within the 50 United States, the District of Columbia, and other territories and possessions as specified in the Designation of Financial Agent (DFA), formerly Lockbox Depository Agreement or Financial Agent Agreement. These Lockbox Depositaries have the authority to act as financial agents for U.S. Government agencies and to perform electronic and paper-based lockbox services.

The Financial Management Service (FMS) may revise the procedures contained herein when it is in the Government’s best interest to do so.

## Section 3015—Authority

Under the Code of Federal Regulations (CFR) at 31 CFR Part 202, FMS has the authority to designate depositaries and to issue these procedures. Other Department of the Treasury (Treasury) authorities include: 12 U.S.C. §§ 90; 265; 266; 391; 1464(k); 1789a; and 31 U.S.C. §§ 3301, 3302, 3303, and 3720.

## Section 3020—Lockbox Depository Qualifications

All Lockbox Depositaries shall meet the following qualifications at all times:

- Be a designated depository and financial agent of the U.S. Government, as defined in 31 CFR Part 202.
- Be in compliance with existing Treasury regulations and procedures concerning handling of Government deposits.
- Not be delinquent on any debts owed to the U.S. Government.
- Be able to process lockbox receipts at a facility that is located within 50 miles of the U.S. Postal Service’s first dropoff point for mail distribution (Sectional Center Facility or an Area Distribution Center) within the lockbox site city.
- Meet all requirements of the Treasury General Lockbox Network and Internal Revenue Service Lockbox Network as specified in the DFA, the Memorandum of Understanding (MOU), the Treasury Financial Manual (TFM), or as directed by the Authorized Treasury Official (ATO) or his/her designated representative.

## Section 3025—Governing Documents

A DFA is a two-party agreement between FMS and the Lockbox Depository to perform lockbox services. The MOU is a three-party agreement between FMS, the Lockbox Depository, and a Federal Government agency. The

MOU outlines remittance-processing specifications required by the agency. Policies and operations pertaining to lockbox services are covered in this chapter and are incorporated by reference into all DFAs. In the event of any inconsistencies within or among the TFM, DFA, MOU, or similar agreements, the ATO will make a determination and finding as to the proper course of action.

## Section 3030—Definition of Terms

The following definitions are defined for the purposes of this chapter only.

**Adjusted Earnings Credit Rate (AECR)** (or the Adjusted Analysis Earnings Rate (AAER))—The rate used to calculate imputed earnings on Treasury Time Balances (TTBs) and Demand Deposit Accounts (DDAs). FMS adjusts the Earnings Credit Rate (published as an annual rate) to a monthly rate and uses it to determine the imputed earnings on the TTB and on deposits held overnight in DDAs at the Lockbox Depository.

**Agency**—An organizational unit of the U.S. Government or recognized agent thereof. For the purposes of this document, an agency is a Federal Government user of lockbox services.

**Agency Location Code (ALC)**—A unique 4- or 8-digit number assigned by FMS to identify agency stations and offices on agency accounting reports and documents.

**Authorized Agency Official (AAO)**—A Federal Government agency official

authorized to act for and bind the Federal agency under an MOU.

**Authorized Bank Official (ABO)**—The Lockbox Depository official authorized to act for and bind the Lockbox Depository under a DFA, an MOU, or a similar agreement.

**Authorized Treasury Official (ATO)**—The FMS official authorized to act for and bind the U.S. Treasury regarding U.S. Government lockbox collections. Currently, the ATO is the Director, Financial Services Division, Financial Management Service, U.S. Department of the Treasury.

**Automated Clearing House (ACH) File Cutoff**—The time each banking day at which CASH-LINK ceases to designate deposits reported by Lockbox Depositories as ACH file items. The cutoff time is set at 8 p.m. eastern time (e.t.) on Banking Day 1.

**Availability**—The percentage of 0-Day, 1-Day, and 2-Day funds, as assigned by the Lockbox Depository, contained in Federal agency deposits.

**Banking Day**—The part of any business day on which an office of a bank is open to the public for carrying on substantially all of its banking functions.

**Bank Management**—The process of reporting the Lockbox Depository's monthly service charges in a manner determined by FMS for compensation purposes.

**Business Day**—A calendar day other than a Saturday or Sunday or any day defined as a holiday in the Federal Reserve Holiday Schedule. The Lockbox Depository adheres to this business day definition unless stated otherwise in an MOU.

**CASH-LINK** (including CASHLINK II or other successor system)—The FMS system used by Lockbox Depositories to report agency deposits for credit to the Treasury's account. The system creates electronic funds transfers to move funds from the Lockbox Depository to the Treasury's account at FRB New York.

**CASH-LINK Deposit Report**—The funds and accounting information contained on the deposit report form for

a given deposit date, as reported by each depository to CASH-LINK.

**Demand Deposit Account (DDA)**—An account maintained by the Treasury at the Lockbox Depository for crediting agencies for lockbox deposits.

**Deposit Date**—The banking day on which the Lockbox Depository posts deposits to the Treasury's DDA for the agency, prepares SF 215 Deposit Tickets with the voucher date assigned, and reports the deposits into CASH-LINK. On the deposit date, the Lockbox Depository receives settlement for remittances transmitted electronically, i.e., via ACH or FEDWIRE.

**Electronic Lockbox**—An electronic lockbox accommodates both paper remittances as well as all types of electronic transactions. The remitter can provide payments through either the ACH network, wire-transfer, or paper check mailing. Use of an electronic lockbox permits automated collection and deposit of funds and subsequent transfer to the FRB New York for credit to the proper ALC. The electronic lockbox system transmits pertinent data via computer-to-computer link or tape from the Lockbox Depository to the agency. Unlike paper lockboxes (wholesale and retail), electronic lockboxes accept (at least some) electronic collections and may or may not process forms or currency.

**Expedite Funds**—When FMS asks a Lockbox Depository to expedite funds, all funds shall be transferred to the Treasury's account at the FRB New York on the same day the funds are credited in the DDA. To expedite funds means to accelerate the deposit from the day after deposit to the day of deposit as defined in Section 3050.

**Federal Funds Rate (FFR)**—The daily interest rate at which reserves are traded among commercial banks for overnight use. The daily effective FFR is applied to the principal amount of a funds transfer delay to determine the amount of interest assessed a Lockbox Depository. The daily FFR is published in the Federal Reserve Statistical Release (H.15) weekly.

**Funds Transfer Date** (also known as Transfer Date)—The calendar date funds are moved from the Lockbox Depository to the Treasury's account at FRB New York. Unless specified otherwise by FMS, the transfer date for an Expedite account is the deposit date, and the transfer date for a Non-Expedite account is the business day following the deposit date.

**Funds Transfer Delay**—The difference in time between the agreed upon funds transfer date and the actual funds transfer date, measured in whole days, from the Lockbox Depository to the Treasury's account at the FRB New York.

**Internal Credit Tickets**—An internal accounting document a Lockbox Depository prepares to represent a credit entry to the Treasury's DDA at the Lockbox Depository.

**Internal Debit Tickets**—An internal accounting document a Lockbox Depository prepares to represent a debit entry to the Treasury's DDA at the Lockbox Depository. These debits are the result of returned items or other adjustments.

**Investable Balance**—The amount of dollars the Lockbox Depository has available to invest. The Investable Balance consists of (1) the Investable TTB to be placed by FMS in a separate non-interest-bearing time account with the Lockbox Depository, and (2) the Treasury Average Daily Collected Balance (TADCB) in the DDA. The value derived by the Lockbox Depository from the interest-free use of the investable balance over a period of time is used as the source of the Lockbox Depository's compensation for providing required services.

**Leap Year**—During leap years, when making monthly calculations, the Lockbox Depository should use 29 days for February. When making calendar year calculations during leap years, the Lockbox Depository should use 366 days.

**Lockbox Depository**—A financial institution designated under 31 CFR Part 202 as a Depository and Financial Agent of the U.S. Government that meets the

qualifications set forth in Section 3020 and is authorized by FMS to perform financial services known as “lockbox services” for Federal Government agencies.

**Lockbox Services**—The term used herein to describe all categories of financial services provided by Lockbox Depositories. Lockbox services include:

- *Basic Depository Services*—Services that Federal agencies would receive through a Treasury General Account (TGA) at a commercial bank or the FRB.
- *Standard Lockbox Services*—Services necessary for a Federal agency to process remittance documents and update its internal accounts receivable system.
- *Ancillary Lockbox Services*—Services that go beyond Standard Lockbox Services, as determined by FMS, and do not necessarily accelerate deposit of funds to the Treasury. The agency pays for Ancillary Lockbox Services as explained in I TFM Bulletin No. 94-07, Responsibility for Payment of Lockbox Account Costs.

**Product Code Category**—A standard 6-character designation (suffixes may be added) that represents a specific and defined product or service the Lockbox Depository performs to support financial services for Federal agencies. The Treasury recognizes the codes published by the Association for Financial Professionals (AFP).

**Redeposited Item**—An item that cannot be collected by the Lockbox Depository upon first presentment and is redeposited into the agency-specific Treasury DDA for second presentment and collection.

**Reserve Ratio**—The standard percentage of funds in DDA and TTB accounts that the Lockbox Depository cannot invest due to Federal Reserve requirements. The FRB determines the reserve requirement ratio.

**Returned Item**—An item that the Lockbox Depository cannot collect after

two presentments and is returned to the agency for disposition.

**SF 215: Deposit Ticket**—The Treasury form a Lockbox Depository prepares with totals of checks and other negotiable instruments to credit the Treasury’s DDA at a lockbox for a specific agency (see “Voucher”). The SF 215 includes an original, and depository, agency, memorandum, and confirmed copies. The Lockbox Depository may create deposit tickets electronically if pre-approved by FMS’ Financial Analysis Branch.

**SF 5515: Debit Voucher**—The Treasury form a Lockbox Depository prepares to debit the Treasury’s DDA at a Lockbox Depository for a specific agency (see “Voucher”). The SF 5515 includes an original, and depository, agency, memorandum, and confirmed copies. The Lockbox Depository may create debit vouchers electronically if pre-approved by FMS’ Financial Analysis Branch.

**Treasury Average Daily Collected Balance (TADCB)** (also known as Treasury Average Net Collected Balance)—The standard formula all Lockbox Depositories use to calculate the amount of availability of funds compensation due on a monthly basis (see subsection 3070.10). The TADCB is calculated using both the actual and guaranteed availability of funds percentages as prescribed in subsection 3070.20. On a case-by-case basis, FMS may authorize the Lockbox Depository to use another basis for calculating the TADCB.

**Treasury Time Balance (TTB)**—The amount of funds Treasury has deposited with the Lockbox Depository in a non-interest-bearing time account to compensate for financial services performed by a Lockbox Depository. The TTB also may be referred to as the compensating balance.

**Value of Funds (VOF)**—The value of earnings on funds transfer delays and voucher delays. VOFs are assessments for not crediting or transferring funds to the Federal Government timely. The VOF method is the basis for calculating

compensation adjustments (see Section 3065).

**Voucher**—Any of the four following documents:

- SF-215—Standard agency deposit ticket.
- SF-215A—Internal Revenue Service (IRS) deposit ticket.
- SF 215B—U.S. Customs Service deposit ticket.
- SF 5515—Debit voucher.

**Voucher Confirmation**—A voucher that is signed or stamped by a Lockbox Depository officer “confirming” an increase or decrease in the Treasury’s DDA balance.

**Voucher Date**—The banking day a Lockbox Depository prepares a voucher to effect a credit, debit, or adjustment to the Treasury’s DDA for an agency. For returned items, the Lockbox Depository shall use the date the returned item is received as the voucher date. For all other deposits, the Lockbox Depository shall use the original agency deposit date as the voucher date.

**Voucher Delay**—The difference in time, measured in whole days, between the voucher date and the deposit date. The delay in reporting vouchers to CASH-LINK results in the delayed transfer of funds to Treasury. The voucher delay earnings are calculated according to the formula set forth in Section 3065.

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### Section 3035—Establishing a Lockbox Arrangement

A lockbox arrangement is established in accordance with I TFM 5-4600 as follows:

- An agency provides FMS with information on specific cashflows. FMS selects a Lockbox Depository to process the remittances for that cashflow based on a mail study analysis and/or other analyses.
- FMS coordinates a meeting between the agency and the Lockbox Depository to prepare

the operational specifications to support lockbox-processing requirements contained in the Statement of Work. These specifications cannot be changed without prior approval from FMS.

- The Lockbox Depository submits a pricing schedule to FMS for approval.
- FMS develops an MOU that includes the processing specifications and negotiated pricing schedule, and obtains the signatures of the ATO, AAO, and ABO. FMS distributes the MOU to the agency and Lockbox Depository.

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## Section 3040—Lockbox Depository Operations

### 3040.10—General

All lockbox applications shall utilize the lockbox services listed below. Specific processing is defined in each MOU.

- Mail collection and sorting.
- Mail extraction.
- Remittance processing.
  - Data capture.
  - Check encoding and endorsing.
- Deposit proofing and balancing.
- Deposit credit.
  - Internal credit and debit ticket preparation.
  - SF 215 and SF 215A/B preparation.
- Redeposited items.
- Account adjustments.
  - Chargebacks.
  - Returned items.
  - SF 5515 preparation.
- Data transmission/delivery.
- CASH-LINK deposit reporting.
- Bank management reporting.

- Funds transfer to Treasury.

### 3040.20—Receipt and Processing of Agency Remittances

Each Lockbox Depository establishes a cutoff time no earlier than 2 p.m. (local time) unless otherwise specified under an MOU. Transactions processed after the cutoff time are considered to be received on the next banking day. The Lockbox Depository posts all lockbox deposits processed by the cutoff time to the Treasury's DDA for the agency the same banking day. Perform lockbox credits as follows:

- Credit the agency deposits to the Treasury's DDA for the agency at the Lockbox Depository.
- Prepare internal deposit tickets and Treasury forms SF 215, SF 215A/B, or SF 5515 with a voucher number assigned.
- Perform deposit reporting to CASH-LINK.

An agency may contact a Lockbox Depository when there is a discrepancy between a Lockbox Depository's and an agency's deposit records. All adjustments are applied to the current month's reports. Lockbox Depositories shall cooperate with agencies in reconciling differences. Failure to cooperate in resolving differences may result in the termination of the arrangement in accordance with the provisions of the DFA.

### 3040.30—Deposit Tickets (SF 215, SF 215A, and SF 215B)

The Lockbox Depository prepares an SF 215 for deposit and credit adjustments. In all cases, the deposit ticket date is the deposit date and the deposit date is the date of credit to the Treasury's DDA account for the agency.

#### Preparation

The Lockbox Depository shall process the lockbox deposits it received as follows:

- Complete an SF 215 for each day's receipts processed by the daily cutoff time. The deposit date is the same as the voucher date and date of credit to Treasury.
- Prepare an internal credit ticket to increase the balance in the DDA.
- Forward the original internal credit ticket and the items being deposited for processing.
- Confirm the accuracy of both the internal credit ticket and the SF 215.

#### Disposition

The Lockbox Depository distributes each SF 215 as follows:

- Retains the original and depository copies with a copy of the internal credit ticket.
- Returns the agency, memorandum, and confirmed copies to the agency.

#### Duplicate Vouchers

The Lockbox Depository shall, upon request and without charge, furnish copies of processed SF 215s to FMS and to a Federal Government agency at any time during the retention period. The Lockbox Depository shall plainly stamp "COPY" across the face of all duplicate SF 215s.

### 3040.40—Debit Voucher (SF 5515)

The Lockbox Depository shall make adjustments to Treasury DDAs for agencies by using an SF 5515 and reporting it to CASH-LINK. It shall complete the SF 5515 using the original date of the banking day that the remittance was received, except as specified for return items (see subsection 3040.60). The Lockbox Depository shall complete an SF 5515 when the following situations occur:

- The drawee's financial institution returns an unpaid check to the Lockbox Depository.

- The Lockbox Depository loses a check prior to microfilming or forwarding the check for collection.
- A correction is required to repair a CASH-LINK deposit reporting error.

When the situations described above exist, the Lockbox Depository shall immediately (1) prepare and execute an SF 5515 and (2) charge the amount of the unpaid item or adjustment to the Treasury's DDA for the agency. The Lockbox Depository shall include service charges, returned check charges, insufficient funds charges, or related fees in the monthly bank management report and shall not add or charge these fees to the depositing agency on the SF 5515. Report all adjustments to CASH-LINK.

Whenever there is an SF 5515 with no offsetting deposit ticket or with deposit tickets insufficient to cover the debit amount for that particular account, the Lockbox Depository shall not report the SF 5515 that day since CASH-LINK does not accept a negative transfer amount. If the debit amount cannot be covered the next banking day, see subsection 3040.70.

### **Preparation**

The Lockbox Depository shall process debits as follows:

- Prepare an SF 5515 for the total amount of each type of adjustment.
- Confirm the SF 5515 (intact) and date-time stamps "signature" in Block (8).
- Reference, on all SF 5515s, the original deposit ticket number, amount, ALC, and deposit date for which the adjustment applies.
- Prepare an internal debit ticket (if applicable) to decrease the balance in the DDA.

### **Documentation**

The Lockbox Depository shall provide the agency with sufficient

backup documentation to support each SF 5515 reported to CASH-LINK. In addition, the Lockbox Depository explains the adjustment on the "Agency/Depository Use" block of the SF 5515. This block also may contain reference codes that refer to a separate attached document of corresponding debit entries (see subsection 3040.60).

### **Disposition**

The Lockbox Depository shall retain the original of each SF 5515. When applicable, the Lockbox Depository forwards copies of all SF 5515s to the FRB in accordance with subsection 3040.70. The Lockbox Depository distributes the SF 5515 as follows:

- Retains the original and depository copy of the SF 5515 with a copy of the internal debit ticket.
- Returns the agency, memorandum, and confirmed copies of the SF 5515 to the agency.

### **Duplicate Vouchers**

Upon request and without charge, the Lockbox Depository shall furnish copies of processed SF 5515s to FMS and to a Federal Government agency at any time during the retention period. The Lockbox Depository shall plainly stamp "COPY" across the face of all duplicate SF 5515s.

### **3040.50—Adjustments**

The Lockbox Depository shall notify FMS of an adjustment that requires changing an ALC, CASH-LINK Account Key, voucher date, or voucher number. For adjustments that require a change to an SF 215 dollar amount of a previously reported deposit, when the SF 215 dollar amount differs from the actual amount of funds deposited, the Lockbox Depository shall use the following procedures. Generally, this difference is a result of typing, encoding, or check proofing error.

To correct an understated SF 215 reported in CASH-LINK, report a new SF 215 for the additional amount to CASH-LINK with the new deposit ticket number, original deposit ticket date, and ALC. In the "Agency Use Block," indicate the SF 215 Deposit Ticket number being adjusted and an explanation of the change in amount from the original deposit ticket.

To correct an overstated SF 215 reported in CASH-LINK, report an SF 5515 for the shortage amount to CASH-LINK with the debit voucher number, original deposit ticket date, and ALC. In the "Agency Use Block," indicate the SF 215 Deposit Ticket number being adjusted and an explanation of the change in amount from the original deposit ticket.

To correct an understated SF 5515 reported in CASH-LINK, report a new SF 5515 for the additional amount to CASH-LINK with the new debit voucher number, original debit voucher date, and ALC. In the "Agency Use Block," indicate the SF 5515 debit voucher number being adjusted and an explanation of the change in amount from the original debit voucher.

To correct an overstated SF 5515 reported in CASH-LINK, report an SF 215 for the additional amount to CASH-LINK with that deposit ticket number, original debit voucher date, and ALC. In the "Agency Use Block," indicate the SF 5515 debit voucher number being adjusted and an explanation of the change in amount from the original debit voucher.

The Lockbox Depository shall use the following procedures if the deposit ticket or debit voucher amount differs from the amount reported to CASH-LINK.

To correct an erroneously reported SF 215, reverse by reporting as a debit to CASH-LINK the original deposit ticket number, the original deposit ticket date, reported dollar amount, and ALC. This will reverse the original deposit ticket entry. Report a new SF 215 with the original deposit ticket number, original deposit ticket date, ALC, and correct

dollar amount to CASH-LINK. The second entry will correct the erroneous amount entered.

To correct an erroneously reported SF 5515, reverse by reporting as a credit to CASH-LINK the original debit voucher number, original debit voucher date, reported dollar amount, and ALC. This will reverse the original debit voucher entry. Report a new SF 5515 with the original debit voucher number, original debit voucher date, ALC, and correct dollar amount to CASH-LINK. This second entry will correct the erroneous amount entered.

### 3040.60—Return Items

The only time FMS requires a Lockbox Depository to represent a returned item is in the event of an insufficient fund or uncollected fund reason code. If an item is returned with one of these reason codes, the Lockbox Depository shall: (1) automatically redeposit an unpaid check for second presentment, and (2) charge the Treasury's DDA for the agency for any item(s) returned after second presentment. If the item returns after first presentment bearing a return reason code that the account is closed, the Lockbox Depository shall not redeposit the item but shall return it to the agency for collection.

The Lockbox Depository shall debit the ledger balance of the DDA for the amount of a returned item effective the calendar day of receipt of the returned item, not the original deposit date.

Each day, the Lockbox Depository shall prepare one SF 5515 for each CASH-LINK Account Key summarizing all return items charged to the DDA. The voucher date shall be the calendar date on which a return item is received by the Lockbox Depository. Report all SF 5515s prepared for return items to CASH-LINK on the day of receipt. Refer to subsection 3040.40 for SF 5515 preparation and reporting instructions.

The Lockbox Depository shall provide an explanation for each return

item comprising the total debit amount in the "Depository/Agency Use" block of the SF 5515. At a minimum, the information provided shall include the drawer name, drawee bank, unpaid check amount, original deposit date, and reason for the return item. If possible, attach the returned check to the SF 5515.

In situations when multiple return items are received, the Lockbox Depository may use a unique number that identifies each return item and refers to a separate detail listing of information about each return item. Deliver or forward all unpaid checks to the agency, together with the memorandum and confirmed copies of the SF 5515.

### 3040.70—Reimbursement for Overdrafts

An overdraft can occur for a variety of reasons, including but not limited to:

- Checks returned unpaid (return items) to the Lockbox Depository.
- CASH-LINK deposit reporting errors.
- Adjustments to deposits.
- Return items to a closed DDA.

#### *Overdraft Situations*

CASH-LINK does not accept a negative transfer amount. In all cases, whenever a large debit item exceeds the amount of a day's deposits, causing an overdraft situation in the account, the Lockbox Depository shall not report the corresponding SF 5515 to CASH-LINK that day. If the debit amount continues to exceed the amount of deposits on the next banking day, the Lockbox Depository shall contact the FMS Program Manager.

#### *Depository Requirements*

The Lockbox Depository shall inform FMS of an overdraft situation and request authorization to process the SF 5515 through the local FRB to debit the amount against Treasury's account at the FRB. The Lockbox Depository shall provide FMS with a copy of the

completed and confirmed SF 5515 together with supporting detail prior to FMS' authorization.

The supporting documentation shall state the Lockbox Depository's ABA number, the Treasury DDA number for the agency, the account name, the ALC, the agency's CASH-LINK account key, and a reason for the requested debit action. The FRB only accepts SF 5515 debit vouchers.

#### *Reconciliation*

The Lockbox Depository shall provide the agency with the returned item (unpaid check) together with the memorandum and confirmed copies of the SF 5515 and any additional supporting documentation. The Lockbox Depository shall advise the agency of all adjustment actions functioned through the FRB. The Lockbox Depository shall inform the agency that the accounting detail may be reviewed through CASH-LINK Agency Access by using the agency's ALC and the FRB's ABA number.

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### Section 3045—Internal Controls and Communications

The Lockbox Depository shall:

- Provide its employees and subcontractors with proper supervision, quality control, and training for accurate and timely compliance with the requirements of the DFA.
- Conduct, at least quarterly, briefings with managerial and operational staff to review all security requirements identified under the DFA.
- Reconcile billing inquiries with monthly account analysis statements for all services performed within 30 calendar days and immediately notify FMS in writing of any adjustments to be made.
- Inform FMS of any requests for changes made by the agency



relating to performance of the DFA.

- Control the flow of work from the time it is received until it has been fully processed in compliance with the production, security, and quality requirements of the DFA.
- Report deposits, transfer funds and perform Lockbox Bank Management reporting in accordance with the procedures in this chapter.
- Identify customer service representatives for technical or production concerns and financial matters.
- Maintain a log of all cash and checks with blank payee lines received at the Lockbox (unless otherwise prescribed in an MOU).
- Follow all audit guidelines written in the Lockbox Depository's DFA and MOU as currently constituted or amended.
- Maintain a log of security situations (access violations, problems with delivery of mail, etc.) that occur, procedures applied to remedy the situation, or new procedures implemented.

### Section 3050—Lockbox Deposit Reporting and Funds Transfer

The Lockbox Depository shall report deposits, and perform transfer of funds to the TGA at the FRB, in accordance with the procedures stated in *CASH-LINK Operating Instructions for Domestic Treasury's General Account Depository Banks*, Supplement to TFM Volume V, Chapter 2000.

When establishing a lockbox account key, FMS, in its sole discretion, determines whether the expected deposits warrant the cost of expediting the funds to the Treasury on the day of deposit.

### 3050.10—Non-Expedite Accounts

If the deposits do not warrant the cost of expediting, FMS assigns the account key as a Non-Expedite Account. Non-Expedite Accounts usually represent paper lockboxes (check, money order, etc.) though there may be electronic lockboxes that, due to low dollar amounts, also are designated as Non-Expedite. Unless otherwise directed by FMS, the Lockbox Depository shall credit the Treasury DDA for the agency and report deposits through CASH-LINK prior to 8 p.m. e.t. on the banking day of deposit, and transfer funds to the Treasury's account at the FRB via ACH debit on the banking day following the day of deposit. If a Lockbox Depository does not report a deposit into CASH-LINK by 8 p.m. e.t. on the day of deposit, it must report the deposit by 2 p.m. e.t. on the business day following the day of deposit. FMS will send a 1031 funds transfer request to the Lockbox Depository instructing that the Lockbox Depository send the payment to Treasury through Fedwire that same day. FMS reserves the right to require that the Lockbox Depository expedite the funds in an Non-Expedite Account through Fedwire on the date of deposit. FMS will normally provide written notification to the Lockbox Depository 7 calendar days prior to such an occurrence, though such notification is not required.

If FMS designates an electronic lockbox account key as a Non-Expedite account, the Lockbox Depository shall transfer funds the day after deposit as stated above, unless the total amount of the electronic funds deposit is greater than \$1 million. If the electronic funds deposit is greater than the \$1 million threshold, the Lockbox Depository:

- Immediately, shall make the deposit report and transfer the electronic funds via Fedwire, to avoid a value of funds assessment.
- As soon as the Fedwire funds transfer is completed successfully, shall notify its ACH department to reject the ACH debit for the exact amount of the

Fedwire. Unless the Lockbox Depository initiates the rejection, the automatic ACH drawdown will occur on the following business day and cause a duplicate payment to the Treasury. The Lockbox Depository must comply with the established CASH-LINK deadlines or otherwise halt the ACH.

### 3050.20—Expedite Accounts

If FMS designates the account key as an Expedite Account, the Lockbox Depository shall:

- Credit the Treasury DDA for the agency;
- Report deposits through CASH-LINK prior to 2 p.m. e.t. on the banking day of deposit;

AND

- Transfer funds to the Treasury's account at the FRB via Fedwire on the same day.

Unless otherwise specified by FMS, consider account keys associated with electronic lockboxes (see the definition in Section 3030) as Expedite Accounts, report through CASH-LINK prior to 2 p.m. e.t. on the banking day of deposit, and transfer funds to the Treasury's account at the FRB via Fedwire on the same day.

CASH-LINK initiates an automatic, next-business-day ACH drawdown for all deposit reports received after 2 p.m. If the 2 p.m. reporting deadline is missed for an Expedite Account, the Lockbox Depository shall do the following:

- Immediately, make the deposit report and transfer the funds via Fedwire, to avoid a value of funds assessment.
- As soon as the Fedwire funds transfer is successfully completed, notify its ACH department to reject the ACH debit for the exact amount of the Fedwire. Unless the Lockbox Depository initiates the rejection, the automatic ACH drawdown

will occur on the following business day and cause a duplicate payment to the Treasury. The Lockbox Depository must comply with the established CASH-LINK deadlines or otherwise halt the ACH.

See Appendix 2 for detailed deposit reporting and funds transfer instructions for electronic deposits.

If paper remittances are received into an electronic lockbox that would otherwise be an Expedite Account, the Lockbox Depository shall report the paper deposit using a separate deposit ticket after 2 p.m. e.t. so that a next-business-day ACH drawdown request is generated. The transfer date for the paper remittances (only) shall be the business day following the deposit date.

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### **Section 3055—Lockbox Bank Management Reporting**

FMS determines the method of Lockbox Bank Management Reporting. The Association for Financial Professionals (AFP) (formerly TMA) identifies product codes for the financial services recognized by FMS. The AFP develops product code service terms and definitions. Information on the volume activity of each product code relating to specific agency CASH-LINK Account Keys is either derived from deposit reports to CASH-LINK or reported each month by the Lockbox Depository to FMS' automated bank management system.

Until the Lockbox Bank Management Reporting function is automated, the Lockbox Depository shall prepare all monthly reports in accordance with the instructions of the DFA and this chapter.

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### **Section 3060—Lockbox Depository Reporting Requirements**

The following is a list of all information the Lockbox Depository

must report on a monthly basis to FMS. The information does not need to be submitted all on an Account Analysis Statement but still must be received or accessible in some approved format by the deadline specified.

#### **Note**

Upon request of FMS and without charge, the Lockbox Depository shall submit a monthly DDA Statement for each agency account and a separate end-point analysis and funds availability (Vector Analysis) report for each agency account.

#### **Reports Due the 8<sup>th</sup> Business Day of the Subsequent Month**

Send the following report to the Bank Management Team Leader, Electronic Banking Services Division:

- Signed Statement of Income and Expenses.

Send the following reports to the Account Analysis Team Leader, Financial Services Division:

- Lockbox services displayed by corresponding AFP product codes, activity volumes, and per item service charges.
- ALC and Account Key that correspond to the specific DDA.
- Returned item volumes.
- Actual 0-Day, 1-Day, and 2-Day availability of funds percentages and resulting TADCB, if applicable (see Section 3070).
- Monthly adjustments with descriptions.

Send the following report to the FMS Account Analyst, Financial Services Division:

- Guaranteed 0-Day and 2-Day availability of funds percentages and resulting TADCB, if applicable.

#### **Report Due the 15<sup>th</sup> Business Day of the Subsequent Month**

Send the following report to the Bank Management Team Leader, Electronic Banking Services Division:

- Consolidated Net Position Spreadsheet.

#### **Reports Due on the 20<sup>th</sup> Calendar Day of the Subsequent Month**

Send the following reports to the Account Analysis Team Leader, Financial Services Division:

- Total monthly service charges categorized as Basic, Standard, or Ancillary.
- A month-end deposit summary report displaying daily deposit totals and an availability (0-Day, 1-Day, and 2-Day) analysis together with total daily float ratios. The deposit summary report shall incorporate a check clearing analysis displaying the number of items, total deposits, and corresponding category of float for all lockbox DDA accounts. The totals shown on the deposit analysis report shall correspond to the amounts reported on the other reports.

#### **Availability Schedule**

The Lockbox Depository shall provide the Account Analysis Team Leader with its current actual availability schedule at least every 6 months. However, if the availability schedule changes, the Lockbox Depository shall send an updated schedule, which reflects its best actual availability, to FMS before the first day of the month prior to the schedule's effective period. Availability for lockbox deposits shall be assigned according to the schedule in effect or guaranteed percentages established in the DFA.

---

### Section 3065—Lockbox Interest Assessment Program

FMS manages the Lockbox Interest Assessment Program for all Lockbox Depositories subject to this chapter. The Lockbox Depository shall be liable for any failure on its part, or on the part of its subcontractors, to comply with the terms, conditions, and provisions of the DFA, the MOU, or this chapter that result in a delay of funds availability, or other loss to the U.S. Treasury. (See Funds Transfer Delay, Value of Funds, and Voucher Delay definitions in Section 3030). The Lockbox Depository's liability shall continue through 6-1/2 years after occurrence, and shall include, but not be limited to:

- Any funds transfer delay amount.
- The amount of funds affected by the delay of voucher and deposit report information to Treasury.
- Any remittances received by the Lockbox Depository that are not processed and deposited to the Treasury DDA within 24 hours.
- The amount of remittances lost while under the control and responsibility of, or on the premises of, the Lockbox Depository or its subcontractors.
- Any remittances received but not processed and deposited by the financial institution within the timeframe required.

If any part of the primary system fails and the backup system is not applied to transfer funds, the Lockbox Depository shall be liable for the VOF for the nonscheduled period retained.

The amount of liability is the VOF and it is calculated by:

$$\text{VOF} = (\text{dollar amount of delay}) \times (\text{average Federal Funds Rate for the period of delay}/365) \times (\text{\# of days delayed}).$$

If the Lockbox Depository transfers excess funds, FMS will be liable to the Lockbox Depository for the time the VOF is in excess and so transferred to Treasury's account at the FRB. Payments made from FMS to the

Lockbox Depository are in the form of earnings credits from the compensating balance unless FMS, in its sole discretion, determines otherwise.

Riggs Bank, or other financial institution designated by the Treasury, sends a monthly Statement of Account Analysis (SAA) to each Lockbox Depository that reflects the amount of the VOF and provides supporting information for each Account Key. The Lockbox Depository shall review the SAA and identify incorrect deposit reporting entries, which result in interest assessments. The Lockbox Depository shall adhere to the following procedures regarding the CASH-LINK SAA.

Separate copies of the CASH-LINK SAA are generated and sent out the first business day after the end of the month following the report month (e.g., for July, September 1).

Within 10 business days following receipt of the SAA, the Lockbox Depository shall have reviewed the monthly CASH-LINK SAA and identified deposit reporting discrepancies. The Lockbox Depository shall notify FMS within 10 business days if it identifies deposit reporting discrepancies during its review of the CASH-LINK SAA.

If the Lockbox Depository has not contacted FMS within 30 calendar days following the report month, FMS will assume the Lockbox Depository agrees with the interest assessments and will make the appropriate adjustments to the Lockbox Depository's TTB cumulative position for compensation.

The VOF assessment will be included in the calculation of the compensation due.

At FMS' discretion, FMS may collect the VOF assessments from the Lockbox Depository by initiating a direct payment from the Lockbox Depository to the TGA at FRB New York. The methods of direct payment from the Lockbox Depository include, but are not limited to, an ACH debit, receipt of a hard-dollar payment, a charge against the Lockbox Depository's reserve account at the FRB, or liquidation of collateral

pledged by the Lockbox Depository to secure deposits of public money. Where possible, FMS notifies the ABO 30 days before a direct payment is initiated and this option is exercised. However, such notification is not required.

FMS does not recognize adjustments to a previous month's ledger balance or service charge adjustments made by the Lockbox Depository as a method of making the deficient party whole for VOF adjustments.

In the event that FMS directly bills the Lockbox Depository, the Lockbox Depository shall promptly remit the amount set forth in the VOF assessment decision. If the Lockbox Depository fails to pay the VOF assessment within the time specified, the Lockbox Depository shall be liable for interest, penalties, and administrative costs in accordance with applicable authorities, including, but not limited to, those codified at 31 U.S.C. § 3717 and 4 CFR Parts 101-105.

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### Section 3070—Compensation

Lockbox Depositories may be compensated for services provided to the Treasury by means of ACH credits, the imputed value of TTBs, and/or the imputed value of collected overnight balances maintained in the TGA (immediately available funds). The method of compensation is at the sole discretion of Treasury.

FMS may decide to compensate the Lockbox Depository for lockbox collection services through the imputed earnings on the Investable Balance, which consists of: (1) the Investable TTB to be placed by FMS in a separate non-interest-bearing time account with the Lockbox Depository, and (2) the TADCB in the DDA. The Lockbox Depository shall maintain the TTB in a non-interest-bearing time account entitled the "U.S. Treasury Time Balance Deposit—Open Account (Cash Management Services)." The value derived by the Lockbox Depository from the interest-free use of the Investable Balance over a sufficient period of time shall be the source of the Lockbox

Depository's compensation for providing required services as specified in the DFA and applicable MOUs.

The Investable Balance is calculated as follows:

$$\text{Investable Balance} = \text{Invest}_{\text{TTB}} + \text{TADCB}$$

Where:

$\text{Invest}_{\text{TTB}}$  = Investable Treasury Time Balance  
The TTB<sup>1</sup> less reserve requirements.

TADCB = Treasury Average Daily Collected Balance (see subsection 3070.10).

FMS sets the TTB at an adequate level to compensate the Lockbox Depository for agreed-upon expenses and the imputed value of the TADCB. FMS also may consider forecasted activity in setting the level of the TTB.

FMS adjusts the TTB amount as necessary for compensation purposes. However, FMS reserves the right to adjust the TTB at any time. Any requests for TTB adjustments by the Lockbox Depository shall be submitted to FMS' Bank Management Team Leader, in writing, with sufficient documentation to support the requested adjustment. FMS reviews the document and responds as FMS, in its sole discretion, deems appropriate.

FMS and the Lockbox Depository monitor the level of the TTB in the following manner (Lockbox TTB Cumulative Position Report):

Cumulative Position:

$$\begin{aligned} & [(\text{Invest}_{\text{TTB}}) \times (\text{AECR})] \\ & + [(\text{TADCB}) \times (\text{AECR})] \\ & - [(\text{Expenses}) +/-(\text{Adjustments})] \\ & + [(\text{Prior})] \end{aligned}$$

Where:

$\text{Invest}_{\text{TTB}}$  = Investable Treasury Time Balance  
The TTB<sup>2</sup> less reserve requirements.

<sup>1</sup> The Lockbox Depository may use the weighted average to determine the TTB as long as the Lockbox Depository specifically explains to FMS the method of calculation of the weighted average.

<sup>2</sup> See Footnote 1.

ADCB = Treasury Average Daily Collected Balance (see subsection 3070.10)

AECR = Adjusted Earnings Credit Rate

AECR = (ECR/365) X (# of calendar days in a month). During leap years, use 29 days for February and substitute 366 days for 365 days.

Expenses = Lockbox Depository Service Charges. Monthly service charges of the Lockbox Depository that have been pre-approved by FMS through either the DFA Price Schedule or otherwise in writing.

Adjustments = Adjustments and Settlements. Sum of all approved expense reconciliations and/or VOF assessments for voucher and transfer delays.<sup>3</sup>

Prior = Prior Month Cumulative Position

All discussions between the Lockbox Depository and FMS regarding compensation issues shall be based on the above method of calculation.

FMS must receive a Statement of Income and Expense outlining the above information in the format provided in Appendix 1 (or similar) by the 8<sup>th</sup> business day of the subsequent month. The ABO must certify the Statement of Income and Expense.

**3070.10—Treasury Average Daily Collected Balance**

On a monthly basis, the Lockbox Depository shall provide to FMS actual availability of funds percentages and a month-end availability report that provides daily check clearing totals. The Lockbox Depository shall calculate the TADCB using both the actual and guaranteed availability of funds

<sup>3</sup> Earnings/balance adjustments are determined independently on the cumulative position spreadsheet and added into the Net Position after all program expenses and adjustments have been included and the Net Balance determined.

percentages (as prescribed in subsection 3070.20) using the following formulas:

$$\text{Total Deposit Amt} + \text{Weekend/Holiday Balance} = \text{TLB}$$

$$((\text{TLB} \times \%0\text{-day} \times (1 - \text{RR}_{\text{DDA}})) - (\text{TLB} \times \%2\text{-day})) / \text{Days} = \text{TADCB}$$

Where:

Total Deposit Amt = CASH-LINK Total Deposit Amount. Derived by CASH-LINK. Month-end sum of all daily deposit totals that have been reported to CASH-LINK.<sup>4</sup>

Weekend/Holiday Balance = Weekend/Holiday Balance. Values for each non-business day during the analysis period are assigned the previous business day's CASH-LINK Total Deposit Amount (defined above). Each non-business day is assigned a value in this way, and the sum total of all non-business days equals the Weekend/Holiday Balance.

TLB = Treasury Ledger Balance. The sum of the CASH-LINK Total Deposit Amount and Weekend/Holiday Balance used to calculate the TADCB.

%0-Day = Percent of Immediately Available Funds. The percentage of total deposits for which the Lockbox Depository receives settlement on the same day as deposit. The Lockbox Depository shall use both the actual percent and the guaranteed percent from the DFA according to subsection 3070.20.

RR<sub>DDA</sub> = Reserve Ratio. The standard percentage of DDA funds that cannot be invested by the Lockbox Depository due to Federal Reserve requirements.

%2-Day = Percent of 2-Day Uncollected Funds. The percentage of total

<sup>4</sup> Compensation for interest lost on adjustments, chargebacks, and returned items is included in the cumulative position formula discussed in Section 3070.

deposits for which the Lockbox Depository receives settlement on the second day after the day of deposit or later. The Lockbox Depository shall use both the actual percent and the guaranteed percent from the DFA according to subsection 3070.20.

Days = Calendar Days. The number of calendar days in the analysis period. During leap years, use 29 days for February.

On a case-by-case basis, FMS may authorize the Lockbox Depository to use another basis for calculating the TADCB.

### **3070.20—Earnings Value of Funds Transferred to Treasury**

The Lockbox Depository shall reimburse FMS for the value of earnings on 0-Day collected funds that are transferred to Treasury on the banking day following the deposit date. The Lockbox Depository receives settlement of 0-Day collected funds on the same day as the deposit and has use of those funds overnight. FMS reimburses Lockbox Depositories only for the value of earnings on 2-Day uncollected funds transferred to Treasury the day after deposit. Items that settle beyond 2 days shall be considered 2-Day uncollected funds. FMS will only reimburse the Lockbox Depository for 1 day's interest on these items.

The Lockbox Depository shall calculate the TADCB according to the formula in subsection 3070.10 and shall provide the resulting figures to FMS by the 8<sup>th</sup> business day of the subsequent month. If guaranteed availability percentages are a part of the DFA, the Lockbox Depository shall calculate the TADCB twice on a monthly basis and provide both figures to FMS. First, the Lockbox Depository shall calculate the TADCB using the actual funds availability percentages for the analysis period, and, second, shall calculate the TADCB using the guaranteed availability percentages established in

the DFA. (The Lockbox Depository shall not mix guaranteed percentages and actual percentages in the same formula.) FMS uses the greater of the two resulting TADCBs for compensation. Therefore, the Lockbox Depository shall include the greater number in its Statement of Income and Expense.

If guaranteed percentages are not a part of the DFA, the Lockbox Depository shall only calculate the TADCB once using the actual percentages and shall report that figure to FMS.

Then the AECR is applied to the TADCB to determine the net earnings value of funds transferred to Treasury for the analysis period.

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### **Section 3075—Collateral Requirements**

The Lockbox Depository shall pledge collateral security with the FRB for the entire amount of the TTB in accordance with 31 CFR Part 202 or any Treasury or FRB procedural instruction that supplements the regulation. The Lockbox Depository shall pledge TTB collateral to the Cash Management Services Treasury Time Balance Account (V310) maintained at the National Customer Service Area (NCSA) of the St. Louis FRB.

The FRB reviews and applies collateral valuation margins and market-based pricing to all classes of eligible collateral. The list of eligible collateral is published on the Bureau of the Public Debt Web site [www.publicdebt.treas.gov](http://www.publicdebt.treas.gov) per 31 CFR Part 380.

The Lockbox Depository also shall pledge and maintain an appropriate level of collateral security, as determined by FMS, with either the FRB, or a custodian within the United States designated by the FRB, under FRB prescribed terms and conditions, in accordance with 31 CFR Part 202, to secure the amount of collected funds in Treasury DDAs for agencies at the Lockbox Depository. The Lockbox Depository shall pledge collateral for the daily amount of the immediately

available funds in the DDA that are not transferred to Treasury, less recognized deposit insurance. Recognized deposit insurance includes the insurance provided by the Federal Deposit Insurance Corporation, the National Credit Union Administration, and by insurance organizations specifically qualified by the Secretary of the Treasury. The Lockbox Depository shall pledge DDA collateral to the Lockbox DDA Account (V471). If FMS determines that a Lockbox Depository has not adequately collateralized deposits on more than 2 days of a calendar month, then FMS may identify the Lockbox Depository as "sanctioned" and may require the Lockbox Depository to pledge collateral at 120 percent of the collected balance.

### **Section 3080—TTB Placement and Withdrawal Procedures**

When a TTB is placed, in all cases, the Lockbox Depository shall pledge collateral to secure the full amount of the TTB, prior to receipt of the TTB. FMS verifies with the NCSA of the St. Louis FRB that sufficient collateral is in place before wiring funds to the Lockbox Depository. Collateral shall be pledged in accordance with Section 3075. The Lockbox Depository shall maintain, with its FMS representative, current wire instructions for receipt of Fedwire funds.

At all times, TTBs are subject to withdrawal by the U.S. Treasury to meet the fiscal needs of the U.S. Government (see 31 U.S.C. § 3304). FMS provides the Lockbox Depository with written notification with as many days notice as possible of intent to withdraw the TTB. However, FMS retains the right to withdraw TTB funds without notice. FMS is not liable for any costs realized by the Lockbox Depository in the event of a TTB withdrawal. If FMS' request to return the TTB is not honored, FMS reserves the right to instruct the FRB to immediately, and without notice, debit the Lockbox Depository's reserve account and seize pledged collateral.

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## Section 3085—Security Requirements and Contingency Planning

### 3085.10—Physical Security

Lockbox Depositories shall ensure that their lockbox processing facilities satisfy the security standards set forth in applicable requirements, including, but not limited to, the following:

- Treasury Directive 71-10, Chapter 3 (Information and Physical Security);
- Presidential Decision Directive 63 (Critical Infrastructure Protection);
- Lockbox Depository Agreements;
- Lockbox Processing Guidelines;

AND

- Associated physical security directives.

Physical security measures shall address the interior and exterior of the facility to deter and detect security threats and violations. Lockbox processing facilities shall be protected by sufficient, appropriate, and functioning physical security equipment including, but not limited to, the following:

- Interior and exterior cameras;
- Motion detectors;
- Bollards;
- Card readers;
- Intrusion detection systems;

AND

- Closed-circuit television monitoring.

This physical security equipment shall provide security coverage for both exterior and interior areas.

Lockbox Depositories shall incorporate security guard coverage into their overall security plan to ensure appropriate monitoring, inspections, and emergency reaction at the lockbox site(s). Lockbox Depositories must utilize security measures that ensure the integrity of operations and that otherwise

prevent and deter unauthorized access, fraud, waste, abuse, and theft.

### 3085.20—Information Security

Lockbox Depositories shall protect Federal financial information and related documents in accordance with applicable requirements, including, but not limited to, the following:

- Treasury Directive 71-10, Chapter III (Information and Physical Security), and Chapter VI (Systems Security);
- The Privacy Act of 1974;
- OMB Circular A-130 (Management of Federal Information Resources);
- OMB Circular A-130, Appendix III (Security of Federal Automated Information Resources);
- The Computer Security Act of 1987;
- OMB Circular A-123 (Management Accountability and Control);

AND

- All subsequent statutes, regulations, directives, and/or policies that may apply.

Lockbox Depositories shall properly safeguard and secure all lockbox information at all times to prevent unauthorized disclosure or compromise.

### 3085.30—Security Reviews and Security Oversight

FMS, Federal agencies, the General Accounting Office, Federal Agency Inspectors General, and the Treasury Inspector General have the right to conduct (announced or unannounced) on-site security reviews and audits of any Lockbox Depository's facilities, operations, and books/records related to the required lockbox services. These reviews and audits are conducted to verify whether the Lockbox Depository implemented corrective actions and to determine whether current requirements

are being satisfied, including, but not limited to, the following:

- Systems security;
- Protection of financial information;
- Personnel security;

AND

- Physical security requirements.

The Lockbox Depository shall develop and implement corrective actions to address findings/recommendations resulting from on-site security reviews. The Lockbox Depository shall resolve expeditiously on a priority basis, any security review finding categorized as "high risk." The Lockbox Depository shall implement interim security measures to mitigate "high risk" findings until the required corrective action is fully implemented.

### 3085.40—Contingency Planning

Lockbox Depositories shall develop continuity of operations plans to respond to crises. Lockbox Depositories shall have an alternate source of power for each lockbox processing site, including, but not limited to, an on-site generator or contract for delivery of a backup generator.

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## Section 3090—Exception Processing

### 3090.10—Unauthorized Wires to Lockbox Accounts

An unauthorized wire transfer is a wire received into the account when the account is not set up by FMS/Agency/Lockbox Depository to receive a wire. If a Lockbox Depository receives an unauthorized wire(s) to a paper lockbox (or other Non-Expedite Account) and the total dollar amount of the wire deposit is less than \$1 million (unless another amount is prescribed in an MOU or other agreement), the Lockbox Depository shall do the following:

- Immediately notify the FMS program manager and the agency relationship officer that the Lockbox Depository has received an unauthorized wire deposit.
- Post the wire to the Treasury's account for the agency. The deposit date shall be the calendar date of receipt.
- Report the wire to CASH-LINK together with the current day's deposit report. If the CASH-LINK report has already been performed, make another report to CASH-LINK for this unauthorized wire. The voucher date shall be the calendar date of receipt.
- If the wire is received late and cannot be reported into CASH-LINK by 8 p.m. e.t. on the day of deposit, the Lockbox Depository must report the unauthorized wire by 2 p.m. on the business day following the day of deposit. FMS will send a 1031 funds transfer request to the Lockbox Depository authorizing payment to Treasury through Fedwire.

If a Lockbox Depository receives an unauthorized wire(s) to a paper lockbox (or other Non-Expedite Account) and the total dollar amount of the wire deposit is more than \$1 million (unless another amount is prescribed in an MOU or other agreement), the Lockbox Depository shall expedite the deposit according to the following instructions:

- Immediately notify the FMS program manager and the agency relationship officer that the lockbox has received an unauthorized wire deposit and the amount of the deposit.
- Post the wire to the Treasury's account for the agency. The deposit date shall be the calendar date of receipt. Use a separate deposit ticket for the electronic funds and do not combine them with the paper deposits.
- Report the wire to CASH-LINK using a separate deposit report

from the paper deposits for the day. The voucher date shall be the calendar date of receipt.

- Transfer the funds to the Treasury's account at the FRB through Fedwire the same day as receipt. As soon as the Fedwire funds transfer is successfully completed, the Lockbox Depository shall notify its ACH department to reject the ACH debit for the exact amount of the Fedwire. Unless the rejection is initiated, the automatic ACH drawdown will occur on the following business day, and cause a duplicate payment, to the Treasury.

If a Lockbox Depository receives an unauthorized wire(s) to an electronic lockbox (or other Expedite Account such as an ACH account) that is not set up to receive wires, the Lockbox Depository shall include the wire funds in that day's deposit and transfer the entire deposit by Fedwire on the same day. If the unauthorized wire is received after the 2 p.m. e.t. deadline, follow the instructions in subsection 3050.20.

### **3090.20—Waivers**

Lockbox Depositories shall submit requests for waivers from any of the requirements set forth in this chapter in writing to the FMS ATO for consideration. Each request shall identify the specific requirement, the reason for the request, the period of time to be covered by the waiver, and any documentation in support of the request. The ATO reviews the request and, in his/her sole discretion, makes a final decision.

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## **Section 3095—Address Requirements and Records Retention**

### **3095.10—Address Requirements**

The Lockbox Depository shall maintain a current mailing address with FMS. Send address changes to the

address on the Contacts page of this chapter.

### **3095.20—Records Retention Requirements**

FMS' record retention standard is 6 years and 6 months from the date of origin of a record. The Lockbox Depository shall retain an original of each of the applicable records listed below, unless otherwise directed by FMS in writing. Photographs, digital images, microfilm, microfiche, or other authentic reproductions may be retained instead of original records. The Lockbox Depository shall make the records available for examination, audit, or reproduction, at all reasonable times and without charge to FMS or other Federal Government Agency. Records to be retained shall include:

- All compensation, deposit, and adjustment items:
  - Internal credit/debit tickets.
  - SF 215, SF 215A, and SF 215B.
  - SF 5515.
- Funds Transfers to Treasury (includes the trace number from CASH-LINK Deposit Report and ACH records/Fedwire transaction that match the trace number on the Deposit Report).
- All records relating to service charges, including invoiced items.
- Monthly Account Analysis Statements.
- All reports identified in Section 3060.
- All VOF assessments and settlements.
- Additional records identified in the DFA or MOU.

Lockbox Depositories shall retain records relating to disputes, appeals, litigation, or the settlement of claims arising under or relating to the DFA and shall make them available to FMS or other Federal agencies until the dispute, appeal, litigation, or claim is resolved.

If the DFA is completely or partially terminated, the Lockbox Depository or its successor shall safeguard all records listed above and any additional records relating to work performed up to the time of such termination in accordance with the retention requirements. The

Lockbox Depository shall retain these items for and shall make them available to FMS without charge for 6 years 6 months after the effective date of the termination, unless otherwise directed by FMS in writing. Lockbox Depositories shall not charge either the Treasury or

any depositing agency for any service charges, copying charges, researching charges, or any other charges for requesting photocopies, or any information regarding retained records either before or after the Lockbox Depository's agreement has ended.



## CONTACTS

### ***Direct inquiries regarding the Treasury Lockbox Network to:***

Account Analysis Team Leader  
Financial Services Division  
Financial Management Service  
U.S. Department of the Treasury  
401 14<sup>th</sup> Street, SW., Fifth Floor  
Washington, DC 20227  
Telephone: 202-874-6900  
Fax: 202-874-7321

### ***Based on the instructions provided in Section 3060, mail reports to one of the following addresses:***

Account Analysis Team Leader  
Financial Services Division  
Financial Management Service  
U.S. Department of the Treasury  
401 14<sup>th</sup> Street, SW., Fifth Floor  
Washington, D.C. 20227

Bank Management Team Leader  
Electronic Banking Services Division  
Financial Management Service  
U.S. Department of the Treasury  
401 14<sup>th</sup> Street, SW., Third Floor  
Washington, D.C. 20227

Allow at least 2 weeks delivery time when ordering additional forms from the above addresses.

Users may access and download this chapter and other chapters of the Treasury Financial Manual from FMS' Web site at **[www.fms.treas.gov/tfm](http://www.fms.treas.gov/tfm)**.

## List of Appendices

- Appendix 1 Model Statement of Income and Expense
- Appendix 2 Instructions for Posting and Transferring Electronic Funds Received into a Federal Lockbox

Model Statement of Income and Expense

Statement of Income and Expense  
Related to Financial Agent Services  
for the Month of October 2002

Name of Bank:

Income:

\$1,000,000,000 Treasury time balance @ 1.65% .....	\$1,401,370
\$500,000 average collected balance in demand accounts @1.65%..	630
Other income.....	5,000
Adjustments to income from prior periods.....	<u>10,000</u>
<b>Total Income</b> .....	<b>\$1,417,000</b>

Expenses:

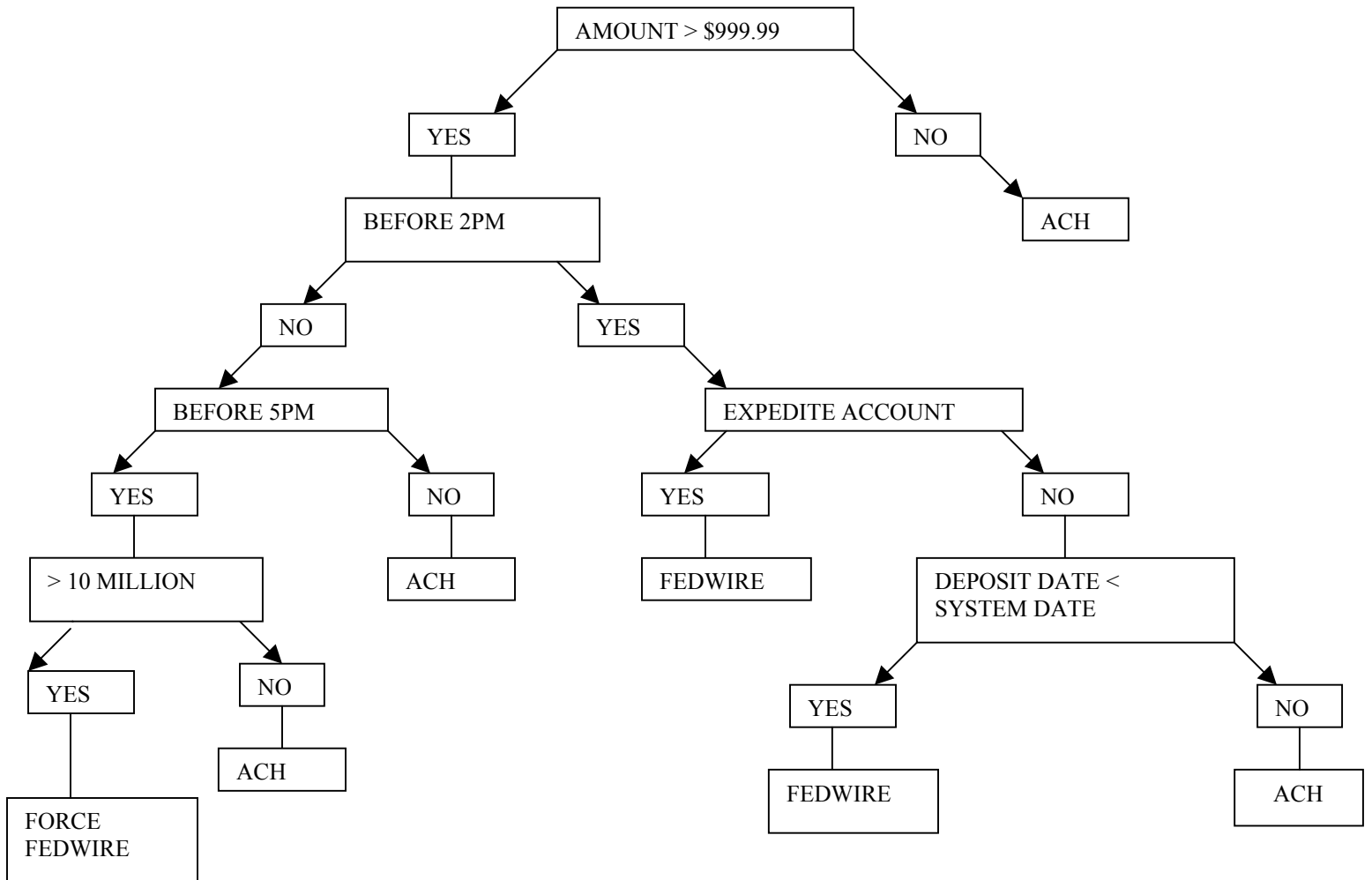
Electronic Federal Tax Payment System.....	\$50,000
IRS Lockbox (location #1).....	50,000
IRS Lockbox (location #2).....	50,000
General Lockbox (location #1).....	50,000
General Lockbox (location #2).....	50,000
Plastic Card Network.....	20,000
Pay.gov.....	10,000
Adjustments to expense for prior periods.....	5,000
<b>Total Expenses</b> .....	<b><u>\$285,000</u></b>
<b>Net Gain/(Loss) for October 2002</b> .....	<b><u>\$1,132,000</u></b>

\_\_\_\_\_  
Signature of Bank Official

\_\_\_\_\_  
Date

Note: Support all entries on this statement by an account analysis statement, approved invoice, or an attached explanation.

Instructions for Posting and Transferring Electronic Funds Received into a Federal Lockbox



## TREASURY FINANCIAL MANUAL

### TABLE OF CONTENTS

Chapter	Section	Title
<b>1000</b>		<b>PURPOSE AND PLAN OF VOLUME V</b>
	1010	Authority
	1015	Arrangement of the TFM
	1020	Types and Purposes of TFM Releases
	1025	Distribution Contacts
<b>2000</b>		<b>DEPOSITS FOR CREDIT TO TREASURY'S GENERAL ACCOUNT</b>
	2010	Scope and Applicability
	2015	Authority
	2020	Definition of Terms
	2025	Background
	2030	Operational Requirements
	2035	Compensation
	2040	Forms
	2045	Document Retention
	2050	Resolving Differences
	2055	Value of Funds
	2060	Processing Treasury Checks Contacts
<b>3000</b>		<b>DEPOSITS IN LOCKBOX ACCOUNTS AT AUTHORIZED DOMESTIC DEPOSITARIES</b>
	3010	Scope and Applicability
	3015	Authority
	3020	Lockbox Depository Qualifications
	3025	Governing Documents
	3030	Definition of Terms
	3035	Establishing a Lockbox Arrangement
	3040	Lockbox Depository Operations
	3045	Internal Controls and Communications
	3050	Lockbox Deposit Reporting and Funds Transfer
	3055	Lockbox Bank Management Reporting
	3060	Lockbox Depository Reporting Requirements
	3065	Lockbox Interest Assessment Program
	3070	Compensation
	3075	Collateral Requirements
	3080	TTB Placement and Withdrawal Procedures
	3085	Security Requirements and Contingency Planning
	3090	Exception Processing
	3095	Address Requirements and Records Retention Contacts
		Appendices
		1. Model Statement of Income and Expense
		2. Instructions for Posting and Transferring Electronic Funds Received into a Federal Lockbox