



Treasury Financial Manual

Transmittal Letter No. 643

Volume I

To: Heads of Government Departments, Agencies, and Others Concerned

1. Purpose

This transmittal letter releases new chapter I TFM 5-4100: Requirements for Using Depositories To Hold Public Money. This chapter consolidates existing guidance to Federal agencies on the requirements for using depositories to hold public money. Federal agency financial personnel should share this guidance with program and procurement personnel throughout their agency.

2. Page Changes

Remove

Table of Contents for Volume I (T/L 632)

Table of Contents for Part 5 (T/L 627)

Insert

Table of Contents for Volume I

Table of Contents for Part 5

I TFM 5-4100

3. Effective Date

This transmittal letter is effective immediately.

4. Inquiries

Direct questions concerning this transmittal letter to:

Bank Policy and Oversight Division
Federal Finance
Financial Management Service
Department of the Treasury
401 14th Street, SW.
Liberty Center Building, Room 317
Washington, DC 20227
Telephone: 202-874-7055

Date: March 5, 2008

Judith R. Tillman
Commissioner

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Part 5—Chapter 4100

Requirements for Using Depositaries To Hold Public Money

This Treasury Financial Manual (TFM) chapter consolidates existing guidance to Federal agencies on the requirements for using depositaries to hold public money. Federal agency financial personnel should share this guidance with program and procurement personnel throughout their agency.

Section 4110—Scope and Applicability

This guidance is being issued to ensure Federal agencies:

- Comply with all statutes regarding public money;
- Collateralize all public money;

AND

- Report properly all public money held outside of the U.S. Treasury on all financial statements.

without specific statutory authority to hold public money outside of the U.S. Treasury must deposit all public money into an account in the name of the U.S. Treasury using one of the various mechanisms established by the Department of the Treasury, including, but not limited to, the Treasury General Account Network, General Lockbox Network, and Pay.gov.

Except as noted below, Federal agencies holding public money outside of the U.S. Treasury pursuant to specific statutory authority are required to place such public funds at a financial institution that the Secretary of the Treasury has designated as a depository and financial agent of the Federal Government. See 31 CFR Part 202. These Federal agencies must hold such funds in an official account other than an account in the name of the U.S. Treasury. They must comply with all Federal regulations and TFM policies, procedures, and instructions governing public money held outside of the U.S. Treasury and the use of depositaries to hold public money. For example, Federal agencies holding funds in an account at a depository are responsible for the following:

- Ensuring that acceptable collateral is pledged to secure the public money on deposit in excess of recognized insurance coverage;

AND

- Properly reporting funds held in accounts at designated depositaries on their monthly Statement of Transactions (FMS 224 or other designated accounting reports) and in their audited financial statements.

In rare cases, a Federal agency may have statutory authority to hold money without depositing it to the U.S. Treasury or into an account at a depository designated by the Department of the Treasury. However, the agency still must report these funds on its monthly Statement of Transactions (FMS 224) and in its audited financial statements.

The primary relevant regulations, policies, procedures, and instructions are the following:

- 31 CFR Part 202, *Depositaries and Financial Agents of the Federal Government—Governs the designation of depositaries and financial agents of the Federal Government and their authorization to accept deposits of public money and to perform other services as may be required of them.*
- 31 CFR Part 206, *Management of Federal Agency Receipts, Disbursements, and Operation of the Cash Management Improvements Fund—Prescribes cash management procedures for agencies,*

Section 4115—Authority

31 United States Code (U.S.C.) 321, 3302-3304, 3327, 3336; 12 U.S.C. 90, 265-266, 332, 391, 1434, 1452(d), 1464(k), 1767, 1789a, 2013, 2122, and 3101-3102; and 31 Code of Federal Regulations (CFR) Parts 202 and 206 provide the authority for this chapter.

Section 4120—Guidance

Federal agencies receiving public money from any source are statutorily required to deposit these funds into the U.S. Treasury, unless otherwise specifically authorized by law. Consequently, Federal agencies may not hold public money outside of the U.S. Treasury without specific statutory authority to do so. Federal agencies

including processes for billing, collection, deposit, and payment of funds.

- TFM Volume I, Part 2, Chapter 3400, Accounting for and Reporting on Cash and Investments Held Outside of the U.S. Treasury—Provides accounting and reporting policies and procedures on cash not deposited in a Treasury General Account and investments in non-Federal securities.
- TFM Volume I, Part 5, Chapter 2000, Checks and Cash Received in Collections—Provides check inscription requirements and procedures for Federal agencies to use when depositing checks and cash received in the collection process.
- TFM Volume I, Part 5, Chapter 4000, Making Deposits—Provides instructions for Federal agencies to follow when depositing public monies, including deposits with a general depository or a Federal Reserve Bank.
- TFM Volume I, Part 6, Chapter 8000, Cash Management—Establishes procedures for Federal agencies to follow to ensure prudent cash management and reiterates that Federal agencies must have statutory authority to hold public money outside of the U.S. Treasury.
- TFM Volume I, Part 6, Chapter 9000, Securing Government Deposits in Federal Agency Accounts—Provides the requirements for securing public money held outside of the U.S. Treasury.
- TFM Volume I, Bulletin No. 2006-07, Guidance on Federal Program Agencies (FPAs) Making Postage Payments to the U.S. Postal Service

(USPS)—Provides guidance to Federal agencies making postage payments to the USPS. This bulletin also reiterates that statutory authority is required to hold public money outside of the U.S. Treasury, which includes funds for postage.

Section 4125—Overseas Depositories

This TFM chapter generally concerns funds held at U.S. domestic depositories. Refer to TFM Volume I, Part 4, Chapter 9000, Foreign Exchange, for guidance concerning funds held at depositories located overseas.

Section 4130—Accounts of Agency Contractors

Unless an agency has specific statutory authorization, the general statutory requirement that Federal entities must deposit all public money into the U.S. Treasury does not permit Federal entities to deposit public money into a bank account of an agency contractor or vendor. This rule applies irrespective of whether the funds subsequently would be transferred into the U.S. Treasury. The rule applies equally to Federal agency contractors providing payment assistance and similarly prohibits agencies from depositing funds into a contractor or vendor account for subsequent disbursement. For example, a Federal agency must make payments directly to the USPS for postage and may not place public money in a postal vendor's account to be used for postage payment.

Section 4135—Assistance

The Financial Management Service (FMS) will assist Federal agencies with the appropriate mechanism for managing the inflow and outflow of public money. This discussion should occur prior to a Federal agency issuing a Request for

Proposal for collecting or disbursing public money. FMS also establishes collateral accounts for Federal agencies to use for securing public money held outside of the U.S. Treasury.

Section 4140—Additional Guidance

As stated above, Federal agencies must have statutory authority to hold public money outside of the U.S. Treasury. If a Federal agency experiences exceptional circumstances requiring a specific need to hold public money outside of the U.S. Treasury and, after consulting with agency counsel, is unsure whether it has the requisite statutory authority, the agency can request guidance from FMS in determining whether, and under what conditions, it may hold funds outside of the U.S. Treasury.

The agency's request for guidance should:

- Be written;
- Provide detailed information about the nature of the funds and where the funds will be held;
- Provide the statutory basis that the agency believes may permit it to hold public money outside of the U.S. Treasury;

AND

- Provide an analysis of other options and why they fail to meet the agency's needs.

Agencies should send requests for guidance to FMS's Bank Policy and Oversight Division (see the Contacts page). FMS will provide guidance on a case-by-case basis. Agencies must provide FMS with written notice of any subsequent changes to the statutory basis of any request for which FMS provided guidance.

Contacts

Direct inquiries regarding this chapter to:

Bank Policy and Oversight Division
Federal Finance
Financial Management Service
Department of the Treasury
401 14th Street, SW.
Liberty Center Building, Room 317
Washington, DC 20227
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TREASURY FINANCIAL MANUAL

TABLE OF CONTENTS

Part	Chapter	Title
1		INTRODUCTION
	1000	Purpose and Plan of the Treasury Financial Manual (TFM)
	2000	Financial Operations Startup Procedures for New Federal Entities
2		CENTRAL ACCOUNTING AND REPORTING
	1000	Introduction
	1500	Description of Accounts Relating to Financial Operations
	2000	Warrant and Nonexpenditure Transfer (NET) Transactions
	2500	Expenditure Transactions Between Appropriation, Fund, and Receipt Accounts
	3100	Instructions for Disbursing Officers' Reports
	3200	Foreign Currency Accounting and Reporting
	3300	Statement of Transactions (FMS 224) Reporting by Agencies for Which the Treasury Disburses
	3400	Accounting for and Reporting on Cash and Investments Held Outside of the U.S. Treasury
	3500	Daily Transmittal for Internal Revenue Service
	3900	Integration of Accounting Results
	4100	Debt Management Reports
	4200	Agency Reports on Unexpended Balances of Appropriations and Funds (Federal Agencies' Trial-Balance System II, FMS Form 2108: Yearend Closing Statement)
	4300	Reporting Instructions for Accounts Invested in Department of the Treasury Securities
	4500	Grants, Loans, Credits, and Contingent Liabilities Involving Foreigners
	4600	Treasury Reporting Instructions for Credit Reform Legislation
	4700	Agency Reporting Requirements for the Financial Report of the United States Government
	5000	Accounting and Reporting on Monetary Assets (Non Operating Cash Items) Held by U.S. Treasury Offices
	5100	Reconciling Fund Balance With Treasury Accounts
3		PAYROLLS, DEDUCTIONS, AND WITHHOLDINGS
	1000	Introduction
	2000	Payroll Vouchers
	3000	Payments to the Office of Personnel Management for Health Benefits, Group Life Insurance, and Civil Service Retirement
	4000	Federal Income, Social Security, and Medicare Taxes
	5000	Withholding of District of Columbia, State, City, and County Income or Employment Taxes
	6000	Purchasing Paper U.S. Savings Bonds, Series EE and I, Through the Voluntary Payroll Savings Plan
	7000	Allotments and Assignments of Pay

Volume I

Part	Chapter	Title
4		DISBURSING
	1000	Introduction
	1100	Delegations and Designations of Authority for Disbursing Functions
	2000	Payment Issue Disbursing Procedures
	3000	Third-Party Draft Procedures for Imprest Fund Disbursing Activities
	4500	Government Purchase Cards
	5000	Requisitioning, Preparing, and Issuing Treasury Checks
	6000	Checking Accounts With the U.S. Treasury
	6500	Magnetic Tape Check Issue and Reporting Level 8
	7000	Cancellations, Deposits, and Claims for Checks Drawn on the U.S. Treasury
	7100	Check Reclamations
	8000	Designated Depository Checking Accounts
	9000	Foreign Exchange
	10000	Delegation of Disbursing Authority
5		DEPOSIT REGULATIONS
	1000	Introduction
	2000	Checks and Cash Received in Collections
	3000	Deposit Ticket
	4000	Making Deposits
	4100	Requirements for Using Depositories To Hold Public Money
	4500	Deposits to Treasury Through the Fedwire Deposit System
	4600	Treasury Automated Lockbox Network
	4700	Plastic Card Collection Network
	5000	Uncollected and Lost Checks
	6000	Disposition of Foreign Currency and Checks Drawn on Foreign Banks
6		OTHER FISCAL MATTERS
	1000	Introduction
	2000	Cash Advances Under Federal Grant and Other Programs
	3000	Payments of Unclaimed Moneys and Refund of Moneys Erroneously Received and Covered
	3100	Certifying Payments and Recording Corresponding Intragovernmental Receivables in the Federal Government's Judgment Fund
	4000	Intra-Governmental Payment and Collection (IPAC) System
	5000	Administrative Accounting Systems Requirements in Support of the Debt Collection Improvement Act of 1996
	5100	Recovering Unclaimed Federal Financial Assets
	6000	Payment Procedures Upon Expiration of an Appropriation or a Continuing Resolution
	7000	Reporting Integrated Funding Transactions of Federal Assistance Programs
	8000	Cash Management
	8500	Cash Forecasting Requirements
	9000	Securing Government Deposits in Federal Agency Accounts

PART 5 - DEPOSIT REGULATIONS

Table of Contents

Chapter	Section	Title
1000		INTRODUCTION
	1010	Scope and Applicability
	1015	Authority
	1020	Standard and Prescribed Forms
	1025	Contacts Page
	1030	Distribution Contacts
2000		CHECKS AND CASH RECEIVED IN COLLECTIONS
	2010	Conditions Under Which Collecting Officers Will Accept Checks
	2015	Inscription on Checks
	2020	Record of Checks Deposited
	2025	Depositors' Endorsement and Legend on Checks Deposited
	2030	Sorting and Listing Deposits to General Depositories
	2035	Sorting and Listing Deposits to Federal Reserve Banks
	2040	Counterfeit Currency Contacts
		Appendices
		1. Endorsement and Legend for Deposits Made With a General Depository
		2. Endorsement and Legend for Deposits Made With an FRB
		3. CA\$H-LINK Identification Number (CIN)
		4. Federal Reserve Bank Addresses for Government Agencies To Use When Making Check Deposits
3000		DEPOSIT TICKET
	3010	Scope and Applicability
	3015	Preparing the Deposit Ticket
	3020	Courtesy Deposit
	3025	Daily Deposits
	3030	Adjustments Contacts
		Appendices
		1. SF 215: Deposit Ticket (Illustrates the Deposit Ticket for General Depositories) SF 215-A: Deposit Ticket (Illustrates the Deposit Ticket for General Depositories) SF 215-B: Deposit Ticket (Illustrates the Deposit Ticket for General Depositories) SF 5515: Debit Voucher (Illustrates the Debit Voucher for General Depositories)
		2. SF 215: Deposit Ticket (Illustrates the Deposit Ticket for Federal Reserve Banks) SF 215-A: Deposit Ticket (Illustrates the Deposit Ticket for Federal Reserve Banks) SF 215-B: Deposit Ticket (Illustrates the Deposit Ticket for Federal Reserve Banks) SF 215-D: Deposit Ticket (Illustrates the Deposit Ticket for Federal Reserve Banks) SF 5515: Debit Voucher (Illustrates the Debit Voucher for Federal Reserve Banks) SF 5515-A: Debit Voucher (Illustrates the Debit Voucher for Federal Reserve Banks)

Chapter	Section	Title
4000		MAKING DEPOSITS
	4010	Where Deposits Should Be Made
	4015	Frequency of Deposits
	4020	Reporting Large Deposits
	4025	Postage, Registration, and Other Expenses
	4030	Coverage of Deposits Under Government Losses in Shipment Act Contacts
4100		REQUIREMENTS FOR USING DEPOSITARIES TO HOLD PUBLIC MONEY
	4110	Scope and Applicability
	4115	Authority
	4120	Guidance
	4125	Overseas Depositaries
	4130	Accounts of Agency Contractors
	4135	Assistance
	4140	Additional Guidance Contacts
4500		DEPOSITS TO TREASURY THROUGH THE FEDWIRE DEPOSIT SYSTEM
	4510	Scope and Applicability
	4515	Authority
	4520	Definition of Terms
	4525	Background and Concepts
	4530	Required Information for Funds Transfers
	4535	Agency Notification of Deposits and Deposit Adjustments
	4540	Erroneous Agency Reporting of Deposits Contacts
		Appendices
		1. Required Information for Funds Transfer Message to Treasury and Funds Transfer Message Format
		2. Daily Support Listings of FDS Deposits
		3. SF 215C: Deposit Ticket
4600		TREASURY AUTOMATED LOCKBOX NETWORK
	4610	Scope and Applicability
	4615	Authority
	4620	Definitions
	4630	Background and Concepts
	4640	Lockbox Description
	4650	Lockbox Implementation
	4660	Agency Monitoring Requirements
	4695	Inquiries

Chapter	Section	Title
4700		PLASTIC CARD COLLECTION NETWORK
	4710	Authority
	4715	Definition of Terms
	4720	Plastic Card Services Offered Through the Network
	4725	Application/Implementation Process
	4730	Types of Credit and Debit Card Collections
	4735	Compensation/Agency Expenses
	4740	Deposit Regulations
	4745	Agency Monitoring Requirements
		Contacts
5000		UNCOLLECTED AND LOST CHECKS
	5010	Introduction
	5015	Authority
	5020	Depository and Agency Procedures for Unpaid Checks
	5030	Replacement of Lost, Destroyed, and Mutilated Checks
		Contacts
6000		DISPOSITION OF FOREIGN CURRENCY AND CHECKS DRAWN ON FOREIGN BANKS
	6010	Authority
	6015	Disposition of Checks
	6020	Disposition of Foreign Currencies
		Contacts