



Treasury Financial Manual

Transmittal Letter No. 677

Volume I

To: Heads of Government Departments, Agencies and Others Concerned

1. Purpose

This transmittal letter releases new TFM Volume I, Part 5, Chapter 1500: General Terms and Conditions Governing Collection Services. This chapter sets out the general terms and conditions governing the use of collection services provided by the Financial Management Service to multiple Federal agencies.

2. Page Change

Remove

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3. Effective Date

This transmittal letter is effective immediately.

4. Inquiries

Direct questions regarding this transmittal letter to:

Director, Agency Relationship Management Division
Federal Finance
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David A. Lebryk
Commissioner

Date: March 28, 2012

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Part 5—Chapter 1500

General Terms and Conditions Governing Collection Services

This Treasury Financial Manual (TFM) chapter sets out general terms and conditions governing collection services that the Financial Management Service (FMS) provides to meet the needs of multiple Federal agencies. It does not apply to collection services that FMS provides to meet the needs of a single Federal agency. Nor does it apply to disbursements or debt collection services.

Section 1510—Authority

See, inter alia, 12 U.S.C. 90, 265-266, 391; 31 U.S.C. 321, 3301-3305, 3720.

Section 1515—Need for This Chapter

By placing general terms and conditions governing collection services into this TFM chapter, the length and complexity of agreements between FMS and Federal agencies can be reduced or eliminated. Furthermore, this reduces the risk that the various agreements that FMS enters into with Federal agencies may contain provisions that vary or conflict from one agreement to the next. Finally, it allows provisions to be updated without having to renegotiate agreements with multiple agencies.

Section 1520—Other Provisions

This chapter sets out general terms and conditions governing the use of collection services provided by FMS to Federal agencies. This is not an all-inclusive chapter. For instance, it does not address an agency's business and technical requirements nor the costs that

FMS may assess to an agency, if any. If necessary, these will be addressed in one or more separate agreements between authorized representatives of FMS and the Federal agency. This chapter also does not include any terms and conditions that are specific to particular collection programs. These can be found in other sections of the TFM and in agreements with agencies.

Section 1525—Conflict Between TFM and Agency Agreement

If the terms and conditions of any agreement that FMS has executed with a Federal agency conflict with this chapter, then the agreement has priority.

Section 1530—Depositaries and Agents

As provided by law, FMS can use designated commercial financial institutions and Federal Reserve Banks as depositaries and agents that provide collection services to Federal agencies. FMS may change depositaries and agents without prior notice to or permission from a Federal agency.

Section 1535—Account Ownership

Aside from a demand deposit account that FMS establishes with a financial institution for an agency that has authority to hold funds outside of Treasury, any demand deposit account that FMS establishes with a financial institution solely for a Federal agency's deposits is owned and controlled exclusively by FMS and not by the agency. This is the case even if the financial institution uses the agency's name in the name of the account. An agency is without authority to exercise control or provide instructions to a financial institution regarding such an account.

Section 1540—Required Use of FMS Services

Federal agencies generally are required to use services offered by FMS to deposit public money. Exceptions exist for the Bureau of the Public Debt and for agencies that have specific authority to hold money outside of Treasury.

Section 1545—Payment Network Rules

In addition to provisions in the TFM directed at Federal agencies, Federal agencies are bound by the rules governing various payment networks (such as those used for checks, credit card, Automated Clearing House, and Fedwire transactions). These rules are expressed through a mix of public and private laws. To a limited extent, FMS has modified these rules in Title 31 of the Code of Federal Regulations and in the TFM.

Section 1550—Voucher Numbers

For a given Federal agency or Federal agency cashflow, FMS summarizes credits and debits through voucher information that includes a voucher number. In response to the requests of Federal agencies, FMS has sometimes customized the sequence or ordering of voucher numbers and has provided advance notice of expected voucher numbers. However, FMS is under no obligation to do so and may decide to discontinue these practices in the future. In addition, FMS may refuse to continue these practices when transitioning collection services from a legacy program to a new program.

Section 1555—Reversals, Returns, and Refunds

On occasion, funds from a collection transaction must be reversed or returned to the payer. FMS reverses or returns transactions in limited circumstances, such as if the transaction was defective in some way. However, in most cases, the payer initiates the reversals or returns through the payment system used for the original transaction.

The rules governing reversals and returns vary by payment system. In some cases, reversals and returns are not allowed, while in others the reversals or returns are allowable even months after the original transaction occurred. In

many cases, the payment systems provide that the recipient (in this case, the Federal agency) can approve or contest the reversal or return.

Outside of the payment systems, Federal agencies may be approached by payers and requested to issue refunds for transaction amounts. Agencies may request FMS to make these payments, which FMS does if the request is made in accordance with FMS requirements for disbursements.

Federal agencies should be aware of the risks that come from having two separate means (that is return/reversal and agency refund) to make a payer whole. If a payer manages to receive both a return or a reversal through a payment system and also a refund through an agency, the payer has wrongfully received double payment. There also is risk that a Federal agency's refund disbursement may be made to the wrong person, whereas the payment systems typically ensure that a reversal or return is sent back to the same financial institution account that was used for the original transaction. For these reasons, a reversal or return through a payment system is generally preferable to a Federal agency's refund disbursed by FMS.

Section 1560—Electronic Data

In providing collection services, FMS (including its depositories and agents) may process both financial data and agency program data. Financial data is all electronic data (summary and transaction-level detail) required by FMS to fulfill its role in providing collection and cash management services. For instance, this includes voucher data and information needed for Governmentwide accounting purposes, such as Treasury Account Symbols and Agency Location Codes. Agency program data refers to all electronic data processed by FMS on behalf of a Federal agency for that agency's sole benefit. FMS does not require agency program data to process associated financial transactions including the clearing, settlement,

accounting for, and reporting of financial transactions. For instance, this includes information from agency forms that FMS may host or process on an agency's behalf. A Federal agency typically requires access to all of its agency program data that FMS may have, as well as to at least some financial data.

FMS retains and provides a Federal agency access to both financial data and its agency program data for at least 7 years. FMS retains financial data or agency program data for a longer period of time if required by a court or by law to do so.

The agency also may retain a copy of the financial data and Federal program agency data pertaining to transactions that FMS processed on behalf of the agency. However, the agency may elect to have FMS alone retain this electronic data.

FMS uses its standards in giving access to data. FMS may not customize data formats for individual Federal agencies. In some cases, data may be archived and not immediately accessible.

A Federal agency must provide FMS with prompt written notice to a division director or higher level if the agency requests FMS to retain electronic data for longer than 7 years or to produce records. FMS acknowledges that in some cases it has no discretion to reject such requests, as may be the case when a request is made to hold records beyond 7 years due to pending or actual litigation. However, FMS does not automatically agree to such requests if it is not legally required to do so. FMS's decision depends on the facts surrounding the request, including whether the agency already has its own copy of the electronic data.

Although an agency may be able to use FMS systems to respond to a Freedom of Information Act (FOIA) request it receives, FMS does not accept or answer a FOIA request on an agency's behalf.

FMS does not necessarily retain or provide access to financial data and agency program data in each and every FMS system that processes that data.

Except to the extent that it is legally precluded from doing so, FMS may elect to consolidate data or access to data into a smaller number of systems, rather than maintain copies of some data or provide access in multiple systems.

Section 1565—Security Controls

The design, structure, implementation, and oversight of security controls for collection services provided by FMS (including its depositaries and agents) are the responsibilities of FMS.

At a Federal agency's request, FMS makes available certain documentation of these security controls, including copies of its security certification and accreditation documentation as well as third-party review and audit documents.

The amount of documentation that FMS makes available to Federal agencies generally is limited to a standard package of documents. Furthermore, FMS may place limits on the distribution of sensitive security documentation—including a limitation to on-site review at FMS—and may provide only edited or summary versions.

Section 1570—Property

FMS may require that particular property (hardware, software, communications lines, etc.) be used for collection services, and used exclusively for that purpose even if paid for by the Federal agency.

FMS may provide property to a Federal agency free of charge, on a cost-reimbursable basis, or may require the

agency to acquire the property on its own.

A Federal agency must return FMS property (including that of agents and depositaries) upon request.

Section 1575—No Warranty

FMS strives to provide financial services that meet or exceed commercial best practices, but it does not provide any warranties or guaranties to Federal agencies it services, including any warranties of merchantability or fitness for a particular purpose. Consequently, neither FMS nor its depositaries or agents will pay a penalty to a Federal agency for failing to meet specific uptime or other service level metrics.

Contacts

Direct questions regarding this chapter to:

Director, Agency Relationship Management Division
Federal Finance
Financial Management Service
Department of the Treasury
401 14th Street, SW.
Washington, DC 20227
Phone: 202-874-7491

TREASURY FINANCIAL MANUAL

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