



Treasury Financial Manual

Transmittal Letter No. 670

Volume I

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

1. Purpose

This transmittal letter releases new TFM Volume I, Part 6, Chapter 3200: Policy for Providing Depository and Other Financial Services to Federal Agencies. This chapter describes the factors that determine when the Financial Management Service (FMS) will pay for certain collection and payment services and when FMS will require a Federal agency to reimburse it for the cost of such services.

2. Page Changes

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Table of Contents for Part 6 (T/L 669)

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3. Effective Date

This transmittal letter is effective immediately.

4. Inquiries

Direct questions concerning this transmittal letter to:

Director
Bank Policy and Oversight Division
Federal Finance
Financial Management Service
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David A. Lebryk
Commissioner

Date: November 8, 2011

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Part 6—Chapter 3200

Policy for Providing Depositary and Other Financial Services to Federal Agencies

This chapter describes the factors that determine when the Financial Management Service (FMS) will pay for certain collection and payment services and when FMS will require a Federal agency to reimburse it for the cost of such services.

Section 3210—Background

The Federal Finance Assistant Commissioner area (Federal Finance) and the Payment Management Assistant Commissioner area (Payment Management) of FMS provide depositary and other financial services to Federal agencies using a network of Federal Reserve Banks (FRBs) and financial institutions designated by FMS to act as depositaries and/or fiscal and financial agents. In general, FMS provides to other Federal agencies a range of collection and payment services at no cost to the agency. In some cases, FMS may offer to other Federal agencies, on a reimbursable basis, specialized services that are related to but outside of the scope of the collection or payment process, or alternatively, a new customized solution that is not currently part of FMS's menu of services.

Section 3215—Authority

The Secretary of the Treasury has authority to collect receipts and pay funds drawn on the Treasury (31 U.S.C. § 321, 3301, 3321).

Unless otherwise authorized, all public money must be deposited in the Treasury or with depositaries designated by the Secretary (31

U.S.C. § 3302). To collect public money, the Secretary may offer a variety of collection services. The Secretary is authorized to charge a fee to any agency that fails to deposit its funds in a timely manner (31 U.S.C. § 3720).

Except as provided by statute or delegated to other agencies by the Secretary, only officers and employees of the U.S. Department of the Treasury may disburse public money (31 U.S.C. § 3321). The Secretary may designate a depositary to pay public money (31 U.S.C. § 3327). The Secretary is authorized to charge a fee to any agency that fails to disburse its funds in a timely manner (31 U.S.C. § 3335).

The Secretary may designate a financial institution as a depositary and/or financial agent, and when acting as a depositary or agent, that financial institution must perform all such reasonable duties as the Secretary requires (12 U.S.C. § 90, 265, and similar statutes). FRBs are Treasury's fiscal agents pursuant to Federal law (12 U.S.C. § 391).

The Secretary has delegated these responsibilities to FMS, a bureau of the U.S. Department of the Treasury.

Section 3220—Legally Required Services

Federal agencies receiving or holding public money from any source are statutorily required to deposit these funds into the U.S. Treasury, unless otherwise authorized by law. Except as otherwise provided by law, FMS, as part of its mission, is the agency responsible for collecting, holding, disbursing, and accounting for public money on behalf of most Federal agencies. Consequently, Federal agencies generally may not hold public money outside of the U.S. Treasury and must deposit all public money into an account in the name of the U.S. Treasury using one of the various collection mechanisms established by FMS.

FMS provides these financial services to Federal agencies using fiscal or designated financial agents or depositaries, generally at no cost to the agency. These services, referred to as "nonreimbursable" services in this document, typically encompass depositary services and standard remittance processing for disbursement, collection, and accounting for the settlement of funds.

Examples of services that Federal agencies must obtain from FMS include:

- Collection of fees, fines, or other monies;
- Deposit of monies into an account at a financial institution;

AND

- Disbursement of funds to the public.

Section 3225—Legally Authorized Services

FMS is authorized to perform other financial services reasonably related to its core mission of providing central collection and payment services to Federal agencies.

Examples of services that FMS is legally authorized, but not required, to provide to Federal agencies include:

- Lockbox-related services, such as detail sorting, special handling, photo-copying, custom file assembly, and issuance of receipts;

AND

- Custom cash management and other financial services in closed environments, such as military bases or Federal prisons.

Legally authorized services may be provided on either a reimbursable or nonreimbursable basis. Section 3235 discusses the criteria that FMS considers when determining whether a service should be provided on a reimbursable or nonreimbursable basis.

Section 3230—Existing and Best-Suited FMS Collections and Payment Mechanisms

FMS continuously strives to improve the Government's overall

cash management by working with Federal agencies to determine the most cost-efficient and effective cash management methods that will meet agencies' missions and goals. In most cases, FMS's existing array of depositary and financial services are the most cost-efficient and effective cash management methods of meeting an agency's requirements.

FMS has sole discretion to decide which of its existing services provide the most efficient, cost-effective, and/or best-suited mechanism for a particular agency's needs. If an agency chooses not to use the most efficient mechanism provided by FMS, then an agency may have to pay for those services along with an inefficiency charge imposed by FMS.

Section 3235—Criteria for Determining Whether a Financial Service Will Be Provided on a Reimbursable or Nonreimbursable Basis

The determination of whether FMS will provide a particular financial service on a reimbursable or nonreimbursable basis depends on several factors. In general, FMS is more likely to decide to provide a particular financial service on a nonreimbursable basis when it determines, in its sole discretion, that one or more of the following apply:

- The financial service directly facilitates the timely processing of collections or payments;
- The financial service has a significant positive impact on the ability to manage the Government's cash position or account for funds;
- The information required to be gathered with a transaction does not hinder the timely

deposit of the collection or processing of the payment;

- Only Treasury-designated agents and depositaries, or an FMS-approved subcontractor, may provide the service (that is, collecting, holding, disbursing, or accounting for public money), as opposed to financial services that the agency may perform or acquire on its own;
- The financial service advances more effective and centralized collections or payments;
- The financial service is for a collection other than a user fee (user fees should be priced to include the cost of collections and therefore should be reimbursed);
- The financial service is, or with minimal effort can be, offered Governmentwide, as opposed to a service that is customized for the needs of only one or a few agencies;

OR

- FMS believes that providing the financial service is in the best interests of the Government.

Section 3240—Economy Act Considerations

FMS expects Federal agencies to fulfill the requirements imposed on them under the Economy Act (31 U.S.C. § 1535). It is the sole responsibility of the Federal agency seeking reimbursable services from FMS to ensure its agency's compliance with the Economy Act.

Contacts

Contact the office below with inquiries or written requests.

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401 14th Street, SW., Room 316
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