



Treasury Financial Manual

Chapter 4600

TREASURY LOCKBOX NETWORK

Section 4610 - SCOPE AND APPLICABILITY

This chapter prescribes the procedures to be observed by all Federal agencies involved with the lockbox paper check and/or remittance processing (electronic or paper) of Federal agency receipts.

Section 4615 - AUTHORITY

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

Section 4620 - DEFINITIONS

Agency or Federal Agency—includes a department, agency, or instrumentality in the executive branch of the United States Government.

Bank—A depository and financial agent, as defined below.

Collection Float—The average amount of time between presentment of the payment and the collected funds being available to the Department of the Treasury.

Depository and Financial Agent (FA)—A qualified financial institution designated by Treasury as a depository and financial agent of the United States to perform lockbox and other financial services for Federal agencies.

Electronic Check Processing (ECP)—The Treasury Lockbox Network utilizes ECP to automate deposits through the capture and conversion or truncation of checks. ECP provides Federal agencies with a centralized check-clearing, report inquiry, and retrieval mechanism, as well as an imaging archive solution.

Financial Agent Processing Float—The average amount of time between the initial receipt of the payment (generally in the mailroom of the financial agent or depository, prior to a standard cut-off time each day) and the presentation of that receipt by the FA for deposit.

Interagency Agreement (IAA)—IAAs are used when one Federal agency is in a position to provide materials, supplies, equipment, work, or services of any kind that another agency needs to accomplish its mission. While Standard Lockbox services will not fall under an IAA, all reimbursable services (see Volume I, Part 6, Chapter 3200, Section 3235 of the TFM for criteria concerning reimbursable services) provided through the Treasury Lockbox Network will require an IAA to be in place so reimbursement via the IPAC

(Intra-Governmental Payment and Collection) system can occur. The IAA is governed by the legal (statutory) authority under 31 U.S.C. 1535, as amended.

Lockbox—A collection and processing service provided by a financial agent that accelerates the flow of funds to Treasury's General Account, and processes associated data. This service includes collecting the agency's mail from a specified post office box; opening envelopes, extracting, sorting, and batching the envelope contents; scanning and capturing required data from payment instruments and remittance documents; balancing and totaling batches; recording the payments; processing the items; making the deposit; and transferring the funds. Agencies receive remittance data either in hard copy or via electronic format.

Mail Float—The average amount of time between the remitter mailing the payment and the receipt of the payment in the agency or lockbox.

Memorandum of Understanding (MOU)—The MOU is used to further define the relationship and scope of work a financial agent has with the Fiscal Service specific to an individual lockbox or collection. The MOU is between the FA and Fiscal Service, and only the FA and Fiscal Service sign the MOU. The MOU incorporates a Pricing Schedule and Statement of Required Services (SRS) detailing the work activities, deliverables, and applicable service requirements. The SRS incorporates, or is consistent with, the SOW (defined below) executed between the Fiscal Service and agency.

Remittance Data—An agency's associated collection data designed to identify detail information on the collection received.

Statement of Work (SOW)—The SOW captures and defines the work activities, deliverables, and timeline of the required lockbox and collection services to be provided by the Fiscal Service to an agency through an FA. The SOW will utilize the Fiscal Service SOW template and include but not be limited to: detailed service requirements, Fiscal Service Pricing Schedule, and Reimbursable Section with IAA requirements (if applicable), as well as standard regulatory and governance terms and conditions. The SOW is signed by Fiscal Service and the agency.

The General Lockbox Network (GLN)—The GLN consists of a select number of financial agents that provide lockbox services to the Department of the Treasury for the collection of non-tax receipts. The work under the GLN is considered standard lockbox servicing that does not require large amounts of specialty or ancillary services.

Section 4625 - BACKGROUND AND CONCEPTS

The Treasury Lockbox Network (NETWORK) is comprised of financial agents that provide lockbox and remittance services to the Treasury on behalf of Federal agencies. The financial agents are strategically located to minimize mail, processing, and collection float. Lockbox processing was adopted as a means of accelerating deposits to the Treasury's General Account at the Federal Reserve Bank of New York (FRBNY). Agencies instruct remitters to mail payments directly to a lockbox bank. The bank assigns a unique lockbox post office box number to facilitate receipt and processing of collections for each agency program. The bank transfers deposits to the Federal Reserve on a daily basis for credit to Treasury's General Account at the FRBNY, and the bank processes remittance advices according to Fiscal Service and agency instructions. Compensation to the banks for these services is provided by Treasury.

4625.10—Types of Lockbox Activity

There are four basic types of lockbox services available to agencies:

- Wholesale Lockbox. A wholesale lockbox involves the multi-stage processing of invoice documents and is best suited for high-dollar, low-volume remittances. Once received at the lockbox site, key financial information is captured and the funds are processed via ECP and are credited to the proper Agency Location Code (ALC) at the Treasury's General Account at the FRBNY. Pertinent captured key financial data can be transmitted via computer-to-computer link or in hard copy from the lockbox bank to the agency.
- Retail Lockbox. A retail lockbox uses machine readable documents for automated processing through optical character recognition (OCR) equipment. It is best suited for low to moderate dollar, high-volume remittances. Once payment documents are received at the lockbox site, high speed equipment captures specific remittance information, which is stored in electronic form. The funds are transferred to Treasury's General Account at the FRBNY for credit to the proper ALC. Pertinent data can be captured and transmitted via automated file transfer.
- Electronic Lockbox. An electronic lockbox accommodates both paper remittances, as well as all types of electronic transactions. The remitter can provide payments via ACH network, wire-transfer, or mailing a paper check. Use of an electronic lockbox permits automated collection and deposit of funds as well as subsequent transfer to the Treasury's General Account at the FRBNY for credit to the proper ALC. The electronic lockbox system transmits pertinent data via computer-to-computer link or in hard copy from lockbox bank to the agency. Electronic lockboxes are best suited for medical insurance related electronic data interchange (EDI) collections.
- Specialty Lockbox. Specialty lockboxes provide a range of intricate services in addition to lockbox processing services. Specialty lockbox financial agents are designated to provide collection and processing services to Treasury on behalf of agencies that administer major national level programs, such as those involving passport applications or immigration benefit requests. The additional special services provided include handling and processing identification documents; applying complex business, processing, and sorting rules; and inter-acting with required agency internal systems.

4625.20—IRS Lockbox Network

The IRS Lockbox Network consists of a limited number of financial agents that serve as collection points for various IRS taxes. The IRS Lockbox Network handles business master file (BMF) and individual master file (IMF) tax transactions. The financial agents process the tax receipts and transmit information to IRS service centers. The financial agents also send the IRS the original tax forms that accompanied the transactions.

4625.30—Electronic Check Processing (ECP)

Since the vast majority of mail transactions involve paper checks, the ECP system is utilized by the GLN and IRS Lockbox Network to automate deposits through the capture and conversion or truncation of checks. Under the ECP process, lockbox banks receive mail on behalf of the Federal agencies. The FA opens the envelopes, and then digitally scans all associated checks to capture the electronic image of the checks. At this time they would also scan any remittance data. The FAs then send all image and data files to ECP for processing. The FA must follow all minimum ECP processing guidelines concerning image quality. Anything over the parameters set by ECP must be included in an agency's SOW. After receiving information from the lockbox financial agents, ECP forwards the check information to Revenue Collections Management's Debit Gateway application, which settles the transactions electronically.

4625.40—Credit Card Settlement

Credit card transactions received through a paper lockbox are passed to Fiscal Service's Pay.gov® application for processing using the same services that Pay.gov® offers directly to agencies.

Section 4630—LOCKBOX IMPLEMENTATION

4630.10—Determining if a Paper Lockbox is Suitable

Fiscal Service, in collaboration with an agency, must first determine when a paper lockbox is suitable over other available Fiscal Service collection mechanisms for an agency's particular collection need. In some cases, a paper lockbox is not necessarily the best collection mechanism for a particular program. Factors to consider in determining if a paper lockbox is the best suited collection mechanism for an agency program include: 1) whether there is sufficient collection volume to justify the lockbox cost overhead; 2) whether the funds are best suited for collection electronically or via EFT; and 3) whether there is need for paper remittances or original documents for legal or program purposes.

4630.20—Requesting Lockbox Services

Agencies will submit an official request for a new lockbox or new lockbox services in writing to the Revenue and Remittance Management Division. The Fiscal Service will perform an analysis, and in its sole discretion, determine if lockbox services are warranted. If lockbox services are approved, a NETWORK bank will be selected for the agency. If denied, recommendations will be made for an alternative collection mechanism.

4630.30—Product Initiation

In many instances a lockbox application is identified by program agencies' requests for changes in depository arrangements. In some cases lockbox requests or needs arise due to audits by the agencies' Inspectors General.

Agencies desiring to use lockbox services should contact:

Department of the Treasury
Bureau of the Fiscal Service
Revenue and Remittance Management Division
3201 Pennsy Drive, Building E
Landover, MD 20785

4630.40—Conversion Planning

Treasury's Fiscal Service will coordinate the conversion of the agency's current collection system with a lockbox provider in the NETWORK. This will include a detailed project plan that ensures an efficient and expedient transfer of the agency's processing requirements to the lockbox system.

Specific conversion planning tasks include (but are not limited to):

- (1) Prepare lockbox processing specifications;
- (2) Revise current internal collection regulations and accounting systems;

- (3) Assess lockbox reporting options for updating the account receivables;
- (4) Creation of a Project Team made up of members from Fiscal Service, the financial agent, and the agency; and
- (5) Completion of all required paperwork:
 - A. SOW
 - B. Pricing template/schedule
 - C. MOU with SRS included
 - D. ECP's ACP (Agency Cash Profile)
 - E. Interagency Agreement (IAA) (if applicable.)

4630.50—Standard Lockbox Services

Fiscal Service offers to all Federal agencies standard lockbox services. The process of setting up or converting to a paper lockbox begins with the agency review of the standard general specifications for all lockbox services, or the model SOW. Working in collaboration with Fiscal Service, the agency shall fill in detailed agency specifications where required. The SOW shall be signed by the Fiscal Service and the agency. The MOU between the Fiscal Service and FA will include a Statement of Required Services (SRS) that incorporates, or is consistent with, the terms of the SOW executed between the Fiscal Service and agency. The SRS will serve as instructions to the FA.

4630.60—Reimbursable Services

In general, Fiscal Service provides to other federal agencies a range of collection services at no cost to the agency. In some cases, Fiscal Service may offer to other federal agencies, on a reimbursable basis, specialized services that are related to but outside the collection process. For details on the criteria used for determining whether Fiscal Service will provide a financial service on a reimbursable or non-reimbursable basis, see Volume I, Part 6, Chapter 3200, Section 3235 of the TFM. If reimbursable services are provided to an agency, then Fiscal Service and its FA, in coordination with the agency, will add further lockbox processing requirements to the SOW that reflect these added reimbursable services. The agency receiving these services will also be required to enter into an Interagency Agreement (IAA) with Fiscal Service.

4630.70—Interagency Agreement (IAA)

In accordance with the Economy Act, if Fiscal Service conducts work for another agency that is outside the collection process, and hence Fiscal Service will be reimbursed for those services, then that agency must complete an Interagency Agreement (IAA) Form (FMS Form 2213).

Section 4635—OBTAINING LOCKBOX SERVICES

Fiscal Service has the exclusive authority to obtain lockbox services with the selected bank and the agency. An agency is prohibited from entering into contractual agreements, modifications of existing contracts, or renewal of existing contracts for agency collection systems without the prior approval of Fiscal

Section 4640—FINANCIAL AGENT ROLES AND AGREEMENTS

4640.10—Financial Agency Agreement (FAA)

All qualified financial institutions tasked by the Fiscal Service with providing lockbox services to Federal agencies enter into Financial Agency Agreements (FAA) with Fiscal Service, in advance of doing so. Under these FAAs, Fiscal Service designates the financial institutions as depositaries and financial agents of the United States. The FAA specifies the terms and conditions under which the FA will perform lockbox services.

4640.20—Service Level Agreement (SLA)

A Service Level Agreement (SLA) shall be part of every FAA and it, along with a Performance Scorecard, shall communicate expectations and goals for services to be provided by the FA, define measurements of performance by the FA in meeting these expectations and goals, set out specific metrics to be used in support of these measurements, and outline a process or methodology for how the FA's overall performance in the delivery of lockbox services shall be measured.

4640.30—Contingency

An Agency's designated FA will implement full redundancy of all lockbox services and develop a plan for failover. The plan must be tested at least once a year.

4640.40—Security

The Fiscal Service will direct a designated FA to implement security measures commensurate with the level of risk contained in the lockbox operations, and in accordance with security policies, standards, and guidelines referenced in the FAA. As applicable, Fiscal Service's Enterprise Security Operations Division will work with the FA to develop a Security Plan and shall be involved in oversight and monitoring of that Plan.

Section 4645—AGENCY MONITORING REQUIREMENTS

4645.10—General Accountability of Funds and Performance

The agency is responsible for the accounting requirements of all transactions and funds transferred. Agencies are required to monitor lockbox execution of the SOW on a daily basis to ensure quality service, reconciliation of detail remittance data, and the timely transferring of funds. Agencies are to prepare the necessary financial statements and reports to Fiscal Service (I TFM Part 2).

4645.20—Changes to the SOW

The agency shall provide to Fiscal Service advance written request of any requested changes to the operating process or lockbox services. This request will be reviewed by Fiscal Service and a decision will be reached and conveyed within 30 days. Changes in the processing specification (as detailed in the SOW) and pricing cannot be negotiated or implemented without the prior approval of Fiscal Service.

4645.30—Reconciliation Inquiries

The agency shall pursue inquiries concerning reconciliation of detail data/documents processed through the lockbox directly with the lockbox bank customer representative. Operational problems should be reported to Fiscal Service.

4645.40—Required Services

In accordance with the MOU, if the lockbox bank fails to perform the required services, then the agency shall inform Fiscal Service in writing within 10 calendar days.

4645.50—Funds Transfer

The agency shall inform Fiscal Service of a failure by the bank to process payments timely and/or transmit the funds, which result in a delay in the availability to Treasury.

4645.60—Evaluation

The agency shall respond to periodic Treasury surveys for evaluation of services being provided by both Fiscal Service and the NETWORK bank.

4645.70—Escalation of Issues

Incidents that include fraud, waste, abuse, theft, compromise of sensitive data, identity theft, accidental or malicious destruction of documents, suspected or actual data breach, or lost mail must be reported to Fiscal Service immediately. In addition, the agency shall inform Fiscal Service as soon as practical, if the FA fails to perform the required services in conformity with the SOW or experiences other operational problems.

Section 4650—CONTACTS

Direct inquiries concerning this chapter to:

Department of the Treasury
Bureau of the Fiscal Service
Revenue and Remittance Management Division
3201 Pennsy Drive, Building E
Landover, MD 20785
Phone: 202-874-6792