



Treasury Financial Manual

Chapter 4600

TREASURY LOCKBOX NETWORK

Section 4610 - Scope and Applicability

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

Section 4615 - Authority

See, inter alia, [12 U.S.C. § 90](#) "Depositaries of public moneys and financial agents of Government," [12 U.S.C. § 265](#) "Insured banks as depositaries of public money; duties; security; discrimination between banks prohibited; repeal of inconsistent laws," [12 U.S.C. § 266](#) "State-chartered banks and other institutions as depositaries of public money; fiscal agents; duties," [31 U.S.C. § 321](#) "General authority of the Secretary," [31 U.S.C. § 3301](#) "General duties of the Secretary of the Treasury," and [31 U.S.C. § 3720](#) "Collection of payments."

Section 4620 - Terms and Definitions

For terms and definitions related to this chapter, please view the [TFM Glossary](#).

Section 4625 - Background and Concepts

Treasury Lockbox processing is accomplished by Treasury designated financial agents that provide lockbox and remittance services to the Treasury on behalf of federal entities. The financial agents are strategically located to minimize mail, processing, and collection float. Remittances are mailed directly to a P.O. Box (lockbox) established by the financial agent to collect federal entity mail for processing. The lockbox accelerates the deposit of funds into the Treasury's account and provides secure, accurate, and efficient data capture of financial and remittance data.

4625.10—Types of Lockbox Activity

There are three basic types of lockbox services available to federal entities:

- Wholesale Lockbox. A wholesale lockbox involves the multi-stage

processing of invoice documents and is best suited for high-dollar, low-volume remittances. Data of key financial information is captured, and deposits via [Electronic Check Processing \(ECP\)](#) are processed and credited to the proper Agency Location Code (ALC), upon receipt of the materials at the lockbox site.

- 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. High speed equipment captures specific remittance information upon receipt of payment documents at the lockbox site.
- Specialty Lockbox. Specialty lockboxes provide a range of intricate services in addition to lockbox processing services. Designated specialty lockbox financial agents provide collection and processing services to Treasury on behalf of agencies that administer major national level programs, such as those involving passport applications, healthcare payments, or immigration benefit requests. The additional special services provided include handling and processing identification documents; applying complex business, processing, and sorting rules; and interacting with required federal entity 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 to IRS the original tax forms that accompanied the transactions.

4625.30—Electronic Check Processing (ECP)

Since most mail transactions involve paper checks or money orders, Treasury lockboxes use the ECP system to automate deposits through the capture and conversion or truncation of checks. The Financial Agent (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. In cases where image quality in excess of the minimum ECP guidelines is required, such specifications shall be included in the Statement of Required Services (SRS) between the FA and Fiscal Service. 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

Remitters can submit credit card information through the mail for processing by

the financial agent at the lockbox site. Credit card transactions received at the lockbox will be processed via [Pay.gov®](https://www.pay.gov).

Section 4630—Lockbox Implementation

4630.10—Determining if a Paper Lockbox is Suitable

Fiscal Service is committed to maximizing electronic revenue collections, and federal entities should exhaust the possibility of electronic collection options prior to requesting lockbox services. Fiscal Service establishes and provides lockbox services at its sole discretion. Factors in determining whether lockbox services are appropriate include what electronic options are available, volume and dollar size of cash flows, and the legal need or requirement for paper remittances or original documents.

4630.20—Requesting Lockbox Services

To request lockbox services, federal entities must submit an official request for a new lockbox or new lockbox services in writing to the Revenue and Remittance Management Division. The request must include the potential number and dollar amount of items, an explanation why federal entities cannot manage the cash flow electronically including specific legal requirements, and a copy of any required coupon or form that would accompany a receipt. The Fiscal Service will perform an analysis, and in its sole discretion, determine if lockbox services are necessary. If denied, the Revenue and Remittance Management Division will recommend an alternative collection mechanism.

4630.30—Product Initiation

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

Federal entities desiring to use lockbox services should contact:

Department of the Treasury
Bureau of the Fiscal Service
Agency Relationship Engagement Division
arm@fiscal.treasury.gov

4630.40—Standard Lockbox Services

If a request for a lockbox is approved, Fiscal Service offers a standard suite of lockbox services at no charge to the federal entity. The process of setting up or converting to a paper lockbox begins with the federal entity review of the standard general specifications for all lockbox services, or the model SRS. Working in collaboration with Fiscal Service, the federal entity shall fill in detailed federal entity specifications where required. Fiscal Service and the federal entity shall sign the SRS. The SRS will serve as instructions to the FA. If volumes drop too low, Fiscal Service reserves the right to close a

lockbox or move it to an electronic collection service.

4630.50—Reimbursable Services

If a request for a lockbox is approved, Fiscal Service will provide a range of standard lockbox services at no cost to the federal entity. In some cases, Fiscal Service may offer to other federal entities, on a reimbursable basis, specialized services that are related to but outside the basic 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 [TFM Volume I, Part 6, Chapter 3200, Section 3235](#) "Criteria for Determining Whether a Financial Service Will Be Provided on a Reimbursable or Non-reimbursable Basis". If a federal entity receives reimbursable services, then Fiscal Service and its FA, in coordination with the federal entity, will add further lockbox processing requirements to the SRS that reflect these added reimbursable services. Fiscal Service requires the federal entity receiving these services to also enter into an Interagency Agreement (IAA) with them.

4630.60—Interagency Agreement (IAA)

In accordance with the Economy Act, if Fiscal Service conducts work for another federal entity that is outside the collection process, and hence Fiscal Service will be reimbursed for those services, then that federal entity must complete an Interagency Agreement (IAA) Form. (See [FS Form 7600A](#) and [FS Form 7600B](#).)

Section 4635—Obtaining Lockbox Services

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

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 entities 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. Fiscal Service monitors the FA performance through these tools and measurements.

Section 4645—Federal Entity Monitoring Requirements

4645.10—General Accountability of Funds and Performance

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

4645.20—Changes to the SRS

The federal entity shall provide to Fiscal Service advance written request of any requested changes to the operating process or lockbox services. Fiscal Service will review this request, reach a decision and convey it within 30 days. A federal entity cannot negotiate or implement, without prior approval of Fiscal Service, changes in the processing specification (as detailed in the SRS) and pricing.

4645.30—Reconciliation Inquiries

The federal entity shall pursue inquiries concerning reconciliation of detail data/documents processed through the lockbox directly with the lockbox bank customer representative. Federal entities should report operational problems to Fiscal Service.

4645.40—Required Services

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

4645.50—Evaluation

The federal entity shall respond to periodic Treasury surveys for evaluation of services provided by both Fiscal Service and the FA bank.

4645.60—Escalation of Issues

Report to Fiscal Service immediately 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. In addition, the federal entity shall inform Fiscal Service as soon as practical, if the FA fails to perform the required services in conformity with the SRS or experiences other operational problems.

Contacts

Direct inquiries concerning this chapter to:
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Revenue and Remittance Management Division
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Summary of Updates In this Release

Section No.	Section Title	Summary of Change
All		Corrected grammar and removed unnecessary passive voice
All		Changed "federal agency" or "federal agencies" to "federal entity" or "federal entities"
All		Updated formatting
4625.10	Types of Lockbox Activity	Updated content
4625.30	Electronic Check Processing (ECP)	Updated content
4625.40	Credit Card Settlement	Updated content
4630.40	Standard Lockbox Services	Updated content
4630.50	Reimbursable Services	Updated content
4630.60	Interagency Agreement (IAA)	Updated content
4640.30	Security	Deleted section and content
4645.50	Evaluation	Updated content

