UNITED STATES
POSTAL SERVICE®

Treasury Management

Handbook F-3

June 2012
Transmittal Letter

A. Explanation. Handbook F-3, *Treasury Management,* aligns treasury-management policy and procedures with the Postal Service's strategic initiatives.

B. Purpose. This book is for personnel who perform finance or cash-management functions. Handbook F-3 contains treasury-management policy, banking procedures, and Bank Secrecy Act compliance rules, in keeping with the Postal Service's strategic initiatives.

C. Distribution.

1. **Online Availability.** You may view this handbook in electronic format on the Postal Service PolicyNet Web site.
   - Go to http://blue.usps.gov.
   - Under Essential Links in the left-hand column, click *PolicyNet.*
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D. Comments and Questions. Address any comments and questions on the content of this handbook to:

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1 Treasury Management Overview

1-1 About This Chapter

1-1.1 Purpose

Chapter 1 offers a broad conceptual overview of the crucial functions of Corporate Treasury in the U.S. Postal Service. The following four areas of treasury management are discussed in this handbook:

a. Corporate cash management.

b. Relationship banking.

c. Electronic payments.

d. Risk management.

This overview provides basic information on the policies and procedures for day-to-day cash management, bank selection, and elements of corporate financial risk management.

The Postal Service's treasury-management policies are in chapter 2. Detailed procedures for banking, electronic payments, and risk management are provided in chapters 3–6.

1-1.2 Audience

This handbook is for:

a. Corporate Treasury staff.

b. Accounting personnel.

c. Area finance managers.

d. Area treasury coordinators.

e. District finance managers.

f. Accounting Services personnel.

g. Postmasters and their respective staffs.

h. Individuals who deal with treasury management.

i. Business units that create products or services that accept electronic payments.

j. Units that develop services that require new payment methods or those that need banking accounts.

1-2 Corporate Cash Management

1-2.1 Definition

Cash management is the management of the payment, credit, and debit inflows and outflows to the business; the maintenance of information about an organization's cash collections, disbursements, credit issues, debt issues, and account balances; and the use of this information to provide liquidity for daily business operations.

Liquidity means the cash the Postal Service has in its bank accounts plus the money it may borrow to meet daily financial obligations.

Financial-institution funds include those in the Postal Service Fund (PSF), which is kept in the Federal Reserve Bank in New York (New York Fed), as well as funds in depository accounts that are in the process of being transferred to the PSF.

Transactions include cash and cash equivalents, investments, and debt purchases. Cash equivalents include wire transfers; automated-clearing-house transfers; credits to a bank account; proceeds from the sale of securities; checks; money orders; and debit- and credit-card receipts. Investments and debt purchases are carried out through the U.S. Treasury account.

Cash management is a Corporate Treasury function. In the Postal Service this task is performed by Office of the Treasurer and Corporate Treasury staff at Headquarters, with the help of many, including area treasury coordinators, area and district finance staff, and Post Office™ workers.

1-2.2 Importance

Like automation equipment or a skilled workforce, cash is a resource that generates income for an organization. At the end of each business day investment managers may invest the Postal Service's cash balances in short- or long-term financial instruments. The Postal Service can earn interest on investments in U.S. Treasury financial instruments. By law, the Postal Service may invest only in specified U. S. Treasury financial instruments, such as bills, notes, and bonds.

Control of cash balances, acceleration of funds, and investments of cash balances are all part of Corporate Treasury's cash-management strategy. Inefficient cash management—including the slow collection and concentration of funds and the maintenance of high cash balances in bank accounts or at Post Offices—can negatively affect the Postal Service's bottom line in several ways, such as by removing the opportunity to earn interest on funds in the system and making it necessary to borrow money. It is crucial, therefore, to move cash balances to the PSF as quickly as possible. The PSF, the Postal Service's main bank account, is a subaccount of the Treasury Department's general account, which is kept at the New York Fed.

1-2.3 Objectives

Cash management may sound like budgeting, but its objectives and activities are different. Cash managers use a variety of financial tools and methods to:

a. Control the use of cash balances and increase earnings on these balances without incurring an unacceptable level of risk.

b. Accelerate the collection of checks.

c. Convert customers from less efficient methods of payment to more efficient and cost-effective methods.

1-2.4 Functions of Cash Management

Cash management has four functions:

a. **Accelerating deposits:** moving receipts into a depository bank account as quickly, safely, and cost-effectively as possible.

b. **Funds concentration:** moving funds from depository accounts to a central bank account.

c. **Disbursement:** paying the organization’s bills and other obligations in a timely and cost-efficient manner.

d. **Information and control:** maintaining a system that ties together the functions in a–d of this section and that reflects all major movements of funds and account balances.

1-3 Cash-Management Environment

1-3.1 Definitions

Postal Service cash managers interact with financial institutions, regulatory agencies, and nonbank payment processors. The principal players are:

a. **Regulatory agencies:** These establish rules and regulations for the banking industry. The most important agencies are the Federal Reserve Bank (FRB) system and the Federal Deposit Insurance Corporation (FDIC).

b. **Banks:** These financial institutions provide products such as demand deposit accounts, cash concentration, and disbursement accounts to individuals and businesses.

c. **Payment processors:** These entities electronically authorize credit- and debit-card sales from any point-of-sale terminal.

The Postal Service adheres to all applicable government regulations.

1-3.2 Functions of Banks

For the Postal Service, the most important services that banks provide are:

a. Offer depository accounts.

b. Provide services for efficient cash concentration.

c. Provide account information to support cash management.

d. Provide disbursement services such as checking and electronic funds transfer.

e. Sponsor the Postal Service's participation in the credit- and debit-card networks and the agency's relationship with payment processors.

1-3.3 Role of the Federal Reserve Bank

The FRB is a nationwide system of 12 district banks, branch banks, and regional check- processing centers. The system acts as a central bank for the banking industry and is responsible for:

a. Overseeing the check-clearing system; the automated clearinghouse (ACH) system for electronic funds transfers; and the Fedwire funds-transfer system, the major high-dollar funds-transfer system.

b. The nation's monetary policy, with the goal of promoting low inflation, low unemployment, and economic growth.

1-3.4 Role of the Federal Deposit Insurance Entities

The principal responsibilities of federal deposit insurance entities are:

a. Insuring deposits in commercial banks up to $250,000 per account (a limit established by Congress).

b. Examining depository institutions that have the insurance.

c. Acting as the receiver when a depository institution becomes insolvent.

1-3.5 Role of the Payment Processor

The payment processor automatically processes and obtains authorization for credit- and debit-card sales from any point-of-sale terminal. After processors validate card charges, the processor's bank transfers the sale amount to the Postal Service's concentration account.

1-4 Channels of Cash Concentration

1-4.1 Description

The Postal Service has the largest, most complex cash-collection system in the United States. Billions of dollars a year, from approximately 32,700 Postal Service installations and other channels, flow through about 100 bank accounts nationwide to reach the PSF.

1-4.2 Purpose

The Postal Service's cash-collection system transfers funds to a central account as quickly and efficiently as possible so they are available for use. By federal statute money generated from the sale of noncompetitive postal products and services must be deposited into the PSF. Before being transferred to the PSF, funds are temporarily consolidated in the Postal Service's main concentration account at a commercial bank for purposes of internal control. Corporate Treasury manages the cash and aims for a zero cash balance in the concentration account by the close of business each day.

1-4.3 Channel 1: Field Bank Accounts

Cash and check receipts reach the PSF two or three business days after the day of deposit. The time frame outlined in this section may be shorter or longer in some districts because of transportation. In general, the activities in the cash-concentration process are as follows:

a. **Day 1:** Every business day each Post Office consolidates its cash receipts and prepares a bank deposit. Small offices make a deposit when the number of cash receipts is above the deposit threshold. Deposits are delivered to the registry cage at the designated pickup point in each district. (In some high-risk areas the courier picks up deposits directly from the individual post office and takes them to the bank's cash vault for processing.)

b. **Day 2:** At the registry cage an armored courier service picks up the deposits and delivers them to the relationship bank or its agent for processing. (The relationship bank is chosen through a competitive request-for-proposals process to provide depository and funds-transfer banking services.) The bank processes the deposits and credits the district's field depository account.

c. **Day 3:** The relationship bank sends the Fedwire to the Postal Service's cash-concentration account at a commercial bank. (At some banks the Fedwire is sent on day 2). The bank that holds the concentration account wires the funds the same day it receives them to the PSF at the New York Federal Reserve. The Financing and Cash Management group in Corporate Treasury manages the daily investment and borrowing activities for these funds.

1-4.4 Channel 2: Card Processing

Cash management extends beyond cash collection at the retail unit to other entities collecting payments for postage or other postal products and services. An example of such systems are the ones that collect debit- and credit-card receipts, which are gathered from point-of-sale locations and cleared through a single bank before being credited to the PSF. The card-processing channel also includes the collection of card receipts from Internet, mail-order, telephone-order, and kiosk sales.

Receipts generally reach the PSF the next business day after the transaction. Card receipts reach the PSF faster than paper receipts but usually cost more to process.

1-4.5 Channel 3: Electronic Payments

An *electronic funds transfer (EFT)* is the movement of money electronically between accounts—either by wire transfer or automated-clearing-house (ACH) transactions. One example of an ACH transaction is payment through PostalOne!® EFT receipts generally reach the PSF in the same time frame as card receipts.

EFT funds are sent from the customer's bank account to the Postal Service's bank account. The receipts reach the PSF the next business day after the transaction.

1-4.6 Channel 4: Integrated Lockbox Network

Another means of collecting payments outside of retail units is the Postal Service's lockbox network. Lockboxes accelerate the collection of receivables and reduce mail float. The lockbox bank also accepts electronic payments.

Corporate Treasury has set up a lockbox network through which Computerized Meter Resetting System postage payments are deposited and moved to the New York Fed each day. The Kansas City Fulfillment Center is among the entities that use lockbox services.

All payments are routed to a designated Post Office Box™, from which they are picked up several times a day and delivered to a third-party processor, usually a bank. The bank is responsible for expediting the processing of funds in the lockbox and creating a file of the customer's transaction information, which is forwarded to the Postal Service and the appropriate meter company or other entity to update the customer's records. Lockbox check receipts reach the PSF one or two business days after the day of deposit, depending on the provider's float schedule.

1-4.7 Channel 5: Other Banking and Customer Payments

This section pertains to banking accounts established for purposes other than field banking or lockboxes. Corporate Treasury must be alerted of ALL banking relationships and must be notified whenever there is a change in them (bank merger, account closure, etc.).

1-5 Relationship Banking

1-5.1 Definition

Relationship banking is a proactive customer-service concept. Under this business model, the bank assigns a national relationship manager to an account to meet all of the customer's needs. The Postal Service's goal is to build long-term relationships with banks that recognize the agency as a preferred customer.

1-5.2 Principal Components

Selecting the right bank and maintaining a solid business relationship with the institution are crucial to the Postal Service's cash management. The key ingredients of a successful banking relationship are:

a. **Communication:** Postal Service relationship managers must inform bank officials of their changing needs and problems as they arise, and banks must provide relationship managers with all pertinent operational and reporting information in a timely manner.

b. **Integrity:** Financial-institution officials must abide by federal laws and regulations as well as the contractual requirements outlined in the agreement between the parties.

c. **Competitive pricing, service, and innovation:** The bank must offer the Postal Service the best value, with the optimum combination of pricing and other factors, for the services it provides. In addition, the institution must provide technical innovations and enhancements to existing products and procedures as they become available in the marketplace.

d. **Suitability:** Bank services must be suitable for Postal Service needs.

1-5.3 Bank Selection

Because of the vital importance of selecting and building banking relationships, detailed procedures for bank selection are in chapter 4.

1-6 Electronic Payments

1-6.1 Definition

Electronic payments include those made by credit and debit cards and EFTs. EFTs allow customers to pay for Postal Service products and services by moving funds directly from their bank account to the Postal Service's bank account. Large mailers often use EFTs to make advance deposits for postage.

1-6.2 Strategy

The Postal Service's electronic-payment strategy is to promote the most efficient, cost-effective, and convenient payment method for the agency and its customers. Policies and procedures that support this strategy are in chapters 2 and 5.

1-7 Risk Management

Corporate Treasury is responsible for helping manage corporate-wide risk, including:

a. Banking risk.

b. Interest-expense risk.

c. Electronic-payment fraud, such as debit- and credit-card fraud.

The office also oversees anti-money laundering activities and Office of Foreign Assets Control compliance. For more details on this risk-management program, see chapter 6.

2 Treasury Management Policies

2-1 About This Chapter

2-1.1 Purpose

This chapter gives an overview of the Postal Service's treasury-management policies, to serve as a guide for Post Offices and area and district offices.

2-1.2 Applicability

These policies and procedures apply to the following areas:

a. Banking.

b. Liquidity management.

c. Electronic payments.

d. Risk management.

2-2 Banking Policies—Bank Accounts

2-2.1 Bank Accounts

Corporate Treasury, together with Eagan Accounting Services and area offices, determines the commercial banks that will maintain field depository accounts into which Postal Service installations will deposit funds. The Banking and Customer Payments group within Corporate Treasury establishes national policies and procedures for Postal Service banking activities. Chapter 3 contains information on banking and armored courier procedures. Chapter 4 contains detailed procedures for selecting banks and armored couriers.

2-2.2 Bank Correspondence

The bank must send all transactional correspondence and inquiries concerning the account to Eagan Accounting Services.

2-2.3 Insuring Postal Funds

The Federal Deposit Insurance Corp. (FDIC) provides deposit insurance up to $250,000 per depositor. Balances that exceed the FDIC coverage limit must be protected by a pledge of collateral from the bank (see chapter 6). Corporate Treasury is responsible for managing bank collateral.

2-2.4 Service Charges

Service charges are fees a financial institution charges for the cost of services such as account maintenance: deposit, check, and overdraft processing; daily wire transfers; and preparation of monthly statements.

2-2.5 Payment of Bank Service Charges

Make payments as outlined in Handbook F-101, *Field Accounting Procedures.*

2-3 Banking Policies—Deposits

2-3.1 Delivering a Deposit to the Bank

There are two methods for delivering deposits:

a. Send the deposit to the bank by Registered Mail as outlined in Handbook DM-902, *Procedures for Handling Registered Postal Bank Remittance Mail*.

b. Submit the deposit through an armored courier service. *The contract for courier services is between the Postal Service and the armored courier*. For more information, contact the area treasury coordinator for the district. A list of area treasury coordinators is available on the Corporate Treasury website at *http://blue.usps.gov/corptreasury/bankRelations.htm*.

Prepare deposits as outlined in Handbook F-101, *Field Accounting Procedures*.

2-3.2 Ordering Deposit Supplies

The Postal Service has a national contract with a vendor for all bank deposit tickets, endorsement stamps, and bank address stamps. In accordance with the Postal Service's contractual obligation, all offices must order these items through the contract. ALL orders must be placed through the eBuy2 system. Offices without eBuy2 access should contact their district office for help with placing orders.

Currency straps and coin bags are not covered by the national field banking supply contract and cannot be ordered from the Postal Service's deposit-supplies vendor through eBuy2. Employees must order these items directly from a vendor. Post Offices should contact their area office for more information.

2-4 Banking Policies—Statements

2-4.1 Account Analysis Statements

Account statements are transmitted each month to a bank-fee monitoring system, which is operated by a third party. Every month the vendor sends a paper invoice to the Banking and Customer Payments group within Corporate Treasury.

2-4.2 Purpose

Each day banks must provide the following documents to Eagan Accounting Services:

a. Copies or images of deposit slips containing errors.

b. Debit memos.

c. Credit memos.

d. Deposit discrepancy items, including:

   (1) Discrepancy memos.

   (2) Copies or images of deposit slips.

   (3) For counterfeit items, an image copy, unless otherwise agreed upon, of Secret Service Form 1604, *Counterfeit Note Report*.

The Postal Service prefers that all adjustment documentation be sent to Accounting Services electronically with the appropriate information. If a bank is unable to use the electronic method, the supplier combines all the documentation into one envelope per processing location each day and sends it to Accounting Services in Eagan, MN.

Note: Some banks provide this information online.

2-4.3 Bank Exceptions and Reconciliation

Accounting Services reconciles bank exceptions daily. Refer to Handbook F-101, *Field Accounting Procedures,* for more information on this process.

2-5 Banking Policies—Collateral

Corporate Treasury receives quarterly reports from relationship banks detailing closing daily balances. Based on these reports, collateral levels are set semiannually. (For more information on collateral, see chapter 6.)

2-6 Banking Policies—Protection of Postal Funds

2-6.1 Armored Courier Service: General

An armored courier service is used to transport registered funds from the consolidating facility or, in some locations, directly from the Post Office to the processing vault designated by the relationship bank. Corporate Treasury establishes service contracts between the Postal Service and armored couriers.

2-6.2 Armored Courier Service: Requirements

The armored courier service must be insured for an amount equivalent to the average daily deposit, which includes both cash and checks.

2-7 Banking Policies—Authorizing a Transfer of Funds

Each field depository bank must transfer funds to the Postal Service's designated bank account each business day.

2-8 Banking Policies—Minority Bank Deposit Program

The Postal Service participates in the Minority Bank Deposit Program (MBDP) and invests certificates of deposit (CDs) in up to 30 percent of the MBDP institutions that meet the following requirements:

a. The financial institution must be on the U.S. Treasury's approved MBDP list, which is posted on *http://fms.treas.gov/mbdp*. If a bank is no longer on the list, then the CD is redeemed at maturity.

b. The financial institution must be rated by an independent bank rating agency (currently Kroll Bond Rating Agency) and maintain a minimum rating of C- for a year before the Postal Service makes its investment. Kroll assesses bank ratings every quarter. If a bank fails to maintain at least a C rating for any two consecutive quarters, the Postal Service must recall the CD upon maturity.

The deposit-insurance limit for deposit accounts is $250,000. This insurance mitigates the Postal Service's risk of financial loss, as do Kroll Bond Rating Agency's regular rating reviews and the requirement that the bank maintain a minimum rating. Currently, each CD is for $100,000 and a term of 12 months. The CDs mature every April.

If the Postal Service has CDs in more than 30 percent of the banks enrolled in the MBDP, it will not expand deposits.

2-9 Banking Policies—Postal Savings Certificates

An act of Congress removed all the value from postal savings certificates as of July 13, 1985; therefore, they are no longer accepted by the Postal Service.

2-10 Liquidity Management—Receiving Payments

2-10.1 Definition

Receiving payments is the collection of funds for any postal product or service and the collection of miscellaneous funds.

2-10.2 Authorization

Before implementing a payment method for a new product or service or making changes to an existing payment method, the postal group requesting the new payment method must submit a request for approval to Corporate Treasury. Corporate Treasury works cross-functionally with other postal groups to develop and implement new payment methods.

All electronic payments must adhere to the following policies:

a. Payment Card Industry compliance rules and regulations.

b. Information-security policies defined in Handbook AS-805, *Information Security*.

c. Information-security requirements defined in Handbook AS-805-A, *Information Resource Certification and Accreditation Process*, and the Application Business Impact Assessment.

2-10.3 Acceptable Forms of Payment

The following forms of payment are accepted with the restrictions listed:

a. U.S. coins and currency.

b. Checks, including:

   (1) Personal checks.

   (2) Bank checks.

   (3) Government-agency checks.

   (4) Business checks.

   (5) Traveler's checks.

   (6) American Express gift checks.

   (For more information on check-acceptance policies and procedures, review Handbook F–101, *Field Accounting Procedures.*)

c. Credit cards are accepted at all noncontract station retail locations for postal products and services except for:

   (1) Trust accounts, including periodicals, permit imprints, and Business Reply Mail™.

   (2) Bulk mailing deposits.

d. Periodicals' postage.

e. Permit imprint revenue.

f. Meters, either initial setting or resetting.

g. Money orders.

h. Collect on Delivery (COD).

i. Employee debt.

j. Passport application fees payable to the Department of State.

k. Personal identification number (PIN)–based debit cards are accepted at all noncontract station retail locations for postal products and services except for passport application fees payable to the Department of State.

l. Electronic funds transfers (EFTs), which include ACHs and Fedwires. For information on local (district) EFT payment requests, refer to Handbook F-101, *Field Accounting Procedures*.

m. Money orders, as outlined below:

   (1) Domestic.

   (2) International only for countries, as outlined in the *Mailing Standards of the United States Postal Service,* International Mail Manual (IMM®).

The payment options listed above are the only acceptable forms of payment.

Note: Payment methods for each contract postal unit (CPU) are based on the agreement between the Postal Service and the CPU. Also, military postal facilities may accept a closed payment type such as Army Eagle cash or Navy cash.

2-11 Electronic Payments—Credit Cards

2-11.1 Definition

A *credit card* is any card that is used to buy products and services on credit.

2-11.2 Policy

The Postal Service accepts the following credit cards for the purchase of most Postal Service products and services, as detailed in 2-10.3:

a. American Express.

b. Carte Blanche.

c. Discover.

d. Diners Club.

e. JCB.

f. MasterCard.

g. Visa.

Only certain sites that Corporate Treasury preapproves, such as the Kansas City Fulfillment Center, are authorized to accept credit-card payments by phone, fax, or mail order. Retail locations can process credit-card transactions only if both the card and the customer are present.

Note that some card brands may not be accepted through all payment channels.

Credit cards may not be accepted for the services outlined in 2-10.3.

For procedures on overages, underages, and chargebacks, see Handbook F-101, *Field Accounting Procedures.*

All cards must be swiped through the magnetic card reader and authorized (authorization code and approval received on reader) by the card processor for a face-to-face transaction. If the magnetic reader cannot read the card, follow the procedures in 5-2.1.

A machine-generated receipt is required for all credit-card transactions.

2-12 Electronic Payments—Debit Cards

2-12.1 Definition

A *debit card* is a bank card that takes funds directly from a customer's deposit account. Certain debit cards require the customer to enter a personal identification number (PIN) to complete the transaction.

2-12.2 Policy

PIN-based debit cards may be used to purchase postal products and services under the following conditions.

a. The card is one of the debit-network cards that the Postal Service accepts. If cards are added or deleted, these changes will be communicated in the *Postal Bulletin.* A list of accepted debit cards is also on the Corporate Treasury website at *http://blue.usps.gov/corptreasury/policy.htm*. To check if a PIN-based card belongs to a debit network that the Postal Service accepts, swipe the card through the terminal. If the card is not one of those accepted, the terminal will not approve the transaction.

b. Debit cards may be accepted for Postal Service products and services at all noncontract retail window locations except as listed in Part 2-10.3.

c. All debit cards must be swiped through the magnetic card reader and authorized (authorization code and approval received at point of sale) by the card processor.

d. A machine-generated receipt is required for all debit-card transactions.

e. Procedures on overages and underages are found in Handbook F-101, *Field Accounting Procedures.*

2-13 Electronic Payments—Electronic Funds Transfer

2-13.1 Purpose

EFT allows customers to pay for postal products and services by moving funds directly from their bank account to a Postal Service bank account. Large mailers often use EFT to make advance deposits for postage.

2-13.2 Policies

EFT may be used for the following transactions:

a. **Computerized Meter Resetting System (CMRS) payments:** CMRS customers may use ACH debits, ACH credits, or wire transfers from their bank account to a Postal Service corporate account.

b. **Kansas City Purchases:** Customers may use ACH debit payments from their bank account to Stamp Fulfillment Services to pay for postage.

c. **PostalOne!:** Customers can use ACH debits, ACH credits, or wire transfers to make payments from their bank account to the Postal Service to pay off their PostalOne! account. Customers must enroll in the PostalOne! payment program through the PostalOne! office.

Field units cannot accept local EFTs without the district finance manager's approval and concurrence from Eagan Accounting Services. If approved, the field unit must ensure that the customer sends a fax to Eagan Accounting Services before initiating each EFT transaction. Refer to Handbook F-101, *Field Accounting Procedures*, for detailed instructions.

2-14 Computerized Meter Resetting System Payments

2-14.1 Purpose

This section contains cash-management operating procedures for the Computerized Meter Resetting System (CMRS). These procedures must be used in interactions among the Postal Service, the meter company, and the contracted financial institution. Financial institutions are also referred to as *lockbox banks*.

2-14.2 Postal Service Responsibilities

The Postal Service is responsible for the following:

a. Safekeeping customer deposits.

b. Handling reconciliations involving the meter company, the lockbox bank, and the Postal Service.

c. Refunding meter balances.

d. Auditing financial systems associated with CMRS.

e. Collecting bad-debt transactions.

2-14.3 Lockbox Bank Responsibilities

2-14.3.1 Transactions

The lockbox bank is responsible for the following:

a. Receiving and processing customer deposits (checks, wire transfers, ACH credits, and ACH debits).

b. Collecting detailed transactional customer information associated with deposits.

c. Transmitting transactional customer information to the meter company.

d. Returning all information associated with uncollected funds, via electronic files, to the meter company; debiting appropriate Postal Service accounts; and, after consulting with the meter company, returning all original returned items to Eagan Accounting Services for collection.

e. Processing files for all refund requests from Eagan Accounting Services, thereby creating a refund check for the CMRS customer. (This issuance file sent to the bank is also reported to a contracted check-printing facility, which creates a check for the CMRS customer.)

2-14.3.2 Customer Service

The lockbox bank must do the following:

a. Assign a senior-level customer-service representative to handle all inquiries and investigations.

b. Accept inquiries and investigation requests directly from the meter company only.

c. Maintain a customer-service log in which to record inquiries from the meter company and the responses to the inquiries.

2-14.4 Meter-Company Responsibilities

The meter company must do the following:

a. Electronically dispense postage to customer meters.

b. Publicize to CMRS customers the four payment options, which are:

   (1) ACH debits.

   (2) ACH credits.

   (3) Electronic funds transfer (or wire transfer).

   (4) Checks.

c. Initiate information for refunds of customer deposits with the Postal Service.

d. Reconcile all customer accounts, including fund advancements and refunds.

e. Send to the Postal Service, via fax, a summary of daily business activity.

f. For returned checks or ACH payments, the meter company must debit the customer's account for the total amount of the returned item. If a customer's account has a negative balance because of a returned item, the meter company must notify the Eagan Accounting Service Center. If a customer has had a returned-check transaction or ACH debit returned twice, the meter company is required to place a block on the account, precluding further ACH debit or check-payment deposits. The customer must be notified, and the account must be made whole via a wire transfer or an ACH credit transaction. In the interim, until the account is made whole, the meter company will put in suspense any transactions for the customer that go through the lockbox bank.

g. If the meter company chooses to offer customers an advancement of funds, the meter company will maintain a deposit with the Postal Service equal to at least the total daily outstanding advances. The total amount of funds advanced on any day may not exceed the amount on deposit with the Postal Service.

2-14.5 Advancement of Funds

Each day the meter company must fill out an account-balance form to report to Eagan Accounting Services fund-advancement deposits and outstanding balances.

If the customer's requests for advances exceed the meter company's funds on deposit with the Postal Service, the meter company must wire-transfer, on the same day, the fund difference.

The meter company is not authorized to perform resetting in excess of a customer's balance on deposit with the Postal Service except in the case of fund advancements.

The Postal Service is not liable for any payments it receives from the meter company on behalf of a customer who then fails to repay the meter company.

2-14.6 Refunds

A customer must submit a written request to the meter company for a refund of any deposit-account balance. The meter company, in turn, must verify the customer's identification and validate the balance information. If the balance in the customer's account equals or exceeds the amount of the refund request, the meter company must immediately suspend the customer's access to the portion of funds requested. After receiving a request for a refund of all funds, the meter company will redirect all remaining funds on a customer's postage meter back to the Postal Service. The Postal Service then handles the customer's refunds in compliance with the policies and procedures outlined in Handbook F-1, *Accounting and Reporting Policy,* and Handbook F-101, *Field Accounting Procedures.*

2-14.7 Customer Service

The meter company must maintain a customer-service activity log to record inquiries that are forwarded to the lockbox bank and the responses.

2-14.8 Transfer of Funds to Postal Service

Each day the lockbox bank must wire-transfer all available collected balances to the Postal Service's designated bank account.

2-14.9 Customer Payment Options

Customers may make CMRS payments by check or through PostageNow™, a suite of electronic payment options, which include ACH debit, ACH credit, and wire transfer.

2-14.10 Customer Deposit Requirement

CMRS customers are required to have enough money on deposit with the Postal Service before their meter can be reset. The meter company may issue an advance of funds, in which case the company is responsible for depositing funds for the postage requested.

a. The following language must be incorporated into all meter-company rental or lease agreements and must be acknowledged by the customer:

   Acknowledgement of Deposit

   By signing this meter rental agreement, you represent that you have read the Acknowledgement of Deposit requirement and are familiar with its terms. You agree that, upon execution of this Agreement with [the meter company], you will also be bound to the terms and conditions of the Acknowledgment of Deposit Requirement.

b. The acknowledgement of deposit requirement information form must be executed at the time the customer signs the rental or lease agreement. The meter company must maintain the acknowledgements on file with the rental or lease agreement.

2-15 PC Postage

2-15.1 Definition

PC Postage customers need a personal computer to obtain PC Postage products. They may use the Internet to download postage to a mailer's computer, from which the postage indicia may then be printed.

2-15.2 Policy

The PC Postage customer may make postage payments by an ACH transfer or by credit card.

a. **Payments:** The customer or the customer's designee must make payments to the Postal Service in accordance with contractual or regulatory responsibilities.

b. **Payment options:** The Postal Service requires that PC Postage providers publicize to all customers the following payment options (listed in order of preference):

   (1) Automated clearing house (ACH) debits/credits.

   (2) Credit cards.

c. **Security and revenue protection:** To receive Postal Service approval to continue to operate PC Postage systems, providers must undergo periodic audits of their system, which will be conducted by an independent systems auditor. The frequency and scope of audits are determined by Postal Technology Management. Providers pay for these audits.

d. **Inspection of records and facilities:** Providers must make the facilities that operate the PC Postage system and all records about the system's operation available for inspection by Postal Service representatives at all reasonable times.

e. **Required language:** Providers are required to incorporate the following language into their agreements with PC Postage customers:

Acknowledgement of Deposit Requirement—PC Postage

By signing this Agreement with the Provider, you represent that you have read the Acknowledgement of Deposit Requirement—PC Postage, and are familiar with its terms. You agree that, upon execution of this Agreement with the Provider, you will also be bound by all terms and conditions of the Acknowledgement of Deposit Requirement—PC Postage, as it may be amended from time to time.

2-16 PostalOne!®

2-16.1 Policy

All funds are moved electronically. No cash or checks are involved, and the business-mail entry unit should not accept them.

When a company applies for a permit account, all of the local accounts to be paid through the new account are identified and linked through the PostalOne! system. Under this payment option, the local office is still credited for the revenue associated with mailings that it processes, even though the funds are not deposited there. Charges for postal services are totaled and debited from the account at the end of each business day.

2-16.2 PostalOne! ACH Debit Account

PostalOne! ACH debit accounts are managed as follows:

a. No advance deposit is required; the customer authorizes the Postal Service to deduct funds for postage directly from his or her bank account.

b. Postage statements are summarized daily, and an electronic debit is created.

c. The customer's bank account is debited the next business day.

2-17 Risk Management—Banking

2-17.1 Definition

Financial risk is the possibility that Postal Service funds may be lost when they are on deposit in financial institutions. Operating risk results from inadequate or failed processes, people, or systems or from external events.

2-17.2 Policy

The Postal Service manages the financial risk of loss by selecting only banks that are in good financial health and by requiring them to pledge collateral in accordance with policy.

2-18 Risk Management—Liquidity

2-18.1 Definition

Liquidity is the cash the Postal Service has in its bank accounts plus the money the agency can borrow to meet its daily financial obligations. Funds in financial institutions include those available in the PSF in the Federal Reserve Bank in New York and funds in depository accounts that are in the process of being moved to the PSF.

2-18.2 Policy

Funds must be moved to the PSF as quickly and efficiently as possible in order for the Postal Service to meet financial obligations, invest, or reduce debt.

2-19 Risk Management—Anti-Money Laundering Program and the Bank Secrecy Act

2-19.1 Definitions

Postal Service anti-money laundering and Bank Secrecy Act compliance refers to the strict adherence to all applicable federal laws requiring the reporting of large cash transactions and suspicious transactions.

Money laundering is the process of disguising the source of illegally obtained funds by using them in seemingly legitimate transactions.

2-19.2 Policy

Corporate Treasury establishes and enforces procedures to ensure full compliance with all federal anti-money laundering laws, as outlined in chapter 6.

2-20 Risk Management—Electronic Payments

2-20.1 Definition

Electronic payment risk is the risk associated with loss from electronic fraud or theft, including credit and debit cards.

2-20.2 Policy

As an acceptor of credit and debit cards, the Postal Service must establish policies and procedures to ensure compliance with credit- and debit-card company contracts. Additionally, the Postal Service must establish policies and procedures that minimize the risk of electronic-payment fraud and that protect customer data. Electronic-payment risk-management procedures are in chapter 6.

3 Banking and Funds Concentration Procedures

3-1 About This Chapter

This chapter outlines field depository banking and funds-concentration procedures for field offices. Field depository banking is the concentration and collection of funds from Post Offices.

3-2 Deposits

3-2.1 Procedures for Daily Deposits, Overages, and Shortages

For information on preparing daily deposits and the procedures for deposit overages and shortages, refer to Handbook F-101, *Field Accounting Procedures.*

3-2.2 Missing Deposits

For missing deposits discovered at the point where postal funds are concentrated for deposit into the Postal Service's account, review the standard operating procedure (SOP) for the handling of registered postal bank remittances from local post offices, stations, branches, and contract units. This SOP is available on the Postal Service intranet: *http://blue.usps.gov/site/wcm/connect/network_operations/general/policy_and_guidance/lop_and_sops/*.

For missing deposits discovered at the bank's processing vault, follow the procedures outlined in Handbook DM-902, *Procedures for Handling Registered Postal Bank Remittance Mail.*

The procedures for handling expenses charged to the unit for missing deposits are outlined in Handbook F-101, *Field Accounting Procedures.*

3-2.3 Ordering Field Depository Banking Supplies

3-2.3.1 Offices With eBuy2 Access

Before placing an order, an office must have a valid Federal Standard Requisitioning and Issue Procedures (FEDSTRIP) number and ensure that locally established buying procedures—including obtaining prior funding approval for ALL ORDERS—have been followed. For orders made through eBuy2, management and funding approvals are automated. For questions on eBuy2, contact the district finance manager.

The following steps outline how to order field depository banking supplies through eBuy2:

a. Enter the eBuy2 system.

b. Use the following required information to order deposit ticket or endorsement stamps:

    (1) The FEDSTRIP number.

    (2) The 10-digit unit ID number, which consists of the office's six-digit Finance number and the Standard Field Accounting Procedure (SFAP) four-digit identification number. ***(Note:*** The unit identification number is not the office phone number.)

    (3) The Post Office™ name.

    (4) Use the following additional information to order a bank address stamp:

    (5) The bank name.

    (6) The vault address, including the city, state, and ZIP+4®. (This information may be obtained from the district finance manager.)

c. Most shipping information is prepopulated based on the FEDSTRIP number; the ordering office, however, must verify that the shipping address is accurate.

d. If the order is to be shipped to a different address, change the shipping data by going to the default address option within eBuy2. This will allow the shipping address to be changed while retaining the original FEDSTRIP number address for billing purposes.

e. After completing the required information, submit the eBuy2 order. All charges will be allocated to the FEDSTRIP number in the order.

3-2.3.2 Offices Without eBuy2 Access

All bank deposit tickets and self-inking bank endorsement/address stamps must be ordered through eBuy2. Postal Service facilities that do not have access to eBuy2 may place orders by contacting the district office for assistance.

Use the following information to order deposit ticket or endorsement stamps:

a. The FEDSTRIP number.

b. The 10-digit unit ID number, which consists of the office Finance six-digit number and SFAP four-digit identification number. ***(Note:*** The unit identification number is not the office telephone number.)

c. The Post Office name.

d. Use the following additional information to order a bank address stamp:

(1) The bank name.

(2) The vault address, including the city, state, and ZIP+4. ***(Note:*** This information is available from the district finance manager.)

3-2.3.3 Contract Postal Units

The host Post Office will order deposit slips for the contract postal unit through eBuy2. All orders will be mailed to the host Post Office.

3-2.3.4 New Post Office or Contract Station

The district finance manager must place the initial deposit-service supply order for a newly opened Post Office or contract station. The following steps must be completed:

a. The district finance manager must call the deposit ticket supplier, Harland Clarke®, at 800-552-2902, to set up a new location.

b. The next day, the finance manager will use the following information to order deposit ticket or endorsement stamps via eBuy2:

(1) The FEDSTRIP number

(2) The 10-digit unit ID number, which consists of the office's six-digit Finance number and the SFAP four-digit identification number. (Note: The unit identification number is not the office phone number.)

(3) The Post Office name.

c. Use the following additional information to order a bank address stamp:

(1) The bank name

(2) The vault address, including the city, state, and ZIP+4. ***(Note:*** This information is available from the district finance manager.)

3-2.3.5 Order-Rejection Notification Process

Harland Clarke will update the *USPS Rejected Orders Report* daily. Offices may view the report on the Corporate Treasury website on the Postal Service intranet:

a. Go to *http://blue.usps.gov/corptreasury/*.

b. Under Banking and Customer Payments click *Bank Relations*.

c. Click *Harland Reject Report*.

The direct link is *http://blue.usps.gov/corptreasury/_xls/rejectrpt.xls.*

Each district's approving officer must review this report and notify the ordering office of any rejected order. The ordering office must, in turn, resubmit the order to Harland Clarke with the correct information via eBuy2.

3-3 Funds Concentration

3-3.1 Transfer of Funds From Post Office to Field Depository Bank

Post Offices must prepare their deposits as outlined in Handbook F-101, *Field Accounting Procedures.*

After making a deposit, Post Offices will follow the procedures outlined in Handbook DM–901, *Registered Mail,* and Handbook DM–902, *Procedures for Handling Registered Postal Bank Remittance Mail,* for transporting the deposit to the concentration point.

The standard operating procedures for registered postal bank remittances are available on the Postal Service's intranet.

To access Handbook DM–901, go to *http://blue.usps.gov/cpim/ftp/hand/dm901.pdf*.

To access Handbook DM–902, go to *http://blue.usps.gov/cpim/ftp/hand/dm902.pdf*.

More information is available on the Processing and Distribution website. The site includes the following information:

a. Standard operating instructions, including step-by-step procedures.

b. Final compliance checklist.

3-3.2 Transfer of Funds From Field Depository Account to Postal Service Fund

Every financial institution with a Postal Service field depository account must wire-transfer the available balance to the designated Postal Service bank account by noon Eastern time each business day for deposit into the Postal Service Fund.

4 Banking and Armored Courier Solicitation and Selection

4-1 About This Chapter

4-1.1 Banking Strategy

As part of its relationship-banking strategy, the Postal Service competes requirements among banks and armored couriers to promote the implementation of new, creative cash-management products and processes. Relationship banking also elicits from banks and armored couriers a long-term commitment to develop innovative solutions to meet the Postal Service's banking needs.

The Postal Service solicits field banking services for the widest geographical area possible.

4-1.2 Purpose

This section outlines selection procedures for the following:

a. Selecting a bank for the remittance of receipts from one or more Post Offices.

b. Establishing a field depository demand deposit account (referred to as a bank account or simply an account) at that bank.

c. Selecting an armored courier to transport Postal Service remittances.

4-2 Financial Institution Requirements

Financial institutions include commercial banks and thrift institutions (i.e., savings and loan associations).

To compete for Postal Service business, financial institutions must meet the following requirements:

a. Be federally insured.

b. Have bank depository services available in the city or geographic area served by that district. A bank may not necessarily have a physical presence in the district but may rely on third-party or correspondent bank vault processors.

4-3 Selection Process

The basic procedure and recommended timeline for selecting depository banks and armored couriers are as follows:

Selecting Banks and Couriers

Activity	Party Responsible
1. Gather data.	Purchase team, including Corporate Treasury, area treasury coordinator, and Accounting Services, as applicable
2. Prepare reference documents.	Contracting organization and Corporate Treasury, as applicable
3. Advertise solicitation.	Contracting organization
4. Issue solicitation.	Contracting organization and Corporate Treasury, as applicable
5. Issue attachments after nondisclosure agreement is executed.	Contracting organization and purchase team, as applicable
6. Submit proposals (response deadline).	Financial institutions and armored couriers
7. Analyze responses.	Purchase team, Corporate Treasury, area treasury coordinators, as applicable
8. Award recommendations.	Purchase team
9. Award contract.	Contracting organization
10. Notify successful offeror(s) and execute contract.	Contracting organization and treasurer, as applicable
11. Develop implementation plan with financial institution(s) and armored courier(s) and set implementation date.	Contracting organization and purchase team
12. Hold debriefings with unsuccessful offerors.	Contracting organization and treasurer, as applicable
13. Organize internal files.	Contracting organization and purchase team

In the previous scenario, district, area, and Headquarters finance and accounting staff work together to make the final recommendations to the treasurer.

4-4 Preparing and Issuing Solicitations

4-4.1 Initiating Solicitation Process

Before the current contract expires, district and Headquarters accounting groups and the contracting officer, together with Corporate Treasury, begin the solicitation process.

If a situation arises in the field that results in the need to solicit new banking services before the contract expires, the area treasury coordinator must notify Corporate Treasury for actions that the Contracting Officer will carry out.

4-4.2 Forming a Solicitation Team

The first step in issuing and evaluating a solicitation is to form a team to perform the solicitation-process tasks. The team's size and makeup may vary, depending on the complexity of the solicitation being issued.

The team must include representatives from Corporate Treasury, Accounting Services, and the area treasury coordinator.

4-4.3 Gathering Information for the Solicitation

To prepare for the solicitation, the solicitation team should:

a. Review the statement of work, which Corporate Treasury Banking and Customer Payments personnel will supply for the solicitation.

b. Obtain reports on volumes for each account affected by the solicitation from postal systems.

4-4.4 Contents of the Solicitation Package

The solicitation package should contain the following:

a. Postal Service overview.

b. Statement of work.

c. Mandatory requirements.

d. Functional requirements.

e. Terms and conditions.

f. Response guidelines.

g. Nondisclosure agreement.

h. District map and finance office address(es), as applicable.

i. Standard depository bank agreement.

j. Standard armored-courier agreement.

k. Projected monthly service pricing template.

    (1) Collateral policy

    (2) After the nondisclosure agreement is executed, include the attachments:

        (a) Monthly account volumes.

        (b) Armored-courier pickup points.

The individual who sends out the solicitation will compile a list of all financial institutions to whom it is sent and who have responded with a completed nondisclosure agreement.

4-5 Amending Solicitations

4-5.1 When to Amend a Solicitation

Only a representative of the contracting officer can amend a solicitation. A solicitation is to be amended in either of the following situations:

a. There are changes in the district's requirements during the solicitation period, and these changes are likely to affect the prices a bank offers.

b. There is a significant error in the solicitation that is likely to confuse or mislead offerors.

Examples of common errors that require an amendment include:

a. Significant typographical and editorial errors: A misspelled word that introduces ambiguity; a missing word that changes the meaning of a phrase; an extra zero after a dollar amount that adds an order of magnitude to an estimate.

b. Mechanical errors (e.g., missing page or enclosure).

4-5.2 How to Amend a Solicitation

A representative of the contracting officer will send a letter to all prospective offerors who received the original solicitation package describing the change and the reason for it. If necessary, revised pages, with the altered requirement, error, or omission clearly marked, will be included with the letter.

4-6 Canceling a Solicitation

4-6.1 When to Cancel a Solicitation

A representative of the contracting officer may cancel a solicitation for the following reason only: The requirements have changed so much that the current solicitation is no longer usable, and so a new one must be developed.

4-6.2 Cancellation Procedures

Only a representative of the contracting officer may cancel a solicitation. The representative will send a letter to all prospective offerors who received the original solicitation package announcing the cancellation and the reason for it. If the solicitation is canceled before the advertised closing date for proposals, the proposals that arrived after this action must be returned unopened to the offerors.

4-7 Advertising and Public Notice

4-7.1 Publishing Advertisements

4-7.1.1 Schedule

A representative of the contracting officer will notify potential offerors of solicitations for Postal Service field depository bank accounts by advertising them in trade publications. The notice must be published twice.

4-7.1.2 Fees

A representative of the contracting officer pays the advertising fees.

4-7.2 Content of Public Notice

The notice must contain the following information:

a. An announcement that the Postal Service is accepting offers from U.S. government-insured financial institutions to maintain a bank account(s) nationwide for deposits of Post Office receipts.

b. The closing time and date for the solicitation (i.e., the time and date by which banks must submit offers to receive consideration).

c. The name, address, and telephone number of the Postal Service employee from whom further information or a copy of the solicitation may be obtained and to whom proposals should be submitted.

4-7.3 Notifying Relationship Banks and Armored Couriers

A representative of the contracting officer notifies, by letter or electronically, all current relationship banks and armored couriers of the solicitation.

4-8 Conducting a Pre-Proposal Conference

4-8.1 Policy

A pre-proposal conference is optional for all bank-account solicitations. If one is held, banks are strongly encouraged to attend.

4-8.2 Objective

A pre-proposal conference provides a forum for clarifying any ambiguity in the solicitation and helps reduce potential problems in the process. Questions submitted in writing by banks and armored couriers are answered before the conference and are provided to all participants who signed a nondisclosure agreement. This may also be accomplished through other communications as dictated by the contracting officer in conjunction with Corporate Treasury.

4-9 Solicitation Evaluation—Bank and Armored Courier Risk Analysis

4-9.1 Definitions

Risk analysis is a method of determining the financial health of a bank or an armored courier whose services the Postal Service may engage.

Choosing financially sound banks and armored couriers reduces the risk of a disruption in service or a loss of funds caused by failure.

4-9.2 Risk Analysis

Corporate Treasury will provide ratings (currently provided by Kroll Bond Rating Agency) on all financial institutions that submit proposals.

These steps must be followed in a risk analysis of the responding banks:

a. Banks that have a rating of C- or above are considered acceptable risks and are eligible for further analysis.

b. If a bank is rated D or E in the most current bank-rating service report, or if it is not rated, the proposal may be rejected.

c. Armored couriers must have a satisfactory Equifax or similar report.

4-10 Solicitation Evaluation—Analyzing Service Charges

4-10.1 Definition

Bank service charges are the fees a bank charges to cover the costs of maintaining an account, processing deposits and checks, handling overdrafts, issuing stop-payment orders, preparing monthly account-analysis statements, etc.

Armored couriers charge fees to cover the cost of transporting Postal Service deposits.

4-10.2 Calculating Banking Expense

Banking expense is computed each month and then projected for an annual period. To calculate the annual banking expense and make accurate comparisons between proposals, use a matrix of monthly bank fees by district. Corporate Treasury's Banking and Customer Payments section will provide a template at the time of a bank solicitation.

4-11 Solicitation Evaluation—Requirements

4-11.1 Statement of Work and Mandatory and Functional Requirements

Banks must submit proposals on their letterhead. Banks must meet all the Postal Service's mandatory requirements or their proposals will be rejected. The purchase team may visit each cash vault where the Postal Service's money will be processed to determine the bank's operational capability.

4-11.2 Operational Clarifications

Financial institutions or armored couriers that are asked to clarify their offers must make those clarifications in writing within the time frame the contracting officer specifies. An officer of the bank must sign the clarification letter, which must be addressed to the contracting officer.

4-12 Making a Selection Decision

The solicitation team will select the financial institution and armored courier that best meet the performance-evaluation criteria and offer the best value to the Postal Service. The bidders must also have an acceptable risk rating.

4-13 Obtaining Area and Headquarters Concurrence

4-13.1 Award Recommendation

The solicitation team will meet with the assistant treasurer of Banking and Customer Payments or a designated Corporate Treasury Banking and Customer Payments staff member to finalize the award recommendations. The Purchase Team, will then prepare an award-recommendation memo that includes the following information:

a. The number and identity of the proposals received.

b. The number and identity of the proposals rejected because of an unacceptable risk rating.

c. An operational evaluation for each bank and armored courier service considered.

d. The projected banking expense and armored-courier cost for each proposal.

e. An evaluation of each bank and armored courier service, a recommendation on which service providers should be selected, and the rationale.

f. Documentation of unusual circumstances affecting the evaluation of proposals or the selection decision.

4-13.2 Approval

The recommendation memorandum is submitted to the office of the treasurer for review and approval. If the contracting officer approves the recommendation, the contracting organization or the treasurer issues an agreement letter to the successful bidder. Notification is provided to Corporate Treasury, the district finance manager, and the area finance manager.

4-14 Signing and Issuing the Bank Agreement

4-14.1 Form of Agreement

The Postal Service's law department must approve words or terms that deviate from the standard financial institution agreements before an agreement is issued.

4-14.2 Review and Approval of Deviations

The contracting officer must send a memorandum to the law department outlining the changed wording, with a draft copy of the agreement attached. The law department will approve, disapprove, or revise the request and notify the assistant treasurer of Banking and Customer Payments in writing of the decision.

4-14.3 Copies

When the financial institution signs and returns the agreement to the contracting officer, he or she sends copies to the area treasury coordinators for further distribution if necessary. Corporate Treasury will keep a copy of the financial institution's submission and signed agreement.

4-15 Signing and Issuing the Armored Courier Agreement

4-15.1 Form of Agreement

The Postal Service's law department must approve words or terms that deviate from standard armored-courier agreements before an agreement is issued.

4-15.2 Review and Approval of Deviations

The contracting officer must provide the document containing the deviations to the law department, which will approve, disapprove, or revise the request and send it to the assistant treasurer of Banking and Customer Payments.

4-15.3 Copies

When the armored courier signs and returns the agreement to the contracting officer, he or she sends copies to the area treasury coordinators for further distribution if necessary. Corporate Treasury will keep a copy of the armored courier's submission and signed agreement.

4-16 Notifying Unsuccessful Offerors

4-16.1 Form Letter

The Contracting Officer will send letters to all unsuccessful offerors.

4-16.2 Debriefings

The notification letters must inform unsuccessful bidders that they may request a debriefing, in which the Postal Service will discuss with them the strengths and weaknesses of their proposals. The contracting officer or his or her designee gives all debriefings when requested. Unsuccessful bidders should submit requests to the contracting officer within three days of receiving the notice of proposal rejection, but, when possible, debriefing requests received after that time may be honored. To the extent possible, a debriefing should occur within five days of when a written request is received.

4-17 Organizing the Contract Files

4-17.1 Contents

The contracting officer keeps the contract file for the winning bank. The contract file contains the following items. Corporate Treasury may also keep a file with copies of these items if applicable:

a. The original signed and executed copy of the agreement with the bank.
b. The original signed and executed copy of the agreement with the armored courier.
c. A copy of the awarded bank's proposal.
d. The bank's current risk rating.
e. Copies of all worksheets used in the evaluation of the bank or armored courier.
f. Other contract-related correspondence with the bank, the contracting officer, the armored courier, the area office, or Corporate Treasury.

4-17.2 Records Retention

The contracting officer must keep the contract file for the former bank for six years after the account is closed.

4-18 Establishing a New Bank Account

4-18.1 Responsibility

Corporate Treasury and the area treasury coordinator carry out the new contract at the field level and coordinate a transfer of funds from one bank to another if necessary. They may delegate specific tasks within the district finance office.

4-18.2 Ordering Supplies for New Bank Accounts

In instances where the Postal Service is responsible for field depository supplies for new bank accounts, the supplies must be ordered using a special order process overseen by Corporate Treasury Banking and Customer Payments. The area, the district, or Corporate Treasury may order supplies based on the request for proposal.

5 Electronic Payment Procedures

5-1 About This Chapter

5-1.1 Purpose

This chapter provides the procedures for processing electronic payments.

5-1.2 Applicability

These procedures apply to the following types of electronic payments:

a. Credit card.

b. Debit card.

c. Electronic funds transfer (EFT).

d. Postage Now® (CMRS).

5-2 Credit Cards

For step-by-step details on processing transactions, see the *Credit and Debit Card Quick Reference Guide* on the Corporate Treasury website.

a. Go to *http://blue.usps.gov/corptreasury/*.

b. Under Banking and Customer Payments, click *Payment Technologies*.

c. Click *Credit and Debit Cards*.

d. Click *Quick Reference Guides*.

5-2.1 Procedure

Accept credit cards for payment as follows:

a. Swipe the card through the magnetic card reader. If the card is approved, an authorization number will be displayed and a receipt will be printed.

b. If a card is swiped three times and the machine cannot read the magnetic strip, manually enter the card number. Be sure to obtain authorization through the magnetic card reader and verify that the credit card has not expired.

c. For sales of more than $25, a receipt will be generated with a line that the customer must sign. After the customer signs the receipt, give him or her a copy of it. Customers do not need to sign receipts for card transactions of $25 or less.

5-2.2 Additional Procedures

Review Handbook F-1, *Accounting and Reporting Policy,* and Handbook F-101, *Field Accounting Procedures,* for credit-card accounting procedures. Submit original receipts for the day using PS Form 1412, *Daily Financial Report.* Keep original receipts filed securely and separately from PS Form 1412 at the unit level for ease of research and destruction.

5-3 Debit Cards

5-3.1 Procedure

Accept debit cards for payment as follows:

a. To begin the transaction for a Tranz 380 machine, press the No. 6 key on the magnetic card reader. On POS terminals a prompt will appear asking the retail associate to select debit or credit card.

b. For all machines, swipe the debit card through the magnetic card reader and ask the customer to enter a personal identification number (PIN) by using the PIN pad.

c. After the card is approved, the magnetic card reader will generate a receipt. Give the customer receipt to the customer.

5-3.2 Additional Procedures

Refer to Handbook F-1, *Accounting and Reporting Policy,* and Handbook F-101, *Field Accounting Procedures,* for debit-card accounting procedures. Submit original receipts for the day using PS Form 1412. Keep original receipts filed securely and separately from the PS Form 1412 at the unit level for ease of research and destruction.

5-3.3 Credit- and Debit-Card Refunds, Retrievals, Chargebacks, Undercharges, and Overcharges

Review Handbook F-101, *Field Accounting Procedures,* for detailed information on handling credit- and debit-card refunds, retrievals, chargebacks, and overcharges.

5-4 Credit- and Debit-Card Excess Equipment

5-4.1 Purpose

Use the following procedure to:

a. Return VeriFone® excess equipment.

b. Return VeriFone training equipment that is no longer required.

5-4.2 Procedure

a. Complete a *USPS Advice of Returned Credit Card Equipment* request form, which is available on the Corporate Treasury website at *http://blue.usps.gov/corptreasury*, or from a district credit- and debit-card coordinator.

b. Make three copies of the *USPS Advice of Returned Credit Card Equipment* form.

c. Include one copy in the box with the equipment.

d. Forward one copy to the district credit- and debit-card coordinator for records.

e. Fax one copy to Headquarters Payment Technologies at 202-268-7742.

f. Mail all equipment Certified Priority Mail to First Data POS at the following address:

FIRST DATA POS
BLDG 200
2155 BARRETT PARK DRIVE NW, STE. 215
KENNESAW, GA 30144–3631

5-5 Credit- and Debit-Card Special-Event Procedures

5-5.1 Ordering Equipment

To order VeriFone credit- and debit-card equipment for special events, complete the *Special Events Checklist* 30 days before the event. This form is available on the Payment Technologies page of the Corporate Treasury website.

a. Go to *http://blue.usps.gov/corptreasury*.

b. Under Banking and Customer Payments, click *Payment Technologies*.

c. Click *Credit and Debit Cards*.

d. Click *Forms*.

e. Click *Special Events Directions*.

5-5.2 Special Events Checklist Procedures

The person responsible for the equipment must sign the *Special Events Checklist*. Send the completed checklist via fax or e-mail to the following:

a. District credit- and debit-card coordinator.

b. Area credit- and debit-card coordinator.

c. Payment Technologies, Corporate Treasury, at 202-268-7742.

d. First Data Merchant Services at 954-845-4092.

When unpacking the equipment, keep the original packing list.

5-5.3 Post-Event Procedures

After the event make five copies of the packing list and distribute one copy to the following with the certified number recorded:

a. In the box mailed to First Data POS.

b. To the district credit- and debit-card coordinator via fax.

c. To the area credit- and debit-card coordinator via fax.

d. To Payment Technologies, Corporate Treasury, via fax: 202-268-7742

e. In the local office’s files.

Mail all VeriFone Tranz 380s, Printer 250s, and pin-pad cables to First Data POS using Certified Mail.

FIRST DATA POS
BLDG 200
2155 BARRETT PARK DRIVE, NW, STE 215
KENNESAW, GA 30144–3631

Within 10 days after the special event, First Data Merchant Services (FDMS) will provide a report to Corporate Treasury of damaged equipment or equipment not received. If the equipment is not returned within 10 days of the event, Corporate Treasury will charge the district for it.

Note: FDMS will deactivate the Tranz 380 within five days after the event.

5-6 Electronic Funds Transfer

5-6.1 EFT Payments for Local Payments

Postmasters must contact their district finance manager and Eagan Accounting Services for authorization and procedures when customers request permission to use EFTs locally. See Handbook F-101, *Field Accounting Procedures,* for information.

5-6.2 EFT Payments for Express Mail Corporate Accounts and PostalOne!

EFT payments are accepted for both Express Mail corporate accounts and PostalOne! accounts. Follow the instructions outlined in Handbook F-101, *Field Accounting Procedures.*

In addition to EFT, customers may use a credit card to make Express Mail corporate account payments.

6 Risk Management

6-1 About This Chapter

6-1.1 Purpose

To ensure the continuation of operations, the Postal Service must recognize and minimize risk. Corporate Treasury operates in a unique environment that includes both the risks of a competitive, market-driven private organization and the constraints of a strictly regulated federal agency. Corporate Treasury's risk-management objectives integrate with those of sales, marketing, operations, and other finance groups to manage enterprise-wide risk.

6-1.2 Scope

This chapter covers the following topics:

a. Bank Secrecy Act and anti-money laundering compliance.

b. Banking financial-risk management.

c. Electronic payments (including credit and debit cards), fraud prevention.

d. Liquidity management.

6-2 Anti-Money Laundering Program and Bank Secrecy Act Compliance

6-2.1 Purpose

To combat money laundering in the United States, Congress has enacted a series of laws collectively known as the Bank Secrecy Act (BSA). As a seller of financial instruments, the Postal Service is specifically named in the act and must comply with all of its requirements. Under the act, the Postal Service must perform the following activities:

a. Deter money laundering.

b. Detect potential money-laundering activities.

c. Report money-laundering activities to the Department of the Treasury's Financial Crimes Enforcement Network (FinCEN).

d. Monitor postal compliance with these statutes.

e. Perform independent audits of the agency's internal compliance.

f. Provide ongoing training to Postal Service employees, because training is an integral part of the compliance effort.

6-2.2 Reporting Requirements

To comply with federally mandated reporting requirements, the Postal Service must complete the following forms:

a. A PS Form 8105-A, *Funds Transaction Report*, must be completed for all sales of money orders stored-value cards, and international money-transfer transactions of $3,000 or more to the same customer in the same day. A PS Form 8105-A must also be completed when cashing more than $10,000 in financial instruments in a day.

b. A PS Form 8105-B, *Suspicious Transaction Report*, must be used to report any potentially suspicious activity. The report should be completed immediately after the transaction occurs. Federal law prohibits the Postal Service from notifying the customer that a suspicious report is being filed; therefore, complete PS Form 8105-B only after the customer exits.

Each form must be mailed to the address on the front of it on the same day the form is completed. POS offices must submit the forms online via the POS/BSA interface.

6-2.2.1 Ordering Forms From the Material Distribution Center

The latest edition of PS Forms 8105-A and 8105-B must be used. Hard-copy forms may be ordered from the Material Distribution Center (MDC) by using touch-tone order entry (TTOE). Dial 800-273-1509.

Note: You must be registered to use TTOE. To register, dial 800-332-0317, select option 1, dial extension 2925, and follow the prompts to leave a message. (Wait 48 hours after registering before placing the first order.)

6-2.2.2 Printing Forms From the Postal Service Intranet

Forms may be printed from the intranet if no other copies of them are available. To print PS Forms 8105-A and 8105-B do the following:

a. Go to *http://blue.usps.gov.*

b. Under Essential Links, in the left-hand column, click *Forms*.

c. Under By Number click *8000–8999*.

6-2.3 Completing PS Form 8105-A

6-2.3.1 Acceptable Identification

Customers who wish to purchase postal money orders, international money transfers, or stored-value cards of $3,000 or more during the same business day must fill out a PS Form 8105-A and provide a government-issued identification card and a Social Security number or an acceptable alternative as outlined below:

a. The following forms of government-issued photo identification are acceptable:

(1) State-issued identification: driver's license or photo-identification cards.

(2) Passport (the country of issuance must also be entered).

(3) Alien registration card.

(4) Military identification card.

(5) Matricula Consular identification cards issued by the government of Mexico.

(6) Visa border-crossing identification cards issued by the U.S. government.

(7) Tribal identification cards issued by Indian tribes throughout the United States.

b. Except for passports and Matricula Consular cards, photo identification from other countries may not be accepted.

c. The following are acceptable replacements for a Social Security number:

(1) Passport number (the country of issuance must also be entered).

(2) Alien registration number.

(3) Employer identification number (if the financial instruments are being purchased on behalf of a business).

(4) Tax identification number.

6-2.3.2 Responsibility of the Retail Associate

Retail associates must verify that the form is filled out completely and that the customer's identification is valid (by examining the customer's identification). They then must sign PS Form 8105-A in the appropriate space. More information on filling out an 8105-A is found on the BSA Compliance Web page on the Corporate Treasury website: *http://blue.usps.gov/corptreasury/bsa/bsa_home.htm*.

6-2.3.3 Mandatory Fields

The following fields on PS Form 8105-A must be completed:

a. Name.

b. Address.

c. Social Security number or equivalent.

d. Date of birth.

e. Photo ID number and type.

6-2.4 Completing PS Form 8105-B

6-2.4.1 Purpose

PS Form 8105-B is used to report suspicious transactions. A suspicious transaction is one that shows signs of possible money laundering.

Retail associates must complete PS Form 8105-B only after the customer has left the window. Associates must not do anything that would put their personal safety at risk to gather information on a customer.

6-2.4.2 Mandatory Fields

The following fields on PS Form 8105-B must be completed:

a. Money-order amount and serial number.

b. Age.

c. Gender.

d. Ethnicity.

e. Height.

f. Weight.

g. Distinguishing marks like tattoos, scars, and moles.

Check the box or written description of why the transaction was suspicious. If safely visible from inside the Post Office, the vehicle type and license number should be included on the form.

6-2.5 Privacy Policy

For privacy reasons, copies of completed PS Forms 8105-A and 8105-B must not be kept at local offices.

6-3 Banking Financial Risk Management

6-3.1 Definition

Financial risk is the possibility of Postal Service funds being lost after they are deposited in banks.

6-3.2 Collateral Requirement

Public money on deposit at financial institutions must be secured by collateral to the extent that funds on deposit exceed federal insurance coverage. Banks must maintain FDIC insurance coverage for funds on deposit in each account to the extent required by law and pledge securities as collateral for balances in accounts when the balances exceed FDIC insurance coverage, in accordance with the provisions of the Code of Federal Regulations (CFR) that govern the U.S. Treasury (31 CFR 202).

6-3.3 Policy

6-3.3.1 General

The Postal Service requires that collateral be pledged for funds on deposit in accounts that exceed FDIC insurance coverage in the amount of the average ledger balance in postal accounts. The Postal Service subscribes to the Kroll Bond Rating Agency, which objectively rates approximately 8,500 insured U.S. commercial banks and 450 savings banks using uniform criteria. Before awarding a contract to a bank, the Postal Service reviews its Kroll rating. The minimum standard is in the C range (C+, C, C-).

6-3.3.2 Kroll Bond Rating Agency

Quarterly the Postal Service reviews the Kroll ratings of relationship banks. It expects that the banks that have the minimum C-range rating at the time the bid is awarded will maintain an acceptable rating after the award. If a bank drops below the minimum required rating for two consecutive quarters after the award (including the performance of the contract during its terms), the Postal Service will weigh all available options, including, separately or collectively, increasing the required collateral, calculating the requirement on a higher ledger daily balance (instead of an average ledger balance), and imposing more restrictive types of collateral. The changes will be made at no incremental cost to the Postal Service. After the bank's Kroll rating improves to the C range or better for two consecutive quarters, the bank's collateral requirement will return to the standard requirement.

6-3.4 Acceptable Collateral

The Postal Service accepts securities listed in categories 1 and 2 in 31 CFR 202.

6-3.5 Level of Collateral

To ensure that appropriate levels of pledged securities are in place, the banks provide the daily closing ledger balances for each three-month period. Financing and Cash Management reviews the quarterly reports listing these balances for each account to check for unusual balance fluctuations and to ensure there is adequate collateral. The required collateral levels are reviewed twice a year (after the June and December reports are received) to determine if any should be adjusted up or down based on the closing balances. As of February 1, 2009, the collateral level must cover the average ledger balances over a 12-month period.

Pledged securities are "marked to market" by the Federal Reserve Bank (FRB), and any shortfall must be corrected promptly. Every Monday morning the FRB marks to market securities. If a bank falls below the threshold set, Banking and Customer Payments notifies the bank.

6-3.6 Reports

In order to properly evaluate collateral levels, Financing and Cash Management will continue to receive quarterly reports from the bank, containing the daily closing ledger balance, the monthly average balance, and the quarterly average balance. To determine the 12-month average, Financing and Cash Management takes the average daily ledger balance from the four quarters and calculates the average for the year.

6-4 Banking Risk (Bank Rating System)

6-4.1 Objective

The objectives of the Postal Service’s bank rating system are to:

a. Provide a comparative assessment of the financial condition of banks where Post Offices maintain accounts or propose to do so.

b. Impose appropriate restrictions and highlight the banks that pose the most risk.

6-4.2 How Banks Are Rated

The Postal Service uses a third-party bank-rating system, the Kroll Bond Rating Agency, to evaluate the banks with which it does business. This system objectively rates the financial stability of approximately 8,500 insured U.S. commercial banks and state-chartered savings banks. Each bank is assigned one of nine tier ratings. A bank’s rating indicates the likelihood of failure or forced sale or merger.

Rating	Interpretation
A+, A, A-, B+	**Highest rating**. Strong overall financial condition. Very low risk of failure
B, B–, C+	**Good rating**. Financial condition strong in some but not all areas. Low risk of failure.
C, C-	**Moderate rating**. Satisfactory overall financial condition, perhaps with one problem area that requires attention. Should be watched closely for deterioration. Moderate risk of failure.
D, E	**Low rating**. Overall financial condition is poor, with one or more problem areas. Deterioration of current conditions or development of additional problems may lead to failure or regulatory intervention. High risk of failure.

6-4.3 Mitigating Risk

The Postal Service manages the financial risk of loss due to bank closures by:

a. Examining and rating the financial condition of banks that provide or propose to provide services and by selecting and retaining only banks in good financial health.

b. Maintaining pledged collateral.

c. Maintaining a Risk Dashboard on the banks that considers the Kroll rating, pledged collateral, and ledger balance.

6-5 Electronic-Payment Fraud Prevention

6-5.1 Definition

Electronic-payment risk management is the establishment and implementation of policies and procedures aimed at preventing loss due to theft or fraud from credit or debit cards or from electronic payment methods.

6-5.2 Card Control

Card control is the key to credit-card fraud prevention. The retail associate must maintain physical control of the card while performing the following steps:

a. If the “Valid From” or “Expiration” dates are invalid, the Tranz 380 and POS One terminals will not complete the transaction and will ask for another form of payment.

b. Make sure the card has a magnetic strip.

c. Compare the last four numbers embossed on the card to the last four numbers printed on the receipt. If the numbers do not match, the associate cannot complete the transaction and must ask for another form of payment. (The system will prompt the retail associate to enter this information.)

d. Return the card and the receipt to the customer at the end of the transaction.

6-6 Liquidity and Interest-Rate Risk

6-6.1 Definitions

Liquidity risk is the potential that an organization will fail to meet its financial obligations because of a lack of liquid assets, including cash and cash equivalents as well as short- and long-term borrowing facilities.

Interest-rate risk concerns the fluctuation of interest rates on loans and investments. For example, if an organization holds long-term debt, it faces the risk that interest rates may fall, making its rate above the market average. Interest-rate risk also covers the possibility of a reduction in the value of a security, especially a bond, resulting from a rise in interest rates. This risk can be reduced by diversifying the periods of the fixed-income investments that are held at a given time.

6-6.2 Mitigating Liquidity and Interest-Rate Risk

Corporate Treasury carries out borrowing or investment activities each business day, based on the Postal Service’s daily cash position, to ensure liquidity and to reduce interest-rate risk.

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