



The Austin Financial Center *FISCAL DIGEST*

An AFC Newsletter for Agencies

October 2007

Message from the Director

The mission of the Austin Financial Center (AFC) is to be ever vigilant in serving the public trust by advancing all facets of payment services. We are successful in this endeavor because all of us, including government and non-government agencies, share the same goal to efficiently and safely manage millions of payments through our joint stewardship. Sometimes this is not an easy task and the risks are perpetual. As we continue to change the way we do business, both in private industry and in government, we must be ever diligent of the security of privacy information. New systems and tools allow us the convenience and efficiency to provide services to our customers faster and easier, but the risks of technology are ever present.

During this tax season AFC managed over 104 million payments in tax benefits. Every payment was made on time in accordance with our Financial Management Service (FMS) motto: "On time every time!" The employees of AFC understand that these benefits affect a real person at the receiving end of these payments. Our "zero tolerance" for late payments has ensured the quality of our service and the diligence of our staff.

Through various mediums, such as forums, training, special agency conferences, advisory boards, and other coordinated efforts, we encourage agencies to openly communicate with us to help improve our services. The quality of our service to you is reflected in the trust you have with FMS.

*With best regards,
Robert C. Mange
Regional Director
Austin Financial Center*



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Special points of interest:

- Green Book Training
- Establishing back-up connectivity
- Accelerated deposit process
- Research Age Limits

Upcoming Events

The Austin Financial Center is pleased to provide the following forums, meetings, training, and events:

AGENCY FORUMS:

To Be Announced beginning 2008
Tentatively scheduled for May and August 2008.

- For *Agency Forums*, please check our website for future dates and online registration.

www.fms.treas.gov/afc

GREEN BOOK ACH SEMINARS:

San Antonio, TX Nov 7, 2007

- *Green Book ACH Seminars* are primarily for financial institu-

tions. If you are interested in attending or hosting this training, please contact the AFC Help Desk at (512) 342-7300.

VA/TREASURY MEETING:

Holiday Inn Town Lake
Austin, TX October 18-19, 2007

- For *VA/Treasury Meetings* please contact our coordinators to obtain additional information on times and agenda.

Joan Harper at
joan.harper@fms.treas.gov

Gay Wallace at
gay.wallace@fms.treas.gov

Adriana Pena at
adriana.pena@fms.treas.gov

CUSTOMER ADVISORY BOARD

Tentatively scheduled for April 2008

- For *Customer Advisory Board* meetings and agenda information, please check our website or contact

Joan Harper at
joan.harper@fms.treas.gov

Tabitha Guyton at
tabitha.guyton@fms.treas.gov



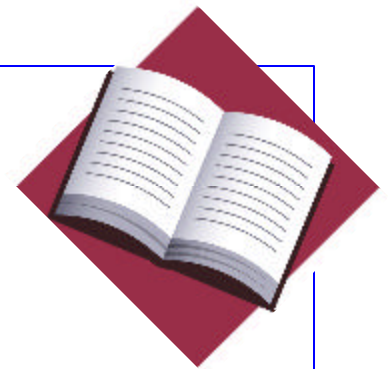
Treasury Financial Manual (TFM)

The following TFM Bulletins have been issued from October 1, 2006, through August 31, 2007:

#2007-01	Retention Bulletin
#2007-02	Current Value of Funds Rate (CVFR) Percentage
#2007-03	Intra-governmental Business Rules
#2007-04	Intra-governmental Payment and Collection System (IPAC) - Treasury Account Symbol (TAS)/Business Event Type Code (BETC) Reporting
#2007-05	Federal Agency Electronic Data Interchange (EDI) Payments Subject to Offset Through the Treasury Offset Program (TOP)
#2007-06	Intra-Governmental Payment and Collection System (IPAC) - Treasury Account Symbol (TAS)/Business Event Type Code (BETC) Reporting
#2007-07	Suspense "F" Account Discontinuance and Waiver Policy
#2007-08	Year-end Closing

An electronic version of the TFM, including all bulletins, announcements, and transmittal letters may be found at

<http://fms.treas.gov/tfm/index.html>



Connectivity to the Financial Management Service

At the beginning of this year FMS reviewed the telecommunications arrangements that we have with our customer agencies. The review was conducted to determine if the agency connections were adequate to continue operations at our back-up site at the Kansas City Financial Center. Agencies transmit their payment files to FMS either through the Secure Payment System (SPS) or through a direct network connection. For agencies that transmitted only via SPS, there was no action required. AFC learned that several agencies with network connectivity to FMS maintain only a single connection to FMS via the Hyattsville Regional Operations Center (HROC). In the event the HROC is unavailable, these agencies would be unable to submit payment files to FMS. Agencies with only a single connection to HROC were instructed to:

- Establish a back-up connection to the Kansas City Regional Operations Center (KROC). Some agencies with dual connections to HROC and KROC required programming revisions to reroute their data files to the back-up site under these circumstances.

OR

- Establish connectivity via the Private Internet Protocol (PIP) network. By using a PIP network connection, agencies will automatically have access to both HROC and KROC to submit payment files. PIP network connectivity provides agencies with a seamless and transparent rerouting of transmissions to the back-up site in the event that the primary operations center is unavailable. PIP connectivity will also prove beneficial to agencies because FMS will be decommissioning HROC in the future and replacing it with KROC as the primary processing site and the Bureau of

Public Debt (BPD) as the backup. When this transition occurs, agencies with a PIP network connection will automatically gain access to the new primary and back-up operations centers. Agencies with direct connections to HROC and/or KROC will need to manually reconfigure their connection to the new primary processing site and establish a direct connection to the new back-up site.

For more information about setting up for PIP or another direct-line connection, please contact Joseph Mendez at

(202) 874-7099

or email

joseph.mendez@fms.treas.gov



Agencies should not proceed with changes to their respective FMS connections without first contacting Mr. Mendez.

Paper Check Conversion (PCC)

Does your agency deposit a large number of remittances in the form of personal and business checks or money orders? Do you take your checks to a local bank for deposit into a Treasury General Account (TGA), or do you mail them to the local Federal Reserve Bank? Each of those methods has its risks and may delay credit to your account.

FMS has a product that will simplify and accelerate the deposit process and credit to your accounts. It is called Paper Check Conversion Over the Counter (PCC-OTC). In fact, the Austin Financial Center (AFC) was so impressed by the product that our Claims Branch is getting ready to implement this system soon.

AFC will be using the PCC to process the miscellaneous checks it receives on behalf of other federal agencies. While AFC previously deposited these checks at a TGA bank, PCC will allow AFC to scan and deposit these checks without leaving the center. PCC will not only improve the efficiency of AFC's check deposit process, but also provide an automated audit trail for improved controls. AFC will begin using PCC in January 2008.

What is PCC-OTC?

PCC-OTC is the process of converting paper checks (and money orders) presented to agencies into electronic Automated Clearing House (ACH) debits or electronic check debits through Check 21 to the check writer's account. The process works as a Point of Sale (POS) when the consumer presents a physical check to the cashier for payment, or as an Accounts Receivable when the check is received through the mail as payment and the writer of the check is not present. The agency cashier takes the completed check and inserts it into the POS scanner that reads the Magnetic Ink Character Recognition (MICR) line on the bottom of the check and captures the image of the check into the POS computer. The check image captured from the MICR line and other input data is transmitted to the Federal Reserve Bank of Cleveland (FRBC) through a secure, web-based Electronic Verification and Image Service (ELVIS). FRBC settles the transaction through the ACH network, makes CASHLINK entries, and provides an electronic deposit ticket and/or debit voucher reporting back to the collection site.

"...to participate... agencies must submit an Agency Participation Agreement (APA) and an Agency Site Profile (ASP)."

When processing as a POS (check writer is present), the cashier returns the cancelled check to the consumer on the spot with the transaction information. When processing as an accounts receivable (mailed item), the agency retains the check or money order and is required to destroy the check in 15 days after receipt of settlement.

Prior to participating in the PCC-OTC program, agencies must submit an Agency Participation Agreement (APA) and an Agency Site Profile (ASP).

What is Check 21?

Check 21, also known as Check Clearing for the 21st Century Act, was signed into law on October 28, 2003. Provisions of the law took effect on October 28, 2004. It is important to understand the effects of Check 21 on PCC-OTC. Check 21 provides the legal framework for the creation of substitute checks, which can be used in place of the original paper document, without an agreement in place with other financial institutions.

Continued on page 5

PCC

A substitute check is a paper reproduction of the original check. To meet legal requirements, it must:

- Contain an image of the front and back of the original check.
- Bear a legend that states, "This is a legal copy of your check. You can use it the same way you would use the original check."
- Display an MICR line containing all information appearing on the MICR line of the original check.
- Conform in paper stock, dimension, and otherwise, with generally applicable industry standards for substitute checks.
- Be suitable for automated processing in the same manner as the original check.

Check 21 provides one seamless deposit and reporting stream and has brought the following changes:

- May eliminate TGA accounts and expenses.



- Consolidated image archive, reporting, verification, settlement, customer service, and representation for every agency point-of-presence worldwide, including lockboxes.
- Better accounting, security, privacy, and management controls.

Overall, this legislation has modernized the nation's check payments system. Check 21 is designed to foster innovation in

the payments system and to enhance its efficiency by reducing some of the legal impediments to check truncation. All payment instruments are eligible for processing under PCC-OTC, including money orders, treasury checks, credit card checks, traveler's checks, cashier's checks, official checks, third-party checks, payroll checks, and checks drawn by state or local governments.

Check 21 requires financial institutions to accept a substitute check from a presenting bank or other

institution and grant it equivalent status as the original check if the substitute check meets prescribed requirements. It also requires a reconverting bank to meet the warranties and indemnities enacted through the legislation and subsequent regulations. For more information on Check 21, visit www.frbservices.org/Retail/Check21.html

Learn more about PCC-OTC

The PCC-OTC website has information that can be used to find answers to your questions

about using PCC-OTC. It is updated often with new information on upcoming changes, FAQ's, news, etc. It can also be used to download the latest bulletins and newsletters. You can

access the site at <https://www.pccotc.gov/pccotc/index.html>

Additional information about this service may be obtained by contacting the AFC Claims Branch at (512) 342-7581.

"ALL payment instruments are eligible for processing under PCC-OTC....."



About *Go Direct*

Direct deposit is safer, easier, and more convenient than getting a check in the mail; yet despite the advantages, many people who rely on Social Security and Supplemental Security Income (SSI) still get checks.

The U.S. Department of the Treasury and the Federal Reserve Banks are sponsoring the *Go Direct* campaign to motivate people (who receive federal benefits checks) to use direct deposit.

Campaign overview

What: *Go Direct* reaches out to people through organizations they know and trust to inform them about the many benefits of direct deposit and help them sign up for it. Through one-on-one outreach events and media, *Go Direct* works to encourage people to switch to direct deposit.

When: The national campaign was kicked off in fall 2005.

Why: Direct deposit is simply the best way for people to get their Social Security and SSI payments because it eliminates the risk of stolen checks, reduces fraud, and gives them more control over their money—plus, direct deposit allows immediate access to funds from virtually anywhere.

A simple action like enrolling in direct deposit can offer much-needed peace of mind to people who rely on federal benefits, most of whom are seniors and people with disabilities.

In addition, direct deposit saves taxpayers money. If everyone who currently gets a federal benefits check switched to direct deposit, it would save taxpayers millions of dollars annually. The money saved as a result of *Go Direct* will be used to cover the costs of future Social Security payments -- a benefit to all Americans for generations to come. This is especially relevant today given that baby boomers will start reaching retirement age in 2008.

Who: The Treasury's Financial Management Service and the Federal Reserve Banks are working with partners to implement the campaign. Partnerships with banks, credit unions, volunteer tax preparation sites, social service agencies, community-based groups, and other organizations are vital to the campaign's success in communicating the *Go Direct* message.

How: People who get Social Security and SSI checks are culturally, economically, geographically, and socially diverse. To reach all of them, the campaign relies on partners to communicate the *Go Direct* message, along with media outreach, direct mail, and web sites in English and Spanish.

(www.GoDirect.org and www.DirectoASuCuenta.org).

The campaign makes it easy for people to sign up for direct deposit -- they can call the *Go Direct* helpline at (800) 333-1795, visit www.GoDirect.org to sign up online, or stop in their local financial institution or Social Security Administration office.

Age Limits on RFC Claims Research

The Financial Management Service (FMS) established an age limit for payment search requests on June 1, 2006. The time frame in which payment or claims information can be requested is as follows:

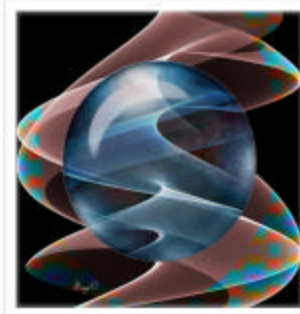
Treasury Checks

Seven (7) years from the date of issuance (as announced by FMS' Financial Operations in correspondence dated February 8 and March 9, 2005.)

ACH Payments

Six (6) years from the date of issuance

Requests over six years old make up a very low percentage of the requests we receive. However, the following factors were key in establishing the new limits:



- Labor-intensive manual searches
- Limits of the Financial Management Service (FMS) Payments and Claims Enhanced Reconciliation (PACER) system's data storage capabilities

- National Automated Clearing House Association (NACHA) rules requiring banks to keep Automated Clearing House (ACH) payment data for only six years.

- Title 31, CFR 210 limit of six years on financial institution liability for ACH reclamations

Any exception to the above limits will be decided on a case-by-case basis.

Should you have any questions concerning this policy, please contact John Rogers, Project and Customer Support Manager, at (512) 342-7265.

Secure Payment System (SPS)

SPS – Vista

Microsoft's newest Operating System (O/S), Vista, has been released to the general public. Some federal agencies have begun the transition from their current O/S to Vista. We (FMS) have begun to look at the potential impacts or incompatibilities that may be presented when using SPS with Vista.

Here's what we've done so far:

We've installed Vista on a workstation in our lab and have begun to get familiar with the Vista world.

Here's what we will do:

Later this year we will begin to test SPS with Vista. Based on the test results, we will determine what appropriate changes will need to be made to SPS.

When will SPS be Vista ready?

At this time, we do not have an exact timetable for making SPS compatible with Vista. (Later this year and well into next year, we will be exploring what will need to be done to insure a smooth transition to Vista.)

We expect this process to be complete sometime next year (2008).

What should Federal Agencies do:

FMS will continue the support of SPS on Windows XP O/S for the foreseeable future. Agencies are expected to keep using SPS on Windows XP at least until FMS announces their support of SPS operating on Vista.



Secure Payment System (SPS) — “What’s New”

Credential Management Enhancement—Release of Update to SPS

This new release provides the ability for SPS users to manage their credentials. This includes the ability to update “key components” of their credentials like encryption key/certificate, signing key/certificate, etc. The normal SPS activity remains unchanged.

What’s New

All SPS users have a Public Key Infrastructure (PKI) Credential residing on their iKey token. Various components of this PKI Credential need to be updated prior to reaching expiration. The functionality to update a user’s credential is now built-in to SPS. In addition, certain events cause changes to be made to PKI Credential (examples could be change of user’s last name, change of user’s agency name, PIN expiration, etc.). The current enhancements help users to manage their credential to handle such events with the assistance of their Primary Servicing Regional Financial Center (RFC).

During normal login to the SPS application, after entering their PIN, users may now encounter a “User Credential Status” screen.

The “User Credential Status” popup will reflect the date/time of the expiry. In the future, the list of expiring components may be different and could include Signing Key/Certificate, Encryption Key/Certificate, a pending Forced-Update, a pending DN (user/agency name) change, a pending PIN change, etc. In addition, the popup screen may reflect the “Update” button as enabled along with the “Skip Update” button disabled to force users to change their credentials immediately.

Selecting the “Update” button results in the updating of their credential. After a 3-10 minute wait period, the user is presented with the status of the activity in a popup screen titled “Message.” Selecting the “OK” button on this screen leads to the

continuation of the usual SPS login process. The “User Credential Status” screens will not appear until the next time they are needed.

“If users attempt to login to SPS with expired credentials, they will receive a pop-up error....”

If users do not login to SPS within 90 days, they may find that their credential has already expired and cannot be updated/managed automatically by the enhancements described here. If users attempt to login to SPS with expired credentials, they will receive a pop-up error message with the text: “Your certificate has expired. Please contact the helpdesk to create/recover the certificate.” In this case the users are expected to follow the manual process to recover their credentials. The current manual process to recover credentials when users forget their PINs, lose their credentials or when their credential has expired/compromised, remains unchanged.

Should you have questions or need additional information concerning SPS, please contact Gary Ng at (202) 874-6947 or Chris Garrett at (202) 874-7316.

Secure Payment System (SPS) — Upcoming Changes

The next couple of releases of SPS are expected to offer a “Self Contained” version of SPS and to provide support for stronger versions of cryptographic components (SHA-2 and 2048-bit keys). The “Self Contained” version is expected to run SPS without involving any standard browser or installed Java Plug-in on the user machine. Windows XP (with latest patches and updates) is the only supported Operating System for SPS. Even though official support will be dropped for Windows 2000, we expect (but cannot guarantee) SPS to continue to function with Windows 2000 Operating System after June 2007. The support for Windows XP is expected to continue for the foreseeable future. SPS support for the new Windows Vista Operating System is expected to be available in early 2008. SPS supports two versions of Java Plug-ins – version 1.4.2_13 and 1.5.0_11. SPS support for the new Java plug-in version 1.6.0_x is expected to be available in early 2008. Note that SPS no longer supports the Java Plug-in version 1.3.x_y. Users attempting to login to SPS using Java Plug-in version 1.3.x_y will receive an error message. Please contact either Gary Ng (202) 874-6947 or Chris Garrett (202) 874-7316 for additional information.

AFC Help Desk: Frequently Asked Questions (512) 342-7300

- **Customer:** “I have received a letter from the IRS with an FMS contact number for more information. What information can you provide me on this notice?”

Unfortunately, nothing yet. FMS is not made aware of and does not receive copies of notifications originating with the IRS. It is not until FMS actually receives a claim from the agency that we begin an inquiry. Even then it is best to contact the agency before contacting FMS.

- **Customer:** “What is the status of my payment from the IRS?”

We cannot provide this information to you. You must first contact the IRS or the authorized paying agency for the status of your payment.

- **Customer:** “Where is my payment?”

If you have been referred to us by the paying agency, ensure that you have acquired the date of pay and status from the agency **before** calling the AFC Helpdesk. If you do not have this information, we cannot attempt to help you locate your payment.

- **Agency:** “When I input an agency payment, does it go directly to FMS?”

No. The transaction will first be processed by the agency’s internal Financial Department before being forwarded to us for payment processing.

- **Agency:** “Can we refer our customers to you?”

We prefer to work with the agency concerning their customer and let the agency forward the information. If there is a problem or question that cannot be resolved through the agency, then we would be happy to work with the customer.



Payment Application Modernization (PAM) Project

The Payment Application Modernization (PAM) Project is an effort to modernize the current mainframe-based software applications that are used to disburse approximately one billion federal payments annually. The existing payment system is a configuration of numerous software applications that generate check, wire transfer, and ACH payments for federal program agencies (FPAs), including Social Security, IRS, Veterans Affairs, as well as others. The vision for the PAM initiative involves replacing 30+ COBOL and Assembler applications that have evolved over the last several decades with a single standardized application. Because the basic functionality within all of the current applications is similar, a standardized system that is extensible and highly configurable is the desired end state.

In addition to standardization, the Financial Management Service (FMS) is looking to modernize the technologies employed in the development of the system, using commercial off-the-shelf (COTS) products where feasible. Additionally, the project incorporates new and enhanced functionality to support improvements in the payment process. The payment application will be hosted within the FMS computing infrastructure. Because FMS applications development staff will maintain the new payment application once implemented, a well-defined strategy for transferring knowledge to FMS development staff will be an important aspect of this project. This project is a high priority initiative for FMS and Payment Management (PM).

Address Hygiene



In order to utilize government monies more efficiently, AFC uses electronic mail-sorting equipment to assist the United States Postal Service (USPS) in expediting the mailing out of checks to our customers. The processes performed by this equipment not only saves our agency time and energy but helps the postal service move a large volume of mail quickly and accurately. The savings to the government is approximately seven cents per piece of mail. In order to manage this task, the functions performed during the mail sort process are highly dependent on accurate customer addresses. If an erroneous or unidentifiable address is detected, the equipment will reject this piece for manual processing; and many times our discount in postage is lost.

The Austin Financial Center encourages all customers to ensure their mailing address is properly recorded. This enables us to save tax dollars by expediting mail more efficiently.

Should you need information concerning postal address standards or software certification requirements, you may visit the USPS website at www.usps.gov or you may contact our AFC Help Desk at (512) 342-7300.

AFC Customer Advisory Board (CAB)

On April 26-27, the Austin Financial Center (AFC) in partnership with the National Aeronautics and Space Administration (NASA), Johnson Space Center, hosted its third Customer Advisory Board (CAB) Conference in Houston, Texas. Thirty customers attended the conference including federal agencies, program speakers, and AFC staff members.

The two-day conference featured program presentations on the following: NASA Shared Services Implementation, EDI CTX Offsetting, IRS Telephone Excise Tax Refund, ARM – Holistic Approach, Single Sign-On, U.S. Debt Card Program/Direct Express, SPS Update/Certifying Officer Roles, AFC Updates, Continuity of Operations/Pandemic Briefing, Payment Application Modernization (PAM) Project, Be-



Mission Control Center, Houston, Texas

coming a GWA Player: It's Impact On Your Agency, Discussion on Payments interfacing with GWA, and Internet Payment Platform (IPP).

The Austin Financial Center's CAB Charter was implemented during this meeting. Robert Sachetti of the Department of Veterans Affairs, Finance and Insurance Office in Philadelphia, was elected as the CAB Chairperson and will serve with other board members for a term of two years.

We encourage all agencies to attend our next CAB conference in order to gain valuable information and points of contact. Additional information concerning our next forum may be found on our website.

Treasury Check Information System (TCIS)

The Treasury Check Information System (TCIS) has replaced the Check Payment and Reconciliation System (CP&R) as of June 5, 2006. TCIS processes check data using web technology and replaced the aging CP&R system implemented in November 1986.

Due to this conversion, you may have received an SF-1098, Schedule of Cancelled Checks, TFS-1185, Schedule of Unavailable Check Cancellation Credits, and/or cancellation listings. In addition, you may have received the SF-1098 and the SF-1185 with cancellation listings for any off-set reversals that may have occurred during this conversion time.

Your agency may still receive TFS-145, Schedule of Cancelled EFT Items, and cancellation listing since the EFT returns were not affected by this conversion. For additional information, please review the TFM Bulletin #2006-06 or contact the AFC Help Desk at (512) 342-7300.



Department of the Treasury
Financial Management Service
Austin Financial Center

The Fiscal Digest is published by the Austin Financial Center, a regional office of the Financial Management Service, Payment Management, a bureau of the U.S. Department of the Treasury. Our address is 1619 E. Woodward St., Austin, TX 78741; phone: (512) 342-7300. For an electronic version, visit www.fms.treas.gov/afc

The Austin Financial Center (AFC) was established in 1969 as a disbursing office for the Financial Management Service (FMS), a bureau of the Department of the Treasury. In 1984, the AFC became one of five FMS Regional Financial Centers (RFC). Each RFC is responsible for the disbursement of public monies on behalf of federal civilian agencies. The regional system was developed to bring agency operations and services closer to its customers.

The AFC is not only responsible for services within our five-state region, which includes Arkansas, Louisiana, New Mexico, Oklahoma, and Texas, but also provides various services to customers worldwide.

The mission of the AFC is to be ever vigilant in serving the public trust by advancing all facets of payment services.

On time every time!



Austin Financial Center Services

- Issue payments, by check or electronic funds transfer (EFT), on behalf of federal agencies to recipients throughout the United States and other countries where U.S. citizens may be living abroad.
- Process claims and inquiries related to EFT payments and government checks that have been returned, lost, or stolen.
- Process Explanation of Benefits (EOB's) for VA payments.
- Implement and monitor cash/credit management, debt collection, and accounting programs for federal agencies.
- Serve as a financial consultant and advisor to federal, state, and local governments, the financial community, and the Federal Reserve System to ensure that FMS initiatives are carried out in a practical, efficient, and effective manner.
- Provide training on existing and new programs and initiatives through workshops or seminars that are designed to meet the needs of our customers.